PRIVATE EDUCATION LOAN CHECKLIST

Private credit-based educational loans are offered by private commercial lenders or state loan authorities for the purpose of financing college costs. Qualifications and eligibility vary by lender.

We recommend you consider the information below before making your lending decision:

- ☐ **Brown University does not endorse or recommend any specific private loan product over another.** Students and families should determine which loan option most closely aligns with their plans, priorities, and financial circumstances.

- ☐ **Exhaust federal loans first:** For U.S. citizens and permanent residents, there may be considerable benefits to maximizing federal student loan options. Parents and graduate/professional students may wish to consider the Federal Direct PLUS Loan, popular for its less stringent credit requirements. If a parent of a dependent student is denied a Federal Direct PLUS Loan, additional student federal loan borrowing may become available. Contact Financial_Aid@brown.edu to explore additional federal loan borrowing.

- ☐ **Decide who will borrow**: Some loans are only offered to students, some only to parents. Decide who will borrow and if a co-signer is required. Applying with a cosigner may result in slightly lower interest rates.

- ☐ **Borrow only what you need**: Avoid the temptation to borrow more than what you need. Remember, you must pay back every dollar borrowed, plus interest.

- ☐ **Recognize your long-term commitment**: Borrowing loans can impact your financial choices and priorities long after graduation. Consider the monthly payment during the repayment phase in your commitment decision. Weigh what you can afford monthly vs. how much you are willing to spend over the life of the loan repayment. Use a calculator to estimate your monthly payments
  - Bankrate: https://www.bankrate.com/calculators/college-planning/loan-calculator.aspx

- ☐ **Review your credit history:** Most lenders require a credit-worthy U.S. borrower and sometimes a co-borrower. Check your credit history in advance at www.annualcreditreport.com. If you believe you may not qualify because of compromised credit, resolve any issues before applying.

- ☐ **Don't decide based on interest rate alone**: Compare your long term priorities (the total cost of borrowing) vs. short term priorities (lowest monthly payment) or both. Consider the amount of loan fees charged. Learn the language of student loans, including terms such as interest, deferment, repayment, capitalization, forbearance, default, etc. A glossary is available at: https://studentaid.ed.gov/sa/glossary

- ☐ **Don't overextend yourself**: Industry advisors suggest that your monthly student loan repayment obligations not exceed 10% of your monthly income, especially if you have other debt (credit cards, car payments, etc.). If your payment will exceed this amount, consider consolidating in the future or borrowing from lenders with flexible repayment plans.

- ☐ **Be realistic about borrower-based benefits**: Examples include co-signer releases, interest rate reductions with on-time payments after a set period, etc. Although these incentives are attractive, statistics show only a small percentage of borrowers qualify for them.

- ☐ **Know your repayment contingencies**: Research "what if" scenarios on repayment. Does the lender offer deferment of payments if you return to school, experience financial hardship, etc.?

- ☐ **Avoid loan default**: If you fail to honor the terms of your promissory note you risk default, which will have an adverse effect on your credit. This can have a negative impact for years and prevent you from using your credit for future purchases and financing.

- ☐ **Keep in touch**: It is your responsibility to notify your lender if you move, if you go back to school (and wish to apply for deferment of your loan), etc. You should not rely on any other party to do this for you, including Brown.