

## FAQs

### Q: What are private student loans?

Private student loans are provided by private lenders — banks, credit unions, and online lenders. You can use private loans to pay for education costs and living expenses, which your federal education loans might not cover. Interest rates and terms on private student loans can vary, depending on your financial situation, credit history, and the lender you choose.

### Q: How can you use private student loans?

You can use private student loans to pay for education-related costs and living expenses, which your federal school loans might not cover. Some uses include:

- Tuition and fees
- Room and board
- Housing utilities
- Meals and groceries
- Books
- Supplies
- A personal computer you'll use for school
- Dependant childcare expenses

### Q: What types of student loans are there?

There are several types of student loans:

- **Federal student loans** are offered by the U.S. Department of Education and have interest rates set by Congress. These loans also provide benefits and protections that private student loans don't offer, such as access to federal deferment and forbearance options, income-driven repayment programs, and student loan forgiveness programs.
- **Undergraduate student loans** include both federal and private student loans that are used to pay for your undergraduate studies.
- **Parent PLUS Loans** are available to parents who want to help their child pay for school. Unlike other federal student loans, PLUS loans require a credit check, and you might not qualify if you have an adverse credit history, such as a default, delinquent account, or repossession. Keep in mind that some private lenders offer parent student loans, too — though these don't come with the federal protections that PLUS Loans offer.
- **Graduate student loans** can be used to help you pay for grad school. Direct Unsubsidized Loans and Grad PLUS Loans are two types of federal student loans that can

be used for graduate programs. There are also several private lenders that offer graduate student loans.

- **MBA student loans** can help you finance a business degree. While you might be able to use a general graduate student loan to pay for these costs, there are also private lenders that offer specialized MBA loans.
- **Law school student loans** can be used to pay for a law degree. You can take out general graduate student loans for this, or borrow specialized law school loans from certain private lenders.
- **Medical school student loans** can help you cover expenses while attending med school. Some medical school loans also sometimes let you defer payments until after residency.

#### **Q: How does the Education Personnel FCU marketplace work?**

Tired of seeing rate ranges and not knowing where you fall in the range? The Education Personnel FCU marketplace allows you to compare real, pre-qualified student loan rates through a single form. Think of it as Expedia or Google Flights of student loans.

With our marketplace, you can compare real repayment plans from multiple lenders side-by-side so you know precisely how each loan stacks up when it comes to APR, monthly repayment, total repayment amount, and repayment options.

#### **Q: How does student loan interest work?**

Student loan interest works by adding a percentage of the loan amount to your outstanding balance over time. This interest rate represents the cost of borrowing money. When you make monthly payments, a portion of the payment is allocated towards covering the accrued interest, while the remaining amount goes towards reducing the principal balance (the original loan amount). Choosing a lower interest rate can help you save money over the life of the loan and accelerate the process of paying off your debt.

#### **Q: What is a fixed- vs. variable-rate loan?**

Before you borrow, you'll need to decide whether you want a fixed- or variable-rate student loan. Here's the difference between the two:

- **A fixed-rate** will stay the same over the course of your loan term. This also means your payments won't ever change.
- **A variable rate** can fluctuate and possibly even increase over time. Because of this, your payments might rise or fall.

#### **Q: What are the drawbacks of private student loans?**

While private student loans can be a helpful option in some cases, they also come with drawbacks to keep in mind, including:

- **No federal benefits:** Private student loans don't come with federal benefits and protections. For example, you won't be eligible for student loan forgiveness programs or federal deferment and forbearance options.
- **Lack of repayment options:** Unlike federal student loans, private student loans don't provide a variety of repayment options. For example, private student loans typically don't offer income-driven repayment or graduated repayment plans.
- **Potentially higher interest rates:** If you have excellent credit, you might get approved for a lower interest rate on a private student loan compared to a federal loan. However, many college students haven't yet established enough of a credit history to qualify for these rates — so unless you have a cosigner, you'll likely get a higher rate on a private student loan.

**Q: How much money can I borrow with a private student loan?**

With a private student loan, you're eligible to borrow up to 100% of what your school says it costs to enroll and attend classes (the "cost of attendance"), minus other financial aid and loans you've already received.

How much you can actually borrow will vary by lender and can include annual or cumulative borrowing limits. Other private lender criteria that can affect how much you can borrow might include your credit history, the credit quality of your cosigner, your school's certified cost of attendance, the degree you're earning, and more.

**Q: How does disbursement work for private student loans?**

Receiving the funds for your private student loan depends on whether you're borrowing an in-school loan or refinancing an existing loan.

**For in-school private student loans,** the funds are typically sent straight to your school to cover tuition. The school then gives the rest of your loan money directly to you, the student, for other expenses related to getting your degree, such as housing.

Your school sets the disbursement date (when you actually receive the money), which is usually around the beginning of the semester. Regardless of when you applied for the loan, your school's disbursement date will be the same. However, it's best to apply early so that you can avoid any unexpected confusion or delays.

We suggest giving yourself at least 30 days to be safe, but be sure to contact your financial aid office to learn more about accessing your funds.

**For student loan refinancing,** no new funds are disbursed. Instead, your new private lender pays off your existing loan(s) and gives you a new loan with new terms. This generally happens within a few days, but always check with your lender(s).

**Q: When should I apply for a private student loan?**

You can apply for private student loans at any time since there's no deadline tied to them (like filling out the FAFSA for federal loans). But it's still a good idea to apply for private loans as soon as you know you'll need them to cover education costs.

Although it varies depending on the lender and your school, it can sometimes take 3 to 5 weeks for you to receive the funds. So, if you're trying to decide when to apply for a private student loan, be sure to give yourself some time and apply sooner rather than later.

**Q: How do I qualify for a student loan?**

Each lender has different requirements when it comes to qualifying for a private student loan. But typically you must:

- Have a qualifying credit score (or a cosigner with one)
- Have a qualifying income and debt-to-income ratio (DTI) (or a cosigner with one)
- Be enrolled in an eligible education program
- Be a U.S. citizen or legal resident with a Social Security number
- Be at least 18 years old and hold a high school diploma or equivalent (or have a cosigner)
- Use the loan for education purposes only

**Q: Can I get a private student loan with bad credit or no credit?**

You can get a student loan with bad credit, but not necessarily on your own. While federal loans don't require a credit check, private student loans do. Many students don't qualify for private loans on their own because they don't have a credit history or they have bad credit. If that's your situation, you may need to add a cosigner to qualify for a private loan.

Private student loans require a credit application that examines income, employment, and a credit report. The lower your credit score, the higher the risk for the lender, which translates into higher interest rates. One way to get approved for a loan with a lower rate can be to add a creditworthy cosigner to your loan application.

**Q: Do I need a cosigner for a private student loan?**

It depends, but in most cases, yes. You don't have to add a cosigner unless you're under the age of majority in your state (usually between 18 and 21). But if you have a limited or poor credit history, lenders may require you to add a creditworthy cosigner to reduce their risk on the loan.

Plus, more than 90% of private student loans taken out by undergraduate students are cosigned. Even if you're a graduate student and don't need one, adding a cosigner with good credit can improve your chances of qualifying for a private student loan at a lower rate.

Our marketplace even makes it easy to compare cosigners to see which cosigner can help get you the best rate.