



REED COLLEGE

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Private Student Loans

Private student loans are loans from a lending institution; they are not part of the federal government student loan programs. Private loans are generally more expensive than federal loans and have repayment terms that are less flexible. They should be used only when all other options have been exhausted. It is important for you to check federal loan programs and research all possibilities for scholarships, grants, and work before you borrow from a private loan program.

If you are receiving need-based federal or state financial aid funds, you are required by government regulations to notify the financial aid office of the amount that you are borrowing in private loan funds. Many private loan programs will require certification of your eligibility by the financial aid office before approving the loan; others will not require certification. In either case, it is important that you notify the financial aid office, since your loan must be included in our evaluation of your overall eligibility for financial aid funds.

For more information and to apply:

Links to research private loan lenders and apply online can be found at www.reed.edu/financialaid/.

What you should look for when evaluating private loans:

- **Interest Rate and Fees:** What is the annual percentage rate (APR) on the loan? The APR is the annual cost of your loan; it includes interest and the effect of any fees and charges. APRs will differ depending on the terms of your loan and the amount of your loan. Make sure that you compare like loan amounts when you compare APRs so that you receive a true comparison. If the rate is variable, the APR may change during the life of the loan. What fees must be paid for the loan? When are the fees due? Some private loans deduct a fee before disbursement, while others add on a fee to the loan at repayment.
- **Repayment:** When does repayment begin? Some loans have a time limit on in-school deferment options. If you plan to attend graduate school, deferment options may not extend through your graduate study.
- **Repayment Period:** How long is the period you have to repay the loan? If your education costs require you to borrow large amounts, you may need a longer time to repay the loans.
- **Cosigner:** Does the loan require you to have a cosigner? Does the lender offer a cosigner release option after you make a required number of on-time payments?
- **Repayment Incentives:** Does the lender reward you when you make payments on time? For example, does the lender reduce the interest rate for automatic payments? Does the lender offer an interest rate reduction after 24 or 48 consecutive on-time monthly payments? If benefits offered are conditional, can you meet the conditions?
- **Loan Limits:** Is there a maximum amount you can borrow? Does the loan have an annual or aggregate limit? Will these limits meet your needs?
- **Interest Capitalization:** What happens if you choose not to pay interest while you're in school? If you choose not to pay the interest, it may be capitalized (added to your principal balance). When is the interest added? Annually? At repayment? If the interest is capitalized annually, the loan is more expensive than if interest is capitalized once at repayment.
- **Lender for Federal Loans:** Does the lender of the private loan also participate in the Federal Family Education Loan (FFEL) Program? It may be easier to borrow your federal and private loans through the same lender. Some lenders can even combine the billing for these loans so you will receive one monthly billing statement.
- **Customer Service:** Contact lenders you are considering to see if you can get your questions answered in a timely and helpful manner. Are you comfortable with the quality of the customer service provided?
- **Servicer:** Does your lender sell their loans? Some lenders sell their loans to a third party servicer; others retain ownership throughout the life of the loan.