



## DePaul University Office of Financial Aid at DePaul Central Private Loan FAQ

### DePaul Central Locations:

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### What is a private loan?

**Private loans**, also known to as alternative educational loans, are non-federal educational loans that are available from banking institutions and other private lenders. Students typically use private loans to bridge any gap between the total cost of education and traditional financial aid resources.

### Are private loans a good way to finance my education?

Before applying for a private loan, we recommend that you complete the Free Application for Federal Student Aid (FAFSA) at [fafsa.ed.gov](http://fafsa.ed.gov), to ensure you are being considered for all federal, state and institution aid first. Private loans play an important role in financing the rising costs of higher education. If you borrow sensibly and understand your obligation to repay the loan, you shouldn't be afraid to use a private loan to pay for your education. You also should consider what income you can realistically expect in your proposed career.

### What should I know before taking out a private loan?

**Interest rates:** Various interest rates and fees are available from lending institutions. Instead of a flat interest rate that is easy to compare, such as 8 or 10 percent, private loan programs generally have interest rates that are variable. Usually, they are based on either the prime rate or a treasury bill rate, such as the 91-day T-Bill or 13-week T-Bill rate. Some lenders may base their pricing on LIBOR, the London Interbank Offering Rate. LIBOR is an index similar to the US T-Bill and Commercial Paper indexes.

**Fees:** There are different kinds of fees that a private loan company may charge. Origination fees may be charged for the creation of the loan. Lenders also may add an additional fee when you enter repayment. This fee may be assessed on the original principal alone or on the original principal plus the accrued interest. When looking at how much a loan program charges in fees, make sure you add up the fees charged initially at disbursement and any fees charged when you enter repayment. Always be sure to ask your chosen lender about such fees.

**Repayment:** Your signature on the promissory note is legally obligating you to repay the loan according to its stated terms and conditions. When repayment begins, usually after your education is complete, repaying your student loan obligation in a timely fashion will help your credit rating, which follows you throughout your life. Below are some items that you should keep in mind when choosing a private lender.

*Not repaying your loans may negatively affect you in the following manner:*

- You may not be able to obtain more credit (i.e. to buy a car, house).
- You may be turned down for a credit card.
- You may forfeit your tax refunds.
- Your employer may be ordered to garnish your pay (i.e. withhold what you owe from your paycheck).
- You may be sued and may owe collection and attorney fees, in addition to repaying your loan.

**Remember, you must repay your student loans even if you do not graduate or otherwise complete your education. Failure to find a job after graduation will not relieve you of this responsibility. Contact your lender if you are having difficulties finding a job.**

### What questions should I ask potential lenders when deciding if their loan is right for me?

- Who do I contact when I have a question or a problem about my loan?
- What are the current interest rates? How often do these rates fluctuate?
- Is there an interest rate cap?
- Are there any fee reductions, interest reductions, or other incentives offered during the life of the loan?
- Do the interest rates (or other incentives) change based on my credit, academic level, or whether I have a co-signer?
- When are late charges assessed and how much are these charges?
- How is the interest on my loan capitalized – quarterly, annually, or only at repayment?
- What are the repayment terms?
- Are there any penalties for pre-payments, late payments or any other reason?

## How does the application process work?

Choosing a private loan program is a personal decision, one which should be based on your needs. Please carefully consider your options before choosing a lender. Once you have chosen a lender, you will need to complete whatever application process that lender requires of you.

This process will generally consist of the following steps:

1. Fill out the lender's application. Your lender will review your application and will do a credit check.
2. Complete the promissory note process required by your lender.
3. Provide any additional documentation your lender may require from you and/or your co-signer.
4. Students are required to complete and submit a Private Education Loan Application Self-Certification Form to their lender. Students can obtain this form through their lender, since most lenders prefer you obtain their own tailored self-certification form to avoid processing delays. If you are unable to obtain one from your lender, please notify our office.
5. Follow-up with your lender to make sure you (and your co-signer) have submitted all required documentation.

Your lender will electronically transmit (or fax) a request for school certification to DePaul once your private loan is approved and all steps have been completed. Our office will verify enrollment, along with the loan period start and end dates, to ensure your requested loan amount is within your financial aid budget. We may be required to adjust accordingly. **DePaul University will not be able to certify your loan until all the required documentation has been submitted to the lender.**

## How do I decide on the amount I want to request in a private loan?

Your eligibility for a private loan is determined based on the difference between your total educational Cost of Attendance (COA) and any other financial aid you may have been awarded.

If you have applied for financial aid, you can refer to Campus Connect at [campusconnect.depaul.edu](http://campusconnect.depaul.edu) (selecting Financial Aid> View My Financial Aid>Corresponding Aid Year) to find your total COA and your total aid awarded for the current year. You can use these numbers to calculate your maximum eligibility. For example, if your total COA is \$30,000 and you are receiving \$10,000 in other forms of aid, you will be eligible to request \$20,000 in additional private aid.

## How do I determine my loan period?

When you apply for a private loan, you will be required to enter a loan period with start and end dates. Usually, you will request a loan for the entire academic year, or for a specific term **within the academic year**. Your loan period start and end dates are the months associated with the academic term(s) for which you are borrowing.

| Term                                   | Start     | End      |
|--|-----------|----------|
| Entire Academic Year (autumn – spring) | September | June     |
| Autumn only                            | September | November |
| Winter only                            | January   | March    |
| Spring only                            | March     | June     |
| Summer only*                           | June      | August   |

\*You will have to complete a separate private loan application with your lender to borrow for the summer term.

## May I use a private loan to cover a past due balance?

Not all lenders will allow you to borrow a loan for a past-due balance. Before you begin the application process, make sure the lender you have selected approves loan applications to cover a past-due balance. If you are obtaining a loan for a past-due balance, you will need to set the loan period to the academic term(s) related to the past-due balance.

## Additional Information: Credit Decisions

When you submit an application for a private loan, the lender will generate a credit report to determine your creditworthiness. If you fail to pass the credit check, the lender may give you the option to reapply with a creditworthy co-signer. Most lenders also will offer counseling to determine why you failed and provide guidance for correcting your credit. Applying for a loan with a creditworthy co-signer is always a good idea, as lenders may offer incentives such as a lower interest rate or reduced fees. Be sure to inquire about this possibility with your lender.

Because credit is the main component in a private loan approval, you may want to obtain a copy of your credit report for yourself. You can contact any of the credit bureaus listed below in order to obtain that information:

| Bureau      | Telephone Number | Web Address  |
|-------------|------------------|--|
| Equifax     | (800) 685-1111   | <a href="http://www.equifax.com">www.equifax.com</a>       |
| Experian    | (888) 397-3742   | <a href="http://www.experian.com">www.experian.com</a>     |
| Trans Union | (800) 888-4213   | <a href="http://www.transunion.com">www.transunion.com</a> |

Under the Fair Credit report act you can request a free credit file disclosure report. To order a free credit file disclosure report go to [www.annualcreditreport.com](http://www.annualcreditreport.com). This central site allows you to request a free credit file disclosure from the three reporting companies listed above. For more information about credit reports, your rights as a consumer, the Fair Credit Reporting Act and the FACT Act go to [www.ftc.gov/credit](http://www.ftc.gov/credit).