

WHAT EVERY RESPONSIBLE BORROWER SHOULD KNOW ABOUT THEIR PRIVATE STUDENT LOANS

Whether you are borrowing private student loans for the first time or about to enter repayment on private loans you already have, there are important questions you should ask any private lender you are working with about your private loans.

The information referenced below should be found in both your promissory note as well as any disclosure statements you receive from your loan provider when you borrow and are approved, when your loan is disbursed, and when you enter repayment.

Interest Rate and Capitalization

- What is the current rate?
- Is the rate variable or fixed, and if variable, is there a maximum (cap) and minimum (floor)?
- If the rate is variable, how often is it reset and how does that impact subsequent payments?
- Are there any discounts on the rate you might be eligible for, such as ACH (automatic debit)?
- How often is accrued and unpaid interest added back to the principal of your loans (which is called *capitalization*), and is this more frequent during times of postponement?

Repayment Term and Options

- How long do you have to repay these loans?
- Are there repayment options such as “interest only” for a designated period of time, should you need short-term help reducing payments? What is the long-term impact on your balance?
- Are there any repayment options based on your income?
- Can you target additional payments (above the minimum) against the principal of your loans?

Postponement Options

- How long can you postpone payments, if needed?
- Is there a fee to postpone payments, and is this with a deferment or forbearance?
- Do you have to pay a minimum monthly fee during a postponement period?
- How do you renew your deferment or forbearance if you need to postpone longer?
- How often does interest capitalize during postponement?

Cosigner and Cosigner Release

- Is a cosigner needed for approval and to secure a lower rate?
- Is there a cosigner release provision and if so, how does it work?
- Is there a minimum credit score and maximum DTI (debt to income) ratio you must meet in order to have your cosigner dropped from the loan?
- If you are denied your request to drop your cosigner, can you reapply at some point?

Forgiveness (this is NOT for Public Service Loan Forgiveness)

- Is the loan forgiven in the event of your death or disability?
- If you have a cosigner, are they responsible for the loan in the event of your death or disability?

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