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Student Loan Report

YOUR ONE STOP DESTINATION FOR STUDENT LOAN NEWS

Private Student Loans Guide – Eligibility, Costs, Best Repayment, & Warnings

JANUARY 12, 2016 BY SLR EDITOR

Private Student Loans as a Tool to Pay for College

With the rising cost of a higher education, more and more students are taking out loans each year to help finance it. In fact, **7 out of 10 students who graduated in 2015 had student debt—with the average amount being** just under $30,000.

While there are other ways to help pay for education, such as scholarships and grants, these are almost never nearly enough to cover the huge price tag of a college degree. Though it isn't necessary to attend college to be successful, many jobs that are attractive to young adults require a college degree.

Though many people see student loans as negative, when it comes down to it, they are truly an investment in your future. Having a college degree opens up countless doors that would otherwise be locked to those who only a high school diploma. Many jobs won't even look at the applications of those without one—no matter how intelligent they may be.

If students are smart about their debt and take their education seriously, they don't have to be the lifelong burden that so many people try to make them out to be. However, because these loans are a risk, those entering into college should strongly consider their future career options and what major is necessary to obtain that career.

Under most circumstances, you will have to pay back all of your student loans. It is crucial to have a plan on what you will do after college and how you will pay pack your student loans. Thinking about all of this before you even step foot in your freshman dorm will give you a leg up on other borrowers and will put you on track for a (relatively) stress-free repayment process.

It is easy to get caught up in the seemingly countless number of options when it comes to the best places for student loans. Though this guide will mainly focus on private student loans, we will first go over how they are different from federal student loans and the basics of each.

Federal Student Loans vs. Private Student Loans

There are two types of educational loans—federal and private. Each of these have perks and downfalls but both can help students and their families pay for their higher education. It is important to understand both before determining which is best for you. Though the government is typically considered the best place for student loans, private lenders do have some benefits as well.

The following video gives a quick overview of the steps you should take when paying for college: https://www.youtube.com/watch?v=LFBQ2_b6fiE

Federal student loans are given by the Department of Education, which as mentioned, is typically considered the best place for student loans. These usually are the student loans with the lowest interest rates. In order to receive these loans, students and their parents must fill out the Free Application for Federal Student Aid, or the FAFSA. This form takes in basic information about the financial situation of families, such as income. Based off of this, the government determines the Expected Family Contribution or EFC for short.

After the EFC is calculated, the government may offer students grants, scholarships, and/or loans. The lower the EFC, the more likely students are to receive need-based help in the form of scholarships and grants. Everyone who fills out the FAFSA will be offered some type of federal educational loan.

There are two main categories of federal student loans—subsidized and unsubsidized. **Students with a low EFC are typically offered subsidized loans. For these, the government pays the accrued interest while the student is in school.** This means that the principal will stay the same as long as the borrower is enrolled. The government does not pay the interest on unsubsidized loans, leaving students and their families responsible for paying it. These are typically reserved for families who can afford to contribute more towards tuition payments.

As of June of 2016, most federal student loans have an interest rate of 3.76% for undergraduates. These are low interest student loans that private lenders typically can't compete with. This rate is typically lower than what is offered by private lenders. Usually families only turn to private student loans after they have exhausted all of their federal options.

Banks, credit unions, and private lenders all may offer private student loans. **Private student loans are, in most cases, based solely on the credit of the borrower and, if applicable, his or her cosigner.** Private lenders perform a credit check to determine if customers are eligible for loans and, if they are, what they’re interest rate is.

So now you know the federal government is, in most cases, the best place for student loans first. After you use all federal student loans, you can then turn to private student loans. In the following sections, we will go over more about how private student loans work, how to apply for them, and some of the top lenders.

See the following video for a quick overview of student loans:
https://www.youtube.com/watch?v=7x6OJedI2yc

All About Private Student Loans

The amount of private student loans given out each year has skyrocketed in the past decade, as compared to federal student loans. After the government, private banks and lenders are the next best place for student loans. On average in the past decade, private student loan volume has increased by about 30% a year while federal volume has only grown by 8% annually. With these current rates, it is expected that more private loans will be given out than federal loans by 2030.

Private educational loans are available to those pursuing associate's, undergraduate, graduate, and professional degrees. Borrowers can use the loans for any cost associated with attending college including—but not limited to—tuition, room and board, books, and technology. It is the borrower's choice to decide how he or she spends the money; so using it only for what is absolutely necessary is essential.

Private Student Loan Interest Rates

Most private lenders offer two types of interest rates—fixed and variable. Fixed rates are considered to be safer as they stay the same over the life of the loan. These rates are usually initially higher than variable interest rates because they do not change over the life of the loan. If you take out a loan with a fixed interest rate of 8%, you will pay 8% over the life of the loan. The best private student loans are the ones with the lowest interest rates.

Variable interest rates, alternatively, start off as more low interest student loans but fluctuate with the market. Because loans of this type are more of a gamble for the borrower, the rate is initially lower. Depending on the market, however, they may be higher than fixed rate loans at times.

Low interest student loan rates usually start around 2% for extremely qualified borrowers and may go as high as 12% for those with a subpar credit history. Each lender has its own criteria for judging an applicant, however, and there is no common formula that could tell you what your interest rates would be.

Private student loan interest rates will also vary based on how long you want to repay your student loan over. The shorter the repayment term, the lower the interest rate, and vice-versa. Though there are different benefits with different lenders, the best private student loan for you is typically the one with the lowest interest rate. Low interest student loans cost less over time and are always the best option.

How Are Private Student Loan Interest Rates is Determined

Unlike their federal counterparts, private loans are typically shopped for, and a borrower can expect a lot of choices. There are many companies and financial institutions out there making private student loans. Even peer-to-peer lending has emerged as a marketplace for connecting would-be borrowers with interested private lenders, some of whom are simply other individuals looking for a good rate of return on their investment.

Shopping for a private student loan involves a lot of comparison shopping among various lenders. The interest rates offered to a particular borrower might vary greatly from lender to lender. The factors that will have the greatest impact on private student loan interest rates will be the borrower’s credit score and credit history, which will often be referred to together simply as “creditworthiness.” The higher your credit score, the more likely you are to receive a low interest rate student loan.

A private educational loan lender may also request information about the borrower’s income, family and housing situation, college graduation date, major, or job history – especially when a borrower is using peer-to-peer lending websites. The length or term of the loan can also have an impact on the rate. Shorter terms tend to have smaller interest rates than longer terms, because the borrower is committing to repaying the loan back quicker. Low interest student loans are offered to those who are the most qualified.

Although the rates available to a borrower will depend upon the borrower’s creditworthiness and personal factors, the market also has an effect on private student loan interest rates. Student loans, like other types of private lending, are tied to the ebb and flow of the financial market. The initial available rate on both fixed and variable interest rates are subject to change throughout the year according to how the market is doing. This is true even regarding rates offered by a single lender. That’s why it is so important for a borrower to comparison shop various rates immediately prior to choosing a lender.

How Fixed and Variable Private Student Loan Interest Rates are Different

Interest is the money a lender charges for lending to a borrower, but it’s important to understand the difference between getting a fixed interest rate or a variable interest rate. The difference is rather simple, although determining which is a better deal in the long run can be rather difficult.

When a borrower receives a fixed interest rate, the rate generally will never change over the life of their loan. (One exception to this may be if the loan terms provide that the rate rises after a default by the borrower.) When borrowing a loan for $10,000 at a fixed 5% interest rate, the borrower will pay around $500 in interest over 12 months, assuming that no principal is paid back during the year.

On the other hand, a variable interest rate is not fixed over the life of the loan, and is typically tied to a financial index, which itself is a measure of how well stocks, bonds, and other market conditions are doing. The life of a variable rate loan shadows the ups and downs of shopping for an initial interest rate. When the market is doing well, the rate may be lower. When the market dives, the rate will go up. This is why these start off as typically lower interest rate student loans.

Borrowers who choose variable private student loan interest rates can often get their loan at a more attractive initial rate than they could get with a fixed interest rate loan. However, they are taking a gamble that their average interest rate over the life of the variable interest rate loan will even out to a lower rate than the available fixed rate loan.

Or, they may plan to take out a variable rate loan in hopes that the market will stay strong for several years, then refinance to a fixed rate before they see a significant rise in their variable rate. Borrowers who chose this type of loan must be prepared for their monthly payment amount to fluctuate over the life of the loan. If a borrower does chose a private educational loan with a variable interest rate, they should seek out a lender that puts a cap in the loan terms on how high the rate can rise. Otherwise, the only applicable limit could be state usury laws.

How a Cosigner Impacts the Interest Rate on Private Student Loans

It is extremely common for student borrowers to use cosigners on private student loans. In fact, the majority of private student loans made nationally will utilize cosigners. There are several reasons that a borrower would choose to have someone else cosign for their loan, but the usual reason is that the borrower cannot obtain a private loan without one.

Private educational loan lenders want to be assured that someone will pay back the loan, and often students have little to no credit history and aren’t employed while attending college. This makes the average college student a credit risk. In fact, many lenders will state outright that applicants should identify a cosigner before they try to apply, and submit a loan application from both the borrower and the cosigner in the first application. This increases their chances of being accepted by the lender, and of being offered a lower private student loan interest rate. Typically, you will be offered the best private student loans if you use a creditworthy cosigner. Having a cosigner really increases your chances of being offered a low interest private student loan.

Other borrowers don’t need to have a cosigner, but choose to use one in order to get a lower rate than they otherwise could. A lender is fine with that, because to them the lower interest rate is worth having a second well-qualified individual obligated on their loan. If the borrower experiences loss of income or another financial hardship and is unable to make their payments, the lender can turn to the cosigner, who is legally obligated to make the payments even though they did not receive any of the loan proceeds.

Rising Interest Rates and Their Impact on Private Borrowers

While interest rates have been low for the past several years, they are just now beginning to rise. Borrowers seeking out new loans should expect the available rates to slowly go up over the next several years if the current trend continues. Those who already hold loans and have variable interest rates should expect their monthly payments to become higher the next time their adjustable rate is calculated. For those who can, it is a smart move to consider refinancing variable rate loans into fixed rate loans before they see this jump in payments.

Private Student Loan Eligibility

Unfortunately, not everyone is eligible to take on private educational debt. Because eligibility is based off of credit worthiness as opposed to need, many families are offered considerably high private student loan interest rates or are denied altogether. Very few applicants are offered the best private student loans with the lowest interest rates.

As mentioned before, private educational loan lenders run a credit check to determine an applicant's eligibility. **A credit score is based on five things**: payment history, credit utilization, length of credit history, new credit, and credit mix. Out of the five, **payment history makes up 35% of the credit score**. Someone with a good payment history makes on-time payments towards his or her debt each month—including credit cards, mortgages, and student loans.

Though there are no strict requirements for who is deemed eligible to take on private educational debt, the average credit score is 687 on a scale ranging from 330 to 830. If you are well below the average, you will most likely not qualify.

Lenders may be more willing to work with borrowers with low credit scores or if they have a cosigner with a solid credit history. If you want to be offered the best private student loan interest rates, you need to have excellent credit, or a cosigner with excellent credit. In the following section, we will go over what a cosigner is and how they can help you get a student loan.

What is a Cosigner?

A cosigner is someone who signs a loan agreement alongside the student. By cosigning, this person is taking on responsibility for the loan if the student cannot repay it. Both the student and his or her cosigner are held accountable for this repayment and both of their credits will be negatively affected if it doesn't happen. Cosigners can often help you receive a low interest student loan because it is less risky for the lender.

A cosigner is usually a parent, guardian, other family member, or another trusted adult. Because private educational loans are based on credit, it is important that this person has a good credit score.

Many lenders won't let a student take on educational debt without a cosigner. Out of all of the private loans given out, 90% of them are co-signed. If you are unable to find someone who is willing or eligible to cosign your loan, check out our guide to student loans without a cosigner.

If you don't have a cosigner, you may still be eligible for a private educational loan if you meet the following:

1. Be a U.S. citizen
2. Have a solid credit history, typically 660 or above
3. Have a good income, typically at least $25,000 annually

Though meeting the above qualifications may help you obtain a private loan without a cosigner, nothing is guaranteed. If you lower the amount of money you are asking for, you will be more likely to be approved for a loan without a cosigner. The best places for student loans make the cosigner process easy to understand and make it easy to apply with a cosigner.

Lastly, make sure to inform your cosigner their responsibilities and the potential negative results that would happen if both of you have trouble making the payments. Cosigning a student loan is a big deal and isn't something that should be brushed aside as unimportant. It is often a necessity, though, to obtain the best low interest private student loans that lenders offer.

How to Obtain the Best Private Student Loans

At this point, you should have a general idea of what private student loans are and if you may be eligible or not. If you think you are ready to take on educational debt from a private educational loan lender, the next step is to apply to the best place for student loans for you!

Applying for the best private student loans is quite simple, actually. Almost every lender allows its users to apply online through their website—either on a computer or a mobile device. Applications tend to take around 20 minutes and are relatively straightforward.

In order to make the process as manageable as possible, it is smart to have the necessary information and documents ready. This may include personal background information, information about the school you plan to attend, and financial documents like pay stubs or another proof of income.

Furthermore, if you have a cosigner, he or she will need the same information for the application. Typically, cosigners can fill out their part of the application after the student has completed his or hers.

Once you submit the application, the lender will perform a credit pull on you and your cosigner, if you have one. The application and credit check results will be sent to the underwriters who determine your eligibility and the terms of your loan.

Within a few days at most, you will be notified of the results of your application. At this point, you may be required to submit additional information to complete the approval process.

To accept the loan, you will have to sign the promissory note. This is the legally binding contract that requires you to repay your loan and any interest that accumulates. After you sign the promissory note, the funds from your loan will be sent to your school following the certification of the loan.

Paying Back Private Student Loans After Graduation

Though repayment varies with each private educational loan lender, there are typically four repayment options. The best places for student loans offer a variety of options that you can choose from depending on your situation.

Deferment – In this case, the borrower makes no payments towards their student loans until after graduation. In this case, usually interest still accumulates. Some lenders do not allow for this option.

Flat Payment – Borrowers who choose this option will make one flat payment each month while in school. These payments will go towards interest that accrues but will not cover all of it.

Interest-Only Payments – This option is smart for those who cannot afford to make full payments while in college. In this case, students make payments towards the interest that accrues while they are in school. This will keep the principal balance level**.** If the accrued interest is not paid, the principal will continue to grow and each subsequent interest charge will be higher.

Interest and Principal – In this case, payments are made towards both the interest that accumulates as well as the principal. For this option, the principal will continually decrease as payments are made, meaning less interest will also accumulate. Many students are not able to choose this option, as they are too busy with their studies to work a job.

No matter which plan you end up choosing, you will most likely still be paying off your educational debt after graduation. For those that chose the deferment option, there is usually a grace period after graduation in which the borrower doesn’t have to start making payments. Most lenders allow for a grace period of 6 months.

The Best Private Student Loan Options for 2017

With so many choices out there, it can be difficult for even financially savvy borrowers to determine their best student loan options. What is the best place for student loans after the government? How do you choose among the many options? How can I get a low interest student loan?

Many traditional brick-and-mortar financial institutions, including large national banks, offer student loans. So do local credit unions, online-only lenders, peer-to-peer lending sites, and companies best known for their credit card offerings. It takes time and effort to compare the best student loan interest rates and terms, but the payoff will be great. Even a small difference between rates can add up to a lot of money saved over the life of a loan. Make sure to take the time to research the best place for your private educational loan.

Beyond the Interest Rates

There are many factors to take into account when choosing a lender and a loan. The loan with the lowest interest rate is the first one to look at, but isn't necessarily the best choice without considering the loan terms completely. One term to be watchful of is whether there is a prepayment penalty. A prepayment penalty is a fee the borrower has to pay the lender if they refinance the loan or pay it off ahead of schedule. The best places for student loans don't charge any prepayment fees.

Some borrowers who accept loans with variable interest rates with the expectation of refinancing once rates rise are shocked to learn that when they accepted the loan they agreed to a significant prepayment penalty. Because of the penalty, refinancing no longer makes good financial sense. Just because there is a prepayment penalty that does not mean the loan isn't worth considering, though. It is just one of many factors to balance when comparison shopping.

Borrowers also need to consider whether the lender offers any flexibility with payments if the borrower returns to school in the future or experiences financial hardship that would make it difficult or impossible to make monthly payments. Does the lender offer deferment if the borrower re-enrolls in school for a graduate or second degree? What about postponement or lowering of payments if there is a sudden drop in income?

Read loan terms carefully, and also take the time to research the company online and read reviews by other borrowers. This is especially important if considering a loan from a smaller and lesser-known lender. A lender with a poor reputation for customer service or whose credibility is in question is one to be avoided, even if they purport to offer low rates.

How to Determine the Best Place for Your Student Loans

As mentioned, the interest rate is one of the most important factors to consider when trying to find the best place for student loans. Typically, the best private student loan for you is one with a very low interest rate. It’s important to read all the terms of a loan before accepting, including those unrelated to the rate, but with so many loans and lenders out there it would be extremely time-consuming to examine all the terms for all lenders. Borrowers need a strategy with which to approach shopping for a loan.

First, it is important to narrow down choices, and the interest rate is a good way to do that. Once a borrower has identified several lenders offering the same or similar rates, and eliminated from consideration those lenders offering the higher rates, it’s time to examine the other factors. These include fees, prepayment penalties, repayment options, and reputation of the lender. There is no mathematical formula here to determine what is the best private student loan for any one borrower.

However, most factors should be balanced against the interest rate, since the money saved by having a low rate adds up quickly. And two or more offers with the same rate should be carefully compared for hidden fees, such as the prepayment penalty and an origination fee. There are many websites that will allow borrowers to fill out one application to get multiple loan offers. These are great tools for comparison shopping, but if all the terms aren’t available then the borrower should not be hesitant to reach out to the lenders individually to get all of the details on what’s being offered.

Who Are the Best Private Student Loan Lenders?

There are many places where you can get a private educational loan. As mentioned before, many banks and credit unions offer educational loans to their members. Recently, however, many companies have started that just offer private student loans. Here we will go over 3 of the biggest private lenders: College Ave, U-fi, and Citizens Bank. These are some of the best places for private student loans in the industry. They all are reputable companies and offer great low interest student loans - as compared to other lenders.

College Ave Private Student Loans

College Ave Student Loans is one of the newest and best student loan lenders in the industry. Founded just last year in 2015, College Ave’s goal is to help students finance their education with no tricks, gimmicks, or surprises. The company works with Liberty Bank, N.A. to fund the private educational loans they offer.

College Ave Student Loans offers a variety of repayment options for their borrowers. Variable rates range from 2.96% to 9.45% while fixed rates range from 5.74% to 11.85%. These are highly competitive low interest student loans and, in some cases, may be even lower than federal loans.

There are many benefits of taking on educational debt through College Ave. First off, they don't charge any fees for applying or paying early. In addition, they have a fast application process and can make a decision based on your credit instantaneously.

College Ave Student Loans lets their borrowers decide between four repayment plans while still in school—full principal and interest, interest only, flat, or deferred. For explanations of these options, see the "Paying Back Student Loans After Graduation" section above.

In addition, College Ave allows its borrowers to choose among 8, 10, 12, and 15 year repayment terms. A shorter term means higher monthly payments but a lower interest rate—meaning you will pay less over the life of your loan. A longer term will allow for lower monthly payments but a higher interest rate. Payments may be more manageable, but you will pay more in the long run.

To apply for a private educational loan through College Ave, simply visit their website on your computer or mobile device. There application is relatively simple and only takes around 15 minutes. If approved, the money will be sent directly to the college you plan to attend. You will be able to access these funds after you set up all of the accounts with your school.

Though College Ave is one of the newest lenders around, they are also one of the best private educational loan lenders and one of the best places for student loans, in general.

PNC Private Student Loans

PNC Bank is one of the largest financial institutions in the United States offering personal and business banking products. Recently, PNC began offering private student loans to help undergraduate and graduate students fund college expenses through affordable borrowing. PNC Bank also offers professional students and those in a health-related field of study options for private student loans. When federal student loans provided by the Department of Education are not readily available for new students, or when a graduate wants to consolidate his or her federal student loans, PNC private student loans can provide a viable solution.

Private student loans offered through PNC Bank are available with either variable or fixed interest rates, depending on the preference of the borrower. Variable interest rates currently range from 3.86% to 10.81% while fixed interest rates currently range from 6.49% to 12.99%. The rate provided at the time of application is based on the creditworthiness of the borrower. If a borrower is unable to qualify for a student loan based on their credit score or history, a cosigner may be added to the application to improve the likelihood of qualification.

Student loan borrowers can borrow up to the full amount of school-related expenses for any degree or professional education program. Loan proceeds are paid directly to the school at which the student is or plans to be enrolled. Private student loans through

PNC Bank can have the repayment period extended to as long as 15 years after payments begin, depending on the amount of the loans and preference of the borrower. Borrowers can opt for a deferred repayment program which does not require payment during school and six months after graduation, or an in-school interest repayment program can be selected that requires a small monthly payment starting as soon as the loan is funded.

PNC Bank does not charge application or origination fees for applicants or cosigners, and no pre-payment penalties are assessed. Borrowers have the opportunity to receive a 0.50% interest rate discount when payments are automatically deducted from a checking or savings account. Should a cosigner be necessary at the time of application to reduce the interest rate or qualify for the loan, a cosigner release may be requested once 48 consecutive monthly payments are made on time. PNC provides a vast library of resources relating to funding college expenses, planning for college itself, and managing personal finances while in student loan repayment on its website.

Discover Private Student Loans

Discover is widely known as a credit card issuer with a strong rewards program, but in recent years, the powerhouse financial institution has branched out to the student loan arena. Discover makes private student loans available to graduate, undergraduate, MBA, medical, and law school students, as well as students who have graduated and want to consolidate their federal student loans. Private student loans can be beneficial to current or future students when federal student loans are not available or when consolidation presents an opportunity to lower the cost of borrowing.

Private student loans offered by Discover are available from $1,000 up to the full amount of the school-certified cost of attendance for undergraduate, graduate, or specialty post-graduate programs. Interest rates for private student loans are either variable or fixed, depending on the preferences of the borrower. Variable interest rates for Discover private student loans currently range from 3.74% to 9.24% while fixed interest rates currently range from 6.24% to 11.49%. Discover refinancing rates are somewhat more expensive than other lenders who offer student loan consolidation. Variable refinancing rates start at 4.24% and top off at 8.49% while fixed interest rates bottom out at 5.24% and max out at 9.24%.

Borrowers have the option to choose an in-school repayment program, which requires a $25 fixed monthly payment from the time the loan is funded, or a deferred repayment program which does not require any payment until six months after the student has graduated or left school. Both repayment programs require principal and interest payments once the six-month grace period ends.

All borrowers applying for a private student loan through Discover must qualify based on a credit check, but if credit is less than ideal, a cosigner may be used to qualify. Cosigners are responsible for the private student loan for as long as a balance remains unpaid. Borrowers have the option to receive a 0.25% interest rate reduction when automatic debits are created in repayment, and Discover does not charge application, origination, or pre-payment fees for any of its private student loans.

Differing from some lenders, Discover private loans offers a 1% cash back reward when a student's grades are reported as a 3.0 GPA or higher. Additionally, a graduation reward is available for students who graduate from a degree program that a loan was used to fund, up to 2% of the original loan amount. The reward programs from Discover are based on the amount of the loan funded, and they are only available for a short period of time after the qualifying event takes place. Through the Discover website, student loan borrowers and cosigners have a variety of educational resources to help them manage student loan borrowing, repayment, and balancing personal finances as it relates to student loans.

Sallie Mae Private Student Loans

For more than 40 years, Sallie Mae has been a company focused on helping American students and families make higher education a reality. The company began as a government-sponsored enterprise offering assistance with public education funding solutions but went through the privatization process more than a decade ago. Currently, Sallie Mae offers a variety of college-focused saving and lending products, with private student loans (those not funded or serviced by the Department of Education) comprising its largest product pool. Private student loans provide a method for students to borrow for higher education costs when federal funding is exhausted or otherwise not available.

Private student loans offered by Sallie Mae are available for undergraduate and graduate students, or parents helping their college-bound children fund education, all of which fall under the Smart Option Student Loan program. Through the Smart Option Student Loan offering, students or parents can apply for student loans starting at $1,000 and extending up to the full amount of the education costs for an accredited school. Interest rates are either variable or fixed, with variable rates currently ranging from 2.87% to 9.91% and fixed currently ranging from 5.74% and 11.85%. Variable loans may initially provide a lower interest rate, but that rate may increase over time as interest rates rise.

Repayment options for Smart Option Student Loans can be structured as a deferred repayment, which has no payment requirement during school or for a six-month grace period after school, or a fixed repayment option, which requires a $25 monthly payment during school and in the six-month grace period. An interest repayment option may also be selected, which requires the borrower to pay interest accumulating on the loan each month during school and during the six-month grace period. Once the grace period ends for each repayment option, principal and interest payments are due until the loan is repaid in full.

Sallie Mae requires borrowers to qualify for a private student loan based on credit score, history, and current or potential income. When credit is not strong, a cosigner may be added to a private student loan to help the original borrower qualify or secure a lower interest rate. A cosigner can request to be released from the loan upon graduation, when 12 on-time principal and interest payments are made, and when credit is strong for the remaining borrower. When in repayment, borrowers can receive a 0.25% interest rate discount for establishing auto-payment each month. A free FICO credit score is provided for all borrowers once per month, and a mobile app is available for those who want to check their balance or make payments on the go. For all Smart Option Student Loans, borrowers do not pay origination fees, nor is there a pre-payment penalty should the loan be paid off prior to its maturity date.

LendKey Private Student Loans

Most students and their parents have a need to borrow for education-related expenses when it comes to attending college or earning a professional degree. While the Department of Education offers funding through student loans backed by the federal government, private student loan lenders have become more popular in recent years, given the potential for borrowers to lower the total cost of taking out loans to complete school. LendKey, an online lending portal, combines offers from multiple private student loan lenders, including local banks and credit unions, to make the process easy for students searching for private loan options. On top of this, LenKey offers private education loan consolidation as an additional servce to federal or private student loan borrowers who are out of college.

Through its online platform, LendKey provides student loan borrowers access to more than 13,000 community financial institutions that put affordable education funding ahead of corporate profits. The lenders that utilize LendKey's marketplace platform currently offer private student loans with interest rates as low as 3.28%, with fixed and variable interest rate loans available. Those looking to refinance their loans with LendKey can expect a rate between 2.21% and 7.26%.

The total amount of funding varies from lender to lender, but the majority of credit unions and local lenders have a minimum loan of $1,000 and a maximum of up to the total education-related costs accredited by the school where the funds will be used. Repayment terms also vary based on the lender selected and the aggregate amount borrowed.

LendKey is committed to providing affordable education funding options for student loan borrowers by including community-focused financial institutions in its lender lineup. Most credit union lenders available through LendKey offer interest rate discounts when automatic payments are established from a checking or savings account. Although lenders do require a credit check for private student loan borrowers, when their credit history or score is less than perfect, having a cosigner is encouraged. Both the initial borrower and the cosigner can complete an online application through LendKey in a matter or minutes, and receive a variety of offers from credit unions offering private student loans in the same amount of time.

Another way LendKey encourages affordable student loan borrowers is through an interest rate reduction of up to 1% once the full repayment period has been entered and have paid off at least 10% of the principal balance. Additionally, LendKey and its lenders do not charge origination fees or application fees, and there are no pre-payment penalties assessed if a borrower repays a loan in full before the original maturity date. Any cosigners on a private student loan may request for cosigner release based on the requirements laid out by the lender selected. For borrowers and cosigners wanting to understand their options for repayment better, how to afford the cost of attending college, or general money management tips and tricks, LendKey offers a vast online resource that includes educational material and calculators at no cost.

SunTrust Private Student Loans

As one of the largest personal banks operating in the United States, SunTrust Bank has been a well-known name in banking since its start in 1891. This Bank offers a variety of deposit accounts, mortgage lending, personal loans, and most recently, private student loans. Under its education funding arm, SunTrust gives borrowers in both undergraduate and graduate degree programs the ability to supplement federal student loans while they are in school. Additionally, borrowers who want to consolidate and refinance federal student loans to achieve more manageable repayment or lower interest rates may have that option through SunTrust private student loans.

Private student loans offered through SunTrust Bank are available to undergraduate and graduate students for an amount as little as $1,001 and up to $65,000 per year or an aggregate loan maximum of $150,000. Loans can be structured as either fixed or variable, with fixed interest rates currently ranging from 4.601% to 10.33% and variable interest rates currently ranging from 4.116% to 9.481%. Borrowers can select a repayment option that best fits their budget and needs, including immediate repayment, interest-only repayment while in school, partial interest repayment while in school, or full deferment while in school. A grace period of six months after graduation is granted for deferred repayment programs.

Student loan borrowers must qualify for a SunTrust private student loan based on a check of their credit. If a borrower is unable to qualify for a loan on his or her own, a cosigner may be added to improve the chance of approval or to lower the initial interest rate offered. Once 48 consecutive, on-time monthly payments are received, the borrower can request for a cosigner to be released from the loan.

SunTrust offers an array of added benefits for private student loan borrowers, including up to a 0.50% interest rate reduction for borrowers who establish automatic payments from a checking or savings account. Additionally, a graduation reward equal to 1% of the principal balance of a SunTrust private student loan is available once a borrower graduates from the degree program for which the loan proceeds were used. SunTrust does not charge application or origination fees for new applicants, and there are no pre-payment penalties assessed should a loan be repaid prior to its final maturity date. Also, borrowers who become fully and permanently disabled during repayment may request for the remaining balance to be discharged. Borrowers can learn more about how to adequately plan for college, manage their personal finances, and estimate the cost of attendance through the SunTrust website.

U-fi Private Student Loans

U-fi Student Loans was built in 2015 on the foundation of NelNet, who has been in the student loan industry for 35 years. U-fi’s mission is to “help students and recent graduates reach their educational goals and make smart financial decisions”. To accomplish this mission, they offer competitive rates, financial resources, and more.

U-fi offers both undergraduate and graduate loans. Loans range from $1,000 to $125,000. Variable range from 3.81% to 8.29% while fixed rates range from 5.52% to 11.76%. It is important to realize that though these minimum rates may be higher than College Ave and other lenders, it does not necessarily mean that U-fi's offer will not be in line, or even better, than them. These are still competitive low interest student loans, as long as you are eligible for the lower rates that U-fi offers.

There are also some great benefits of taking out a private loan with U-fi Student Loans. First off, if you are able to maintain a 3.0 GPA, they will give you a 1.5% cash back reward. Furthermore, U-fi will reduce your interest rate by 0.25% for enrolling in automatic payments.

U-fi also has no application, origination, or prepayment fees. Their goal is to help you with financing your education, not to trick you into paying surprise fees. A unique benefit that U-fi offers is the option to release a cosigner after 24 on-time payments. If you are able to prove that you are able to consistently make your payments, U-fi expects you to continue the trend, with or without a cosigner. Releasing your cosigner will allow he or she to free up some credit that could be used towards something else, like a new car or house.

There are three repayment plans that U-fi offers—Immediate Repayment, Interest-Only Repayment, and Deferred Repayment. For the Deferred Repayment option, borrowers aren't required to start making payments until 6 months after graduation. Finally, U-fi Student Loans offers repayment terms of 5, 10, and 15-years.

To apply for a private loan through U-fi, visit their website here. Like College Ave's, the application only takes about 15 minutes and can be done completely online.

Citizens Bank Private Student Loans

Citizens Bank offers a variety of financial services to its members including checking and savings accounts, investing options, small business and commercial loans, and—of course—educational loans.

Citizens Bank offers options to students and directly to parents. For the loan to students, variable rates range from 2.76% to 9.51% and fixed rates range from 5.25% to 11.75%. Loans can range from $1,000 to $175,000. These low interest student loans are highly competitive.

As is common with other lenders, Citizens Bank charges no application, origination, prepayment, or disbursement fees. In addition, Citizens Bank offers a 0.25% interest deduction for enrolling in automatic payments and another 0.25% reduction for those who are members of Citizens Bank at the time of the loan application.

Like U-fi, Citizens Bank allows borrowers to start paying principal and interest immediately, make interest only payments while in school, or to defer payments until after graduation. Furthermore, Citizens offers 5, 10, and 15-year repayment terms.

To apply for a educational loan through Citizens Bank, simply visit their website here. The application only takes around 20 minutes and your cosigner can fill out their information once you complete yours.

What Private Student Loans Can Be Used For

When the proceeds of a private educational loan are deposited into a borrower's bank account for the first time, often that is more money than a student has ever had at their disposal before. It can be extremely tempting to spend it on luxuries such as wardrobe upgrades and frequent dining out. However, most loan agreements with private student lenders, as well as every student loan from the federal government, will state that the borrower agrees to use the proceeds of the loan toward the cost of attendance at an institution of higher education.

So, although there is not likely to be anyone looking over the borrower's shoulder to ensure that the money is spent in the way it was intended, some things clearly do not fall within the category of cost of attendance while others are merely questionable.

Cost of Attendance

The following items are unquestionably appropriate categories to spend private student loan proceeds on: tuition, room and board, books and supplies, transportation to and from school, a computer sufficient for schoolwork, and reasonable meals. In short, academic costs relating to enrollment, and related living expenses, are to be paid for out of the loan proceeds unless the loan agreement says differently. Some agreements may say little or nothing regarding a limitation on spending the loan proceeds, while others may list appropriate and inappropriate categories or even limit the money to tuition costs. Most will simply require the borrower to agree to spend the funds on education-related costs.

Clearly Inappropriate Uses for Student Loans

Plainly, some things students might be tempted to spend their loan money on would not only be an inappropriate use of funds, but will also leave them in a difficult situation later in the school year when those funds are no longer available for basic living expenses. Private student loans should never be used to finance vacations, purchase new vehicles, or plan a wedding, just for a few examples. Borrowers should also avoid the temptation of using student loan proceeds to pay down credit cards or other debt. It may seem logical to use a lower-interest student loan to pay down a higher-interest credit card. But the reality is, once the credit card balance is available again, many if not most students will be sorely tempted to charge it up again for non-essentials. This leaves them worse off than before, with no loan money and also no available credit balance.

The Questionable Uses

It is easy to spot the really appropriate uses from the really inappropriate ones. It's a bit trickier to make judgment calls on expenses that fall into a living expense category but are actually luxuries. Thirty dollar dinners fall into this category, as does renting an apartment off-campus that isn't shared with roommates or is above a reasonable price range. It is important to budget loan proceeds carefully so that they don't run out before the academic year does.

Why You Should Pay Back Private Student Loans While Still In School

Student borrowers have a lot on their minds. It's no wonder, then, that very few of them devote much thought to repayment of their student loans until after graduation. However, the time to plan repayment of student loans is long before then. Many borrowers whose repayment terms begin after graduation don't understand that they can voluntarily contribute small payments toward their loans while still in school.

There are a variety of ways you can save money while making your repayment process go as smoothly as possible. It is first important to understand the ins and outs of your loans. This means you should know your monthly payment, interest rates and types, and your length of repayment. It is much harder to successfully repay your debts if you don't know the basics about them.

Saving Money on Interest and Principal

The more that is paid today, the less there will be owed tomorrow. If a borrower can afford to do so, they should start repayment of their private student loans from the day they begin college. This doesn't mean that they need to attempt to make full monthly payments; even small payments made monthly or semi-monthly will add up over time and result in less debt upon graduation. The faster the principal balance of the loan is reduced, the less interest will be able to accrue on the loan.

If you have more than one private student loan or both private and federal student loans, you can save money by paying off your highest interest loans first. Because these loans have higher interest rates, more money will accumulate each month. Pay each of you minimum payments and then take whatever money you have left over and put it towards your most expensive loans.

Another way to save money is to take advantage of interest rate reduction offers. The most common, that nearly every lender offers, is for enrolling in automatic payments. When you do this, not only are you given an interest discount (usually around 0.25%), you also don't have to worry about making your payment each month. As long as the money is in the account, your servicer will automatically deduct your payment.

Saving Money on Compound Interest

Compound interest is actually double and triple interest. When a loan accrues interest throughout a particular period of time, such as a month or a year, the interest that goes unpaid is added (or “compounded”) to the original principal balance. During the next period, interest accrues all over again, but this time it accrues on the new principal balance, which includes the interest left unpaid from last time. By the time a loan is on the third such period of time, the interest is accruing on the original principal balance PLUS the previous two periods’ worth of interest. It’s easy to see why loan balances balloon when compound interest is involved.

Since almost all private loans will compound unpaid interest, it benefits borrowers to pay down the interest. Even if no money is available to put toward the principal balance, if a borrower can keep the interest paid off then they can save hundreds or even thousands of dollars by graduation, just by keeping compound interest at bay. Many private student loans compound interest daily, so borrowers might even consider making twice-monthly payments that cover the interest for each month. If a borrower wants to pay down their principal balance while still in school, they need to be aware that any payments made on their loan account will be applied first to accrued interest and then to the principal balance.

Pay more than the minimum amount required. When you do this, you will reduce the total balance of your loan. When you have a smaller balance, less interest is charged to you. If you come across extra money, consider putting it towards your debt, even if it is only a one-time thing.

Tracking the Loan Balance

Borrowers must stay organized in order to stay on top of their principal, accruing interest, and overall loan balance. Designating a drawer or an email folder to just loan statements is a good way to stay aware of the balance and avoid missing payments. Even if the payments are small and voluntary, each payment that staves off compound interest is eventually worth much more than what is paid, because it prevents a buildup of interest in the months and years ahead.

If you know your loans, you should come up with a plan on how to pay them back. Create a budget for yourself. This means you should first write down all of your sources of income. Following this, you should take out any absolutely necessary expenses. These may include rent or mortgage payments, utilities, and food. The next thing to budget for would be any debts you owe. Because these can hurt you financially if you ignore them, they should be prioritized above non-essential things like entertainment or alcohol.

Private Student Loan Refinancing

The last, but certainly not least, tip is to consider student loan refinancing. When you refinance your student loans, you trade into your old federal and/or private educational loans for a new one with different terms. Usually when refinancing, you are given a lower interest rate as compared to your previous loans.

Refinancing is done with a private lender who determines your eligibility based on your creditworthiness. Because many students obtain jobs after graduation and now have a steady stream of income, they are considered to be more trustworthy than they were when first applying. This is why lenders often are able to offer lower interest rates to applicants. To learn more about student loan refinancing, check out our complete guide here.

The Impact of President Trump on the Private Student Loan Industry

Now that Donald Trump has taken office, student borrowers around the country are waiting to see what impact his presidency will have on national student loan debt. In general, Republicans tend to favor privatization over federal control, and Republican-led policies aim to decrease the involvement of the federal government. In particular, Trump himself has given several indications that the country can expect to see an increase in privatization when it comes to student loans, regarding both their origination and servicing. Since a substantial portion of the national student loan debt is with private lenders, the Trump Administration and a Republican-controlled Congress will likely impact the private student loan sector in a particularly significant way.

Campaign Promises

Although Trump did not devote much time on his campaign trail to discussing ideas for student loan reform, he and his campaign policy director did suggest at several times that a Trump Administration would prioritize reducing the government's role in handing out student loans. In the 2000s, many student loans were originated by private lenders and backed by the federal government. Many commentators during the election cycle speculated that it was likely we would see a return to that or a similar system, thereby reducing the government's role and simultaneously increasing the role of private lenders. Considering the expediency with which his administration is implementing many of the other changes mentioned on the campaign trial, we should not expect to wait very long to see changes to the current student loan market.

Trump's Administration

In addition, the Trump campaign spoke about deregulation of higher education, something that Betsy DeVos, Trump's choice for the new U.S. Secretary of Education, is known for supporting. It seems highly likely that deregulation will go hand-in-hand with a corresponding increase in private student loan lending, particularly if Trump's policies regarding deregulation lead to a decrease in federal student loan lending and a chance for private lending to fill the void left behind. DeVos is a vocal proponent of privatizing education, and that approach may spill over into the Department of Education's student loan policies if she is confirmed. Many of Trump's picks for cabinet members, advisors, and agency leaders, have connections to for-profit colleges and private student loan lenders.

Investor Reaction to the Election

While many were organizing and marching in reaction to Trump taking office, some segments of the market were clearly optimistic. For instance, between Election Day and Inauguration Day, Sallie Mae's stock grew by more than 50 percent. These days, Sallie Mae is a leading originator of private student loans, and its affiliate, Navient, services more student loan debt than any other student loan servicer in the country. Despite recent lawsuits against Navient, optimistic investors caused its stock to rise during that time period as well – by 18 percent. The second-leading student loan servicer, Nelnet, saw an even greater growth of 26 percent. This investor interest in companies that originate and service student loans is assumed to be due to an anticipation that the Trump Administration will favor the role of private companies over federal agencies during the next four years. It is likely also a direct result of Hillary Clinton not winning the election, considering that a key issue focused on by Democrats during the election cycle was free tuition at the college level. With that proposal off the table for now, the private student loan sector may see robust growth over the next several years.

Republican Reactions

With very few exceptions, Republicans have long advocated for the return of the student loan sector to its pre-2010 days where the federal government's primary involvement was in guaranteeing the loans originated by private lenders. Since the House and Senate are currently Republican-controlled, Trump may find it fairly easy to push through new policies by his administration that curb federal involvement. Democrat-led initiatives, such as raising the federal student loan lending limits for dependent borrowers, will probably die in committee without bipartisan support. Currently, college borrowers classified as dependents are limited to $31,000 in federal loans. For many of those students, they typically turn to private lenders to pay the additional costs of tuition and related educational expenses. Under Trump, that borrowing limit will probably stay the same or even decrease – which is arguably bad for borrowers, but good for private lenders who want to reach that segment of the market.