

Questions to Ask When Researching Lenders

Not all private educational loans are the same! Take the time to do some research when you're choosing a lender. Private loan lenders offer variable interest rates based on either Prime or LIBOR (for more information on Prime and LIBOR, please visit www.lclark.edu/dept/sfs/liborandprime.html). Approval and interest rates are determined by the borrower's credit. Consider asking the following questions when you're making this important decision.

1. What are the borrower benefits associated with this loan?

Borrower benefits are repayment incentives that save you money on your loan. They are usually interest rate reductions that you can earn by making a certain number of on-time monthly payments. How much money could you potentially save and how likely is it that you'll earn (and keep) the benefit?

2. Is there an interest rate reduction for signing up to make payments through automatic debit?

Most lenders will lower your interest rate if you sign up for automatic debit. Although that interest rate reduction might seem small, the potential savings may actually be quite significant. Also, signing up for automatic debit ensures all your payments are made on-time, so you'll earn the borrower benefits automatically. All you have to do is make sure there are sufficient funds in your account.

3. Will your lender sell your loans?

Some lenders may sell their loans so that they can re-lend the funds to future borrowers. Selling the loan to a different lending institution may affect the borrower benefits.

4. How will disbursements be sent?

If loan funds are disbursed as paper checks, will it be made out to the borrower or to Lewis & Clark? Checks made payable to you means you will have to provide endorsement before the funds can be applied to your student account.

5. Are there any fees associated with the loan?

Fees vary, depending on your lender. Be sure to check with your lender about any fees they charge on their private loan products.

6. Does the loan come with a grace period?

Many lenders offer a grace period so that borrowers won't have to worry about making payments right after graduating. This gives you some time to find a job and may allow you to align your private loan repayment with your Federal Stafford Loan repayment term.

7. Can the lender provide you with professional and informative customer service?

You will be working with this lender for many years. You'll want to be sure that they will be able to provide you with satisfactory and helpful customer service. It's also important to consider the quality of the lender's other forms of communication, such as their website and publications.