

# HOW TO COMPARE PRIVATE STUDENT LOANS

Before you apply for a private student loan, be sure you've found the one that best suits your needs. Creating a spreadsheet that includes the following elements can help you compare apples to apples.

## INTEREST RATES

Is the interest rate on the loan fixed or variable? Which is better for you?

- **Fixed Interest Rate:** You'll lock in the same rate for the entire term of the loan and you will know exactly how much you owe every month.
- **Variable Interest Rate:** The rate is tied to an index and your rate can increase or decrease over the life of the loan, which will impact your monthly payment amount and can make it harder to budget.

Interest rates on private student loans are determined by a variety of factors, including creditworthiness and type of loan.

If you don't have an established credit history yet, you may need to apply with a creditworthy cosigner.



**COSIGNER:** An adult you know well who agrees to take equal responsibility for the loan. Adding a creditworthy cosigner may improve your likelihood for loan approval and you may receive a lower interest rate.

## ANNUAL PERCENTAGE RATE (APR)

The APR represents the annualized cost of credit for a loan including finance charges (interest, fees, and other charges). The APR may be higher or lower than the interest rate, which is why it's important to compare APRs from different lenders rather than interest rates alone.

## FEES

Lenders may charge fees for paying late, returned checks and more. These fees are required to be disclosed to you, but may use different names from lender to lender.

## REPAYMENT TERMS

Repayment timelines vary. A loan with a longer term and a lower interest rate may look better than a shorter term and a higher interest rate because the monthly payments will be lower, but you will end up paying more over time.



**COMPARE LOANS** based on similar repayment terms.

## DISCOUNTS AND REWARDS

Check if one lender is offering extra perks that another may not. Read the terms and conditions to be certain that you qualify for them and can maintain them through the loan's lifetime.

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