

2019-2020 Private Loan Information

All UWM students are encouraged to file a FAFSA prior to the Financial Aid Department certifying a private loan application. Doing so allows them to be considered for more favorable financial aid programs first. Numerous lending institutions throughout the country offer students a variety of private loan programs. These loans are not subsidized by the government and should only be considered as a final option. These loans may be used to pay **educational** expenses that are not being covered by other resources. The Financial Aid Office determines which educational expenses are included in a student's estimated cost of attendance (COA.)

UWM provides a "Preferred Lender Arrangement" (PLA) for private loans as well as the online FASTChoice tutorial which will provide information needed to make an informed decision on which lender to choose. To view the FASTChoice tutorial, as well as a variety of private loans available, go to www.uwm.edu/fastchoice. At the end of the tutorial, you will be directed to a list of private loan options that you can review and compare side by side. Loan products listed here provide an online application. To apply for a private loan not listed here, you will need to apply directly with that lender. Please visit their website for additional information on their loan offerings.

Questions to ask a lender when considering which loan product to apply for:

- 1) What are your repayment options? Some lenders offer interest-only or fixed rate payments while the borrower is in school, which can greatly reduce debt upon graduation. Some lenders also allow deferred interest and principal payments until graduation.
- 2) Are the application and school certification web-based? It's not required, but if all steps in the process from application to certification to disbursement can be done electronically, funds are more likely to be received in a timely manner.
- 3) Does the loan require that the borrower be making satisfactory academic progress?
- 4) Does the loan require that the borrower be enrolled at least half-time?
- 5) If seeking a loan to cover a balance from a previous term, is your requested term within the lender's time frame requirement? Past term loan requirements often include many caveats, be sure to explain your exact situation to your lender.
- 6) What fees does the lender charge? Are there any fees for prepayment of the loan?
- 7) How long is the repayment plan? A longer repayment period means lower payments, but can cost more in interest.
- 8) What is the interest rate? Is it fixed or variable? If variable, how often will it be adjusted? When does interest capitalize and how often?

There are many lenders offering private loans and you may choose to borrow from any lender that participates in this loan program. However, we would caution you to be suspicious of unsolicited loan offers. You are strongly encouraged to research your lender to make sure you are going to receive the most favorable loan as well as the best customer service. You are encouraged to take advantage of the FASTChoice tutorial mentioned above. Whichever lender you select, you are still encouraged to apply for the loan online via the lender's website. If submitting a paper application, you should complete the lender section and mail it directly to the lender. They will contact us for school certification.

Many private loans feature at least one of three types of discounts—fee waivers, principal reductions, and interest rate reductions. As a rule, discounts that are immediate or early in the life of a loan and cannot be canceled are the more favorable. In contrast, discounts contingent on good behavior—such as paying on time for the first 48 months are less valuable. Statistics show that fewer than 10% of borrowers actually receive repayment benefits due to missed payments, loan consolidation, or a misunderstanding of how the incentives really work. Be sure you understand how to attain the benefits and how to keep them.

Fees: Lenders are allowed to charge borrowers' fees. There are different types of fees. Up-front fees, such as origination fees, are charged immediately when the loan is made, and are often subtracted from the gross amount of your loan. Many lenders offer a 0% disbursement fee. When fees are high enough, they can offset the benefit of a low interest rate. Back-end fees are charged just prior to when you begin repayment and are usually added to the principal balance of the loan

Direct Debit (ACH/EFT/automatic payments) Discounts—offered to borrowers that sign up to have their payment automatically withdrawn from either their checking or savings account.

Interest Rate and Interest Rate Reductions—Interest begins to accumulate as soon as the loan is disbursed and rates can vary greatly. They can be influenced by your credit history and are often variable (they change over time.) If all other things are equal, a higher interest rate can cost you a lot of money.

In most cases, the interest rate of your loan will be determined by your credit history. As such, you are encouraged to apply with a creditworthy cosigner to receive the best rate available. You may also wish to complete the request for a credit pre-approval for 2-3 different loans to see which loan offers the best terms. However, please do not submit an entire application for more than one lender.

Interest rates are often based on financial indexes. On October 9, 2018 the prime interest rate was 5.25%; the 3 Month LIBOR Rate was 2.41%; and the 91-day T-bill was 2.23%. For example, if your loan has an interest rate of LIBOR + 4% and LIBOR is 2.14%, your interest rate is 6.14%.

The most common benefit is the interest rate reduction for paying by autopay. However, some lenders may still offer an interest rate reduction for making the first specified number of monthly payments on time.

The most important advice the Financial Aid Department can offer—develop a budget and look for ways to reduce your costs in an effort to borrow as little as possible. Borrowing a \$10,000 loan with a fixed 9% interest rate and repaying the loan over a 10-year repayment plan will cost you more than \$15,000. You are encouraged to live like a poor college student now so that you won't have to live like one once you graduate.