

# Alternative Financing Options – Private Student Loan Primer

Columbus State University recognizes that students and families may require additional financial methods in which to bridge the gap between the cost of attendance and the student's eligibility for financial assistance. The following resources are recommendations we have made in order to assist with financing a Columbus State University degree.

CSU recommends that students and their families maximize all federal, state, and institutional financial aid programs before considering a private loan.

As a service to our students, Columbus State University is providing a list of preferred lenders that can be viewed [here](#). This site provides a comparison tool and other resources that you may find useful in your search for private student loan options. We recommend these lenders based on the quality of products and services they provide to students and families. We have carefully considered our selections in order to provide you with the best possible list of suggested lenders. However, if you wish to use another lender that is not on this list, you have the right to do so.

Before applying for a private loan, students should always exhaust all of their federal loan eligibility. Parents may also want to consider using federal parent loan funds before cosigning a private loan for a student.

The Office of Student Financial Aid encourages students and families using private loans to apply for one full academic year (fall, spring and summer semester) up front rather than on a per-term basis. This prevents multiple credits hits on borrower credit report and ensures that a student has a way to cover their costs for the full academic year attendance.

We recommend that students apply for a private loan with a co-signer. A co-signer assumes responsibility for a loan should the borrower fail to repay. Having a co-signer on the loan often results in a lower interest rate and reduced fees. Please see our information on the Qualities of a Good Cosigner to help you choose a co-signer prior to applying for a loan.

## How Private Loan Interest Rates Are Determined

**Prime Rate** – The interest rate that commercial banks charge their most credit-worthy customers. Generally a bank's best customers consist of large corporations. The prime interest rate, or prime lending rate, is largely determined by the federal funds rate, which is the overnight rate which banks lend to one another. The prime rate is also important for retail customers, as the prime rate directly affects the lending rates which are available for mortgage, small business and personal loans.

**LIBOR** – The London Interbank Offered Rate is a benchmark rate that some of the world's leading banks charge each other for short-term loans. It serves as the first step to calculating interest rates on various loans throughout the world. LIBOR is administered by the ICE Benchmark Administration (IBA), and is based on five currencies: U.S. dollar (USD), Euro (EUR), pound sterling (GBP), Japanese yen (JPY) and Swiss franc (CHF), and serves seven different maturities: overnight, one week, and 1, 2, 3, 6 and 12 months. There are a total of 35 different LIBOR rates each business day. The most commonly quoted rate is the three-month U.S. dollar rate.

**Go to [bankrate.com](http://bankrate.com) for the most current Prime and LIBOR Rates**

Here are some questions that you may want to consider when choosing a lender/loan option:

- Do you charge any fees for disbursement, repayment, deferments?
- What is the interest rate for your approved loan?
- Are the fees deducted from the loan disbursements or added to the total loan amount?
- Are in school payments required?
- What is the interest rate?
- Is the interest rate variable or fixed?
- When is interest capitalized?
- Do you offer flexible repayment options?
- Can I request a deferment or forbearance after I leave school and enter repayment?
- Do you offer interest rate reductions for auto-debit payments?
- What borrower benefits do you offer?
- How much experience do your customer service representatives have?
- Can I talk to a person, not an automated system? How long is the wait time typically?
- Can I email an account representative if needed?
- Is there an online application process and instant approval?
- Do you have online account access?
- How long have you been lending loans?
- Do you have a history of selling loans (change of company to whom you will repay the loan)?
- What are my options for loan consolidation?

## Final Thoughts

Make sure you have reviewed all options carefully and choose the option(s) that are the best fit for you. You do not have to complete the borrowing process if you are not happy with the offered rate or other terms. Make sure you borrow only what you need to minimize your student debt levels.