For Students and Parents: Best Practices on Choosing Your Alternative/Private Lender

Below are suggested criteria for lenders that best meet your unique needs. You are also encouraged to consult our financial aid Alternative/Private Loan Specialist for assistance.

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Best Value & Benefits to Borrowers	Does the lender offer to pay fees on the student's behalf? Does the lender offer competitive rates and pricing? Does the lender offer interest rate reductions and rebates? How does student qualify for rate reductions and rebates? How easy is it for student to keep rate reductions and rebates? Does the lender have a minimum income requirement? Does the lender require repayment while in school?
Customer service investment	Does the lender recommend that students maximize their use of free aid and federal loans before taking alternative/private loan? Can students and parents apply for loans online? Does the lender offer life-of-loan servicing? How convenient are the lender's call center hours? Does the lender offer Spanish-language support? Can students access and manage their account online, 24/7?
Robust repayment options	Does the lender provide counseling on deferment and forbearance options? Are repayment calculators and other online tools available? Does the lender provide a variety of repayment solutions? Does the lender offer loan consolidation options? Does the lender educate borrowers about effective debt management?
Experience & longevity	Is the lender a well-known, reputable company? What is the lender's track record in the industry? Is the company's focus on student loans? How many customers have loans with this lender? Is the lender financially sound and strong?

Important Terms

Consolidation*: The combination of several types of federal education loans into one new loan. Consolidation simplifies loan repayment*

Deferment*: Temporary postponement of loan payments. During this time, the borrower does not have to pay neither principal nor interest.*

Forbearance*: Temporary postponement or reduction of payments because of the borrower's financial difficulties. Forbearance also may be an extension of the repayment period. All borrowers are charged interest during forbearance.*

Lender*: The organization that made the loan initially; the lender could be a bank, credit union, or other lending institution.*

Life-of-Loan Servicing*: A lender, servicer, and secondary market develop agreements to maintain a single point of service for the borrower from loan origination through repayment to ensure no interruption of service providers. Life-of-Loan servicing means that the same servicer will be used even if the loan is sold. It does not guarantee that the loan will not be sold.*

Loan Holder*: The organization that currently "owns" the loan and to which the borrower owes repayment. Many banks sell loans, so the initial lender and the current holder could be different.*

Secondary Market*: An agency that purchases student loans from originating lenders so these lenders can make additional student loans. If such an organization buys the loan, that organization becomes the "loan holder".*

Servicer*: An agency a school or lender employs to service (collect) a student loan account. Often, the borrower will deal with the loan servicer when there are questions about repayment. Servicers also approve deferments and forbearances on the lender's behalf.*