

## 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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<b>Best Value &amp; Benefits to Borrowers</b>	<ul style="list-style-type: none"> <li>Does the lender offer to pay fees on the student's behalf?</li> <li>Does the lender offer competitive rates and pricing?</li> <li>Does the lender offer interest rate reductions and rebates?</li> <li>How does student qualify for rate reductions and rebates?</li> <li>How easy is it for student to keep rate reductions and rebates?</li> <li>Does the lender have a minimum income requirement?</li> <li>Does the lender require repayment while in school?</li> </ul>
<b>Customer service investment</b>	<ul style="list-style-type: none"> <li>Does the lender recommend that students maximize their use of free aid and federal loans before taking alternative/private loan?</li> <li>Can students and parents apply for loans online?</li> <li>Does the lender offer life-of-loan servicing?</li> <li>How convenient are the lender's call center hours?</li> <li>Does the lender offer Spanish-language support?</li> <li>Can students access and manage their account online, 24/7?</li> </ul>
<b>Robust repayment options</b>	<ul style="list-style-type: none"> <li>Does the lender provide counseling on deferment and forbearance options?</li> <li>Are repayment calculators and other online tools available?</li> <li>Does the lender provide a variety of repayment solutions?</li> <li>Does the lender offer loan consolidation options?</li> <li>Does the lender educate borrowers about effective debt management?</li> </ul>
<b>Experience &amp; longevity</b>	<ul style="list-style-type: none"> <li>Is the lender a well-known, reputable company?</li> <li>What is the lender's track record in the industry?</li> <li>Is the company's focus on student loans?</li> <li>How many customers have loans with this lender?</li> <li>Is the lender financially sound and strong?</li> </ul>

## **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.*