

Private Student Loans, also known as Alternative Student loans should be explored after all other options have been exhausted. They help bridge the gap between the actual cost of your education and the amount the government allows you to borrow through the federal student loan program. Private loans are offered by private lenders and eligibility often depends on your credit score. As a last resort, families can turn to private student loans when federal student loans do not cover all of their expenses.

When to consider a private student loan

1. Consider a private student loan after your federal student loan eligibility has been exhausted, but you need additional funds to cover remaining expenses.
2. Consider a private student loan if you will be enrolled in a Study Abroad program and need additional funds for expenses associated with your study abroad program.
3. Consider a private student loan if you are unable to enroll half time to qualify for a federal student loan.

Be aware of federal requirements on private loans

1. **Disclosure Forms** - Lenders must provide required disclosures to the student and cosigner, if applicable, at three different times during the private loan origination process:
 - o **Application and Solicitation Disclosure** – Provided during the online loan application process or via mail included with the Promissory note.
 - o **Approval Disclosure** – Provided after the loan is approved and the lender has received the promissory note, the Application and Solicitation Disclosure and the Borrower Self Certification Form and the school certification. The applicant and any cosigner have 30 days to return the approval disclosure.
 - o **Final Disclosure** – Provided after the lender receives the Approval Disclosure from the borrower and any cosigner, indicating that the loan has been accepted by the student and the cosigner, if applicable. The loan will not disburse until at least 3 business days after this disclosure is received by the borrower and any cosigner.
 - o **Borrower Self-Certification Form** – A credit-approved student borrower must submit a completed borrower [self-certification form](#) to the lender before school certification will be requested.
2. The **Borrower Self-Certification Form** requires information on your cost of attendance, as determined by the school you attend. Please contact the LMC Office of Financial Aid for cost of attendance information.

3. **Timing Requirements** – These federal regulations extend the loan processing timeline so meeting deadlines for specific steps will be critical to the successful and timely disbursement of your loan funds.

Other considerations when applying for a private student loan

1. Private student loans usually have a higher interest rate than federal student loans, and can have a variable interest rate, unlike federal student loans, which have fixed interest rates. This is one reason to **exhaust your eligibility for federal student loans before taking a private student loan.**
2. Check to see how frequently your intended lender compounds interest on private loans. A low interest rate that is compounded daily is usually a costlier loan.
3. Interest on a private student loan begins to accrue upon disbursement, unlike subsidized federal student loans which begin to accrue interest after you graduate, drop below half time enrollment and/or have used up your grace period. This is another reason to **exhaust your eligibility for federal student loans before taking a private student loan.**
4. Fees charged by some lenders can significantly increase the cost of the loan. A loan with a relatively low interest rate but high fees can cost more than a loan with a higher interest rate and no fees. (Lenders that do not charge fees often roll the difference into the interest rate.) A good rule of thumb is that 3% in fees is about the same as a 1% higher interest rate.
5. Federal student loans also offer better repayment and forgiveness options, another reason to **exhaust your eligibility for federal student loans before taking a private student loan.**
6. Private loans require that you have a credit history and verifiable income; if you do not meet the qualifying requirements, a co-signer may be required. It is better to apply for a private student loan with a cosigner, even if you could qualify for the loan on your own. Applying with a cosigner usually results in a slightly lower rate, because the loans are not as risky for the lender.
7. Keep in mind that private student loans are only available to students whose cost of attendance has not already been met with other aid.

Applying for a private loan

1. You may research private loans with a lender of your choice.
2. Apply for the loan keeping in mind that credit approvals are good for only 120 days. **Therefore, do not apply earlier than 30 to 45 days prior to the start of the semester.**
3. Your lender will send us an electronic certification to complete. We will complete the certification and return it electronically to your lender.
4. Keep in mind the new disclosure requirements which add to the processing time. Depending on your lender, the process can take 3 to 6 weeks from the time you apply until receipt of funds. Your lender will send your loan proceeds to us electronically.