

# THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

## PRIVATE STUDENT LOAN COUNSELING CHECKLIST

<input type="checkbox"/>	<p><b><u>FEDERAL STUDENT LOANS FIRST</u></b></p> <p>Federal Stafford Loans, Federal PLUS Loans, and Federal Perkins Loans are typically less costly, with lower fees, and have more favorable repayment options. They also offer deferment options while enrolled at least half-time and forbearance options in times of hardships during repayment. See the US Department of Education’s publications: <a href="https://studentaid.ed.gov/resources">https://studentaid.ed.gov/resources</a>.</p>
<input type="checkbox"/>	<p><b><u>APPLY FOR ONLY WHAT YOU NEED</u></b></p> <p>Private education loans, because of generally more expensive rates and fees, should be used with caution. <b><i>We strongly recommend that you should only borrow what you actually need to cover education costs.</i></b> While private education loans allow for borrowing the difference between cost of attendance less any financial assistance, you may not need that much for your specific costs. We recommend that you pay strict attention to all aspects of any private education loan that you consider, and to be intentional about planning for and deciding how much you actually need to borrow in order to reduce indebtedness.</p>
<input type="checkbox"/>	<p><b><u>UNDERSTAND ALL FINANCIAL IMPLICATIONS</u></b></p> <p>Private education loans often have application fees in addition to the loan interest rate. The Consumer Financial Protection Bureau (CFPB), in its <i>CFPB Education Loan Examination Procedures</i> notes that there are six general types of fees associated with private education loans (<a href="http://files.consumerfinance.gov/f/201212_cfpb_educationloanexamprocedures.pdf">http://files.consumerfinance.gov/f/201212_cfpb_educationloanexamprocedures.pdf</a>):</p> <ul style="list-style-type: none"><li>• <i>Origination fee</i> – charged by the lender, offsetting the application processing cost, and added to the loan amount;</li><li>• <i>Disbursement Fee</i> – charged by the lender and added to the principal amount of the loan when it is disbursed;</li><li>• <i>Deferment Fee</i> – charged by the lender in exchange for the benefit of deferring a loan payment for a time period;</li><li>• <i>Repayment Fee</i> – charged by the lender at the onset of repayment and calculated based on the outstanding loan balance at the time loan repayment begins. Repayment fees have become rare.</li></ul> <p>Lenders may provide also you with information on both your interest rate and your annual percentage rate. These are not the same thing. The CFPB explains the difference this way:</p> <p>“The interest rate is the cost of borrowing money expressed as a percentage rate. It does not reflect fees or any other charges you may have to pay for the loan. An Annual Percentage Rate (APR) is a broader measure of cost to you of borrowing money. The APR reflects not only the interest rate but also the points, broker fees, and certain other charges that you have to pay to get the loan, including certain of your closing costs. For that reason, your APR is usually higher than your interest rate”.</p> <p><a href="http://www.consumerfinance.gov/askcfpb/135/what-is-the-difference-between-an-interest-rate-and-an-apr.html">http://www.consumerfinance.gov/askcfpb/135/what-is-the-difference-between-an-interest-rate-and-an-apr.html</a>.</p>
<input type="checkbox"/>	<p><b><u>UNDERSTAND THE INTEREST RATE</u></b></p> <p>Private education loan interest rates are based on either of two major interest rate indexes, LIBOR or PRIME:</p> <ul style="list-style-type: none"><li>• <b>LIBOR</b> is an acronym for the <i>London Interbank Offered Rate</i>. It is a variable rate index based on the average interest rate paid on deposits of US dollars in the London market. Private education loan interest rates are typically based on either the 1-month or 3-month LIBOR.</li><li>• <b>PRIME</b> rate refers to the <i>Prime Lending Rate</i>. It is the interest rate that a bank charges its most credit-worthy customers. It is largely based on the federal funds rate, which is the overnight rate that banks charge either other for lending.</li></ul> <p>Lenders typically use either of these indexes as the base for the interest rate and add points to set up interest rates tiers according to credit worthiness. Private education loans interest rates are almost all variable and, therefore, may change over the course of a specific year and within the life of the loan. See the Consumer Financial Protection Bureau’s guidance about APR: <a href="http://www.consumerfinance.gov/askcfpb/45/what-is-the-difference-between-a-fixed-apr-and-a-variable-apr.html">http://www.consumerfinance.gov/askcfpb/45/what-is-the-difference-between-a-fixed-apr-and-a-variable-apr.html</a>.</p>
<input type="checkbox"/>	<p><b><u>KNOW YOUR LOAN AND CREDIT HISTORY</u></b></p> <p>Private education loans are credit-based loans. The decision by the lender will be based on the credit history of the applicant or co-applicant(s), as pertinent. You can obtain a free copy of your credit report once annually from one of the three credit reporting agencies. For more information: <a href="https://www.annualcreditreport.com/index.action">https://www.annualcreditreport.com/index.action</a>. You can also access complete data on your federal student loan history from the National Student Loan Data System (NSLDS): <a href="http://www.nsls.ed.gov/nsls_SA/">http://www.nsls.ed.gov/nsls_SA/</a>. Data on federal student loans are reported to credit reporting agencies. Maintaining a good repayment history is integral to protecting your credit worthiness.</p>
<input type="checkbox"/>	<p><b><u>CALCULATORS</u></b></p> <p>There are many calculators available online from lenders and non-profit and community-based organizations to help you calculate fees and interest over the life of a loan. Listed below are a few examples:</p> <ul style="list-style-type: none"><li>• <i>Bankrate.com</i>: <a href="http://www.bankrate.com/calculators/college-planning/loan-calculator.aspx">http://www.bankrate.com/calculators/college-planning/loan-calculator.aspx</a></li><li>• <i>Big Future (College Board)</i>: <a href="https://bigfuture.collegeboard.org/pay-for-college/loans/student-loan-comparison-calculator">https://bigfuture.collegeboard.org/pay-for-college/loans/student-loan-comparison-calculator</a></li><li>• <i>CNN/Money</i>: <a href="http://cgi.money.cnn.com/tools/studentloan/studentloan.html">http://cgi.money.cnn.com/tools/studentloan/studentloan.html</a></li></ul>

<input type="checkbox"/>	<p><b><u>OBTAIN, COMPLETE AND SUBMIT THE PRIVATE LOAN SELF-CERTIFICATION FORM</u></b></p> <p>The private loan lender is required to collect this form from a private education loan applicant. You can obtain the form on the following GW web-sites:</p> <ul style="list-style-type: none"> <li>• <i>Office of Student Financial Assistance:</i> <a href="http://financialaid.gwu.edu/">http://financialaid.gwu.edu/</a></li> <li>• <i>Law School Financial Aid Office:</i> <a href="http://www.law.gwu.edu/Admissions/financial_aid/types/Pages/commercial.aspx">http://www.law.gwu.edu/Admissions/financial_aid/types/Pages/commercial.aspx</a>.</li> <li>• <i>School of Medicine and Health Services Financial Aid Office:</i> <a href="http://smhs.gwu.edu/fin-aid/lender/private">http://smhs.gwu.edu/fin-aid/lender/private</a></li> </ul>
<input type="checkbox"/>	<p><b><u>UNDERSTAND PRIVATE LOAN DISCLOSURES</u></b></p> <p>The Truth in Lending Act requires private loan lenders to provide specific disclosures in three separate steps:</p> <ul style="list-style-type: none"> <li>• <i>Application and Solicitation Disclosure</i> – This disclosure is required to provide information on the cost of the loan, such as the interest rate, application fees, costs associated with default or late repayment, and the terms of repayment. The disclosure must provide consumer information regarding alternatives to private education loans, notably Federal student financial assistance programs, and noting the interest rates of Federal student loans. The disclosure must also note that if the loan is approved the loan terms will not change for thirty days except for allowable changes, including adjustments to the interest rate.</li> <li>• <i>Loan Approval Disclosure</i> – This disclosure is required to be sent to the applicant upon conditional approval for the loan, providing borrower-specific rates and fees, and the amount of the loan which has been approved. The lender must provide an estimate of the total amount of payments to be made based on the interest rate as well as the maximum rate of interest for the loan. The disclosure must again advise on the availability of Federal student aid. Borrowers have thirty days to accept the terms and conditions of the loan.</li> <li>• <i>Final Disclosure</i> – This disclosure is required to be sent to the applicant upon conditional approval for the loan, providing borrower-specific rates and fees, and the amount of the loan which has been approved. The lender must provide an estimate of the total amount of payments to be made based on the interest rate as well as the maximum rate of interest for the loan. The disclosure must again advise on the availability of Federal student aid. Borrowers have thirty days to accept the terms and conditions of the loan.</li> </ul> <p>The Board of Governors of the Federal Reserve System provides both Model Forms and examples of each disclosure here: <a href="http://www.federalreserve.gov/newsevents/press/bcreg/20090730a.htm">http://www.federalreserve.gov/newsevents/press/bcreg/20090730a.htm</a>.</p>
<input type="checkbox"/>	<p><b><u>CONSUMER GUIDANCE</u></b></p> <p>It is strongly in your interest to consider Federal Student Loans before considering private education loans, as previously noted. But there are some other factors to consider:</p> <ul style="list-style-type: none"> <li>• Private education loans are extremely difficult to discharge under current Federal bankruptcy laws.</li> <li>• It is not possible to consolidate both Federal student loans and private education loans.</li> <li>• Consolidation of private education loans usually involves higher rates than consolidation of Federal student loans.</li> </ul> <p>Consumer guidance on student loans is available from the Federal Trade Commission and the US Department of Education here: <a href="http://www.consumer.ftc.gov/articles/pdf-0048-student-loans.pdf">http://www.consumer.ftc.gov/articles/pdf-0048-student-loans.pdf</a>. Some “third-party” reference sites provide neutral guidance without preferential treatment to lenders on loan products. <i>Finaid.org</i> and <i>fastweb.com</i> are regarded as neutral and educative. <i>Fastweb</i> has several publications in pdf that we think are very useful:</p> <ul style="list-style-type: none"> <li>• <i>Quick Reference Guide on Choosing a Parent or Student Loan:</i> <a href="http://www.fastweb.com/nfs/fastweb/static/PDFs/Choosing_a_Student_or_Parent_Loans.pdf">http://www.fastweb.com/nfs/fastweb/static/PDFs/Choosing_a_Student_or_Parent_Loans.pdf</a></li> <li>• <i>Repaying Student Loans Quick Reference Guide:</i> <a href="http://www.fastweb.com/nfs/fastweb/static/financial-aid_documents/RepayingStudentLoans.pdf">http://www.fastweb.com/nfs/fastweb/static/financial-aid_documents/RepayingStudentLoans.pdf</a>.</li> </ul> <p>Complaints regarding private education loans can be filed with the Consumer Financial Protection Bureau: <a href="http://www.consumerfinance.gov/students/">http://www.consumerfinance.gov/students/</a>.</p>
<input type="checkbox"/>	<p><b><u>GW REQUIREMENTS</u></b></p> <p>GW does not maintain a preferred lender list and will certify any loan for which financial aid certification is required. GW student financial assistance staff will assist you with the completion of the <i>Private Loan Self-Certification Form</i> upon request. See the requisite student financial assistance web-site for complete details, instructions, and contact information.</p> <ul style="list-style-type: none"> <li>• Office of Student Financial Assistance: <a href="http://financialaid.gwu.edu/">http://financialaid.gwu.edu/</a></li> <li>• School of Law Financial Aid Office: <a href="http://www.law.gwu.edu/Admissions/financial_aid/Pages/Default.aspx">http://www.law.gwu.edu/Admissions/financial_aid/Pages/Default.aspx</a></li> <li>• School of Medicine and Health Sciences Financial Aid Office: <a href="http://smhs.gwu.edu/fin-aid/">http://smhs.gwu.edu/fin-aid/</a></li> </ul>