

## Questions to Ask A Potential Lender:

- 1) Do you charge fees on your loans? If so, at what percent?
- 2) How often do you capitalize interest during postponement periods?
- 3) Do you offer borrower benefits and what are they? What percent of your borrowers receive these benefits?
- 4) How frequently do you provide statements summarizing loan balances, interest accrual and expected monthly payment?
- 5) How long have you been originating federal Stafford loans?
- 6) Do you have a history of selling your loans?
- 7) What kind of debt management education do you provide?
- 8) What are your hours of operation? Do you offer other types of assistance outside of your hours of operation?

## Questions to Ask Yourself:

- 9) How quickly can I talk to a real person when I call? How long am I on hold?
- 10) When I contact this lender, do I talk with experienced, educated professionals who are in tune with my specific program needs (e.g., graduate, undergraduate)?
- 11) Is the lender able to provide insight and borrower education from pre-enrollment through repayment?

## What If I Need More Information?

Want to get financial aid insight from a lender-neutral, student loan expert?

Visit: [www.finaid.org](http://www.finaid.org)

Want to connect with other borrowers who may have similar questions or insight?

Visit: [www.collegeconfidential.com](http://www.collegeconfidential.com)

Looking for hot student loan information presented in three minutes or less?

Visit: [www.ramenreport.org](http://www.ramenreport.org)

More questions?

**Total Higher Education**

Customer Service

800-366-0604

[www.theloanprogram.org](http://www.theloanprogram.org)



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# Bright Ideas

## Evaluating a Lender



**LN** LENDER NEUTRAL

T.H.E.'s Smart Choices series is intended solely for educational purposes — to give students unbiased, practical information to help them make decisions that could lower the cost of financing their education.

How to evaluate a lender  
— and why it matters.

## Why the Lender You Choose Makes a Difference

*The lender you pick could be with you for the next 25 years. Before you dive into such a long-term relationship, do your homework so you can make an educated decision about which lender is right for you.*

Your mailbox is probably flooded with marketing materials from student loan lenders, making it difficult to select the right lender. To help you make sense of your options, we've outlined simple steps you can take to evaluate any lender.

Although this brochure was created with federal loan programs in mind, you can also use it to evaluate private lenders. But remember, **only after you've exhausted all federal loan options should you look into private loans.**

### Aren't All Student Loan Lenders the Same?

Some features are standard because the Department of Education regulates the federal loan program. Standard features include:

#### Interest Rates

While some lenders may offer a lower interest rate, keep in mind that the lower rate may depend on qualifying for the lender's benefit program.

#### Repayment Terms

The amount of time you have to pay back a loan.

#### Postponement Options

If you need to postpone making payments, you can take advantage of deferment and forbearance options.

#### Aggregate Loan Limits

The maximum amount you can borrow each year as well as during your entire time in school.



### How Are Student Loan Lenders Different?

Four features that set lenders apart are:

#### Customer Service

Take the time to interact with a potential lender – call them, browse their website, or e-mail them. Consider time on hold, accuracy of the information, and your overall impression.

#### Credibility and Track Record

Ask any potential lenders how long they've been in the student loan business. You'd be surprised how much of the marketing you receive comes from newly established companies without a proven track record.

It's also important to ask if a lender sells its loans. If you're going to take the time to research a lender, wouldn't you want to work with that same lender from start to finish?

#### Borrower Education

A good lender creates a lasting relationship that goes far beyond just collecting payments. Ask potential lenders if they offer education resources to help you minimize the cost of your education, as well as manage and repay your debt.

#### Savings and Benefits

Find out how likely you are to actually receive savings and benefits a lender advertises.

### Bright Insights



#### Fees

Lenders may charge up-front fees of up to 3% on federal student loans.

#### Interest Capitalization

At certain time intervals, lenders add the amount of interest your loan has collected to the principal balance. Interest then accrues on this new, larger amount. Different lenders capitalize interest at different intervals (e.g., quarterly). The more frequently interest is capitalized the more expensive your loan will be.

#### Repayment Benefits

Some lenders offer borrower benefits when it's time to pay back your loan. However, many lenders make it difficult to qualify for these incentives. With most lenders, less than 10% of borrowers qualify. Ask a lender about their qualification rate – if it's low or not available you may want to keep looking.

### Lender Scorecard

	Excellent	Good	Fair	Poor
Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interest Capitalization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Repayment Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Borrower Education	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>