

Private Student Loans: Need to Know Basics

What to Consider

Deciding to borrow a private student loan to finance your education depends on your unique circumstances. Private student loans are an **entirely optional** choice that require a separate application process and approval by the lender. Although these loans may be useful, it is crucial to understand how they differ from the federal Direct Subsidized/Unsubsidized Loan programs sponsored by the U.S. Department of Education.

The Rowan College of South Jersey (RCSJ) Office of Financial Aid recommends that students first consider federal Direct Loans. Unlike private programs, Direct Loans are guaranteed by the government, tend to have the lowest interest rates, allow for deferment and do not require a co-signer or credit check.

However, if you need additional funding or no longer qualify for the federal loan programs, a private loan may prove appropriate. It is vital that you consider all terms and conditions of alternative lending. Such factors to weigh are repayment timelines and the option for deferment, interest rates, credit checks and general eligibility requirements.

Repayment Timelines

Private lenders typically offer two repayment timelines: immediate and deferred.

- **Immediate repayment** timelines require the borrower to start making payments on principal and interest while still in school. Repayment begins once the loan disburses (pays) to the student account.
- **Deferred repayment** timelines offer a grace period before the borrower must start making payments on principal; however, interest will accrue during this deferment period. Some examples of grace period are
1) Six months after graduating with your degree
2) Six months after you cease enrollment (for any reason)
or 3) If you enroll on a less-than halftime basis (1–5 credits).

Credit Checks and Co-Signers

All private loan programs require a separate application process, credit check and prior approval. This means you will apply directly through the lender — not the RCSJ Office of Financial Aid — and your credit history is taken into consideration.

If you have not already established credit, you may be required to use a co-signer. A good co-signer is someone whose credit is in good standing without an adverse history. Furthermore, anyone can co-sign on the loan as long as he/she is comfortable. This means it does not have to be your parent and/or spouse.

Interest Rates

Interest rates vary greatly across private loan programs and financiers. A smart basis for comparison is to assess the private lender's interest rates against the federal Direct Subsidized/Unsubsidized Loans, which is **3.73 percent**. (This interest rate is for Direct Loans originated between July 1, 2021 and June 30, 2022. Rates subject to change July 1 annually.)

How Much Can I Borrow?

You may borrow a private loan up to the annual cost of attendance, less any other financial aid received. The cost of attendance budgets for five major educational expenses: 1) Tuition/fees 2) Room/board 3) Textbooks/supplies 4) Transportation 5) Some personal expenses.

Any other financial aid awards received (i.e. federal/state grants/loans) and enrollment status are considered when establishing your eligibility for the private loan award amount.

Enrollment Status

Most lenders require students to maintain an enrollment of at least 6 credits or more to borrow a private loan. However, some lenders will allow you to borrow a loan for less-than halftime enrollment (1–5 credits), but only for the true cost of tuition/fees. This means you may not qualify for a book voucher or a refund. Contact the lender directly for more information.

Private Loans Certified at RCSJ

- RCSJ **does not** maintain a preferred lender list, and therefore cannot suggest one private lender over another
- Some examples of certified loans at RCSJ include the Federal Parent PLUS*, State NJ CLASS*, Sallie Mae Smart Option, Wells Fargo Collegiate and PNC Smart Solutions. You are encouraged to research your options and decide which program/lender fits your unique circumstances and needs
- RCSJ **does not** certify Discover student loans; this lender works exclusively with four-year institutions
- Contact the Office of Financial Aid to see if a lender's private loan can be certified at RCSJ

Application Process at RCSJ

- 1) Complete the **2021-2022 FAFSA** and specify RCSJ federal **school code 006901**
- 2) Review your eligibility for federal/state grants and loans to determine if a private loan is necessary
- 3) **Apply through the lender** for the private loan. Approved applications will be received by the Office of Financial Aid within a few business days; allow two weeks for your award schedule to update with the private loan
- 4) Submit the 2021–2022 Disclosure & Release form to the Office of Financial Aid

**Federal Parent PLUS and State NJ CLASS Loans require a credit check and prior approval. Students must maintain a minimum enrollment of 6 credits or more and make satisfactory academic progress to be eligible.*

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