

PLNU Student Financial Services Office Guide to Choosing a Lender For Federal Stafford Loans, Parent PLUS Loans, and Graduate/Professional PLUS Loans

When choosing a lender, it's important to recognize you may have a business relationship with this lender for 10 years or more after you leave school. While all lenders offer Federal Stafford loans at the same beginning interest rate, many lenders offer discounts on loan fees as well as rebates and other incentives once you receive your loan disbursement or enter repayment.

We recommend you review the websites of various lenders and compare borrower benefits. We have provided a lender list for you, but you may choose any lender. You may also want to call two or three lenders and ask them why you should choose them as your student loan lender. By investing a little time in comparing lenders' policies and services, you may save money over the life of your loan. It pays to shop around before selecting a lender.

Use this guide to make a comparison that will help you choose a lender before you borrow and while you are in repayment. Consider these important eligibility terms and potential borrower benefits:

Front-End Benefits (save at the beginning of your loan)

Fees may be charged when you first take out a loan. Some lenders charge an origination fee and some guaranty agencies charge a federal default fee previously known as a guarantee fee – others do not.

Back-End Benefits (save during repayment)

Find out if there are ways to reduce costs when you start to repay your loan, including a possible reduction in the interest rate or principal loan balance.

Hold or Sell

Understand the different options lenders may exercise in managing your loan.

Servicer

A lender might do all the servicing of your loan or they might employ another company to do the work. Know what to expect while your loan is in repayment.

Value-Added Services

The little – but important – extras can make the difference in choosing a lender.

Key Areas	What to Look for
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<p>General Eligibility and Loan Terms</p>	<ul style="list-style-type: none"> • Federal terms and conditions of eligibility and repayment are regulated and must be applied consistently <i>by all participating lenders</i>. For example, annual and aggregate loan limits are set by the government and interest rates are set annually for each period of July 1 through June 30. There also are specific repayment plans, deferment options and cancellations that are offered. Such items are <i>the same for all lenders</i>. • Lenders may offer different incentives or borrower benefits to reduce the loan cost and attract your business. • Lenders have different models of how they manage their portfolios. They may hold or sell the loans; they may do their own servicing or contract with a third party to service the loans. • Lenders vary in the type and quality of customer service. PLNU has a lender list that is based on lenders which demonstrate excellent service. Although we provide a lender list, borrowers may choose any lender. • A prior or current banking relationship is not required; education loans are handled separately from other types of banking business, such as checking or savings accounts. • Once you choose a lender for your first loan, a Master Promissory Note (MPN) is signed; loans in subsequent years are added to that original note. If you decide to switch lenders, a new MPN is needed. Changing lenders is not recommended. It results in your having multiple loans to manage and handle in repayment, or you would need to put them all together by consolidating. Usually it is best (and simpler) to continue borrowing from the same lender, even if you change schools or are continuing enrollment in another degree program. The only time changing lenders is necessary is if you are transferring from a Direct Lending school.
<p>Front-End Benefits (save dollars at beginning)</p>	<ul style="list-style-type: none"> • Low or no guaranty fee - A guaranty fee of up to 1 percent may be charged to insure your loan. • Low or no origination fee - The U.S. government charges lenders a 1.5 % origination fee on Federal Subsidized and Unsubsidized Stafford Loans; this fee <u>may</u> be passed on to the Stafford (student) borrowers, but the 3% origination fee <u>must</u> be passed on to (parent) PLUS borrowers and (student) Grad PLUS borrowers. In some cases, lenders may charge Stafford borrowers only part or none of this fee.

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<p>Back-End Benefits (save dollars during repayment)</p>	<ul style="list-style-type: none"> • “On-time repayment incentives” - These may be offered in the form of rebates or interest rate discounts. To remain eligible, your loan(s) must not become delinquent more than a certain number of days. One late payment may disqualify you from some or all of your benefits. • “Automatic debit interest discount” - You may be offered an immediate interest reduction if you authorize payments to be debited from your bank account. Participating would ensure you qualify for any on-time repayment incentive. • Repayment plan options - Some lenders may offer options beyond those already built into the federal programs. There is <u>no prepayment penalty</u>. In some cases, it may be less costly to pay the loan off quickly rather than following an incentive plan. If you <u>consolidate your loans</u> (pay off old loans with a new loan), the former incentives would no longer apply. However, a consolidation loan may come with new incentives.
<p>Hold or Sell</p>	<ul style="list-style-type: none"> • Lenders can hold your loan until it is paid in full. • Or your lender may sell your loan, usually to a secondary market. (Secondary markets purchase loan portfolios from education lenders thus providing those lenders with capital.) If the lender sells the loan, you should know at what point it will be sold and if the new holder will honor the borrower benefits. You must be notified by your lender if your loan is sold.
<p>Servicer</p>	<ul style="list-style-type: none"> • A lender may directly service, or handle, your loan(s) through borrowing and repayment. • Or a lender may employ a servicer to answer your questions, manage the processing of payments and take care of customer service requests. • Like lenders, servicers vary in the type and quality of customer service. You should know which servicer a lender may use before borrowing so that you know whom to contact. You must be notified by your lender if your loan will be handled by a different servicer.

Value-Added Services	<p>Other services to consider are:</p> <ul style="list-style-type: none"> • Round-the-clock customer service (800 # and/or online access to your account information) • Instant PLUS credit approval • PLUS resolution for adverse credit • PLUS forbearance while student is in school to postpone PLUS repayment (interest will continue to accrue) • In-school statements of interest accrual for Unsubsidized Stafford, Parent PLUS and Grad PLUS borrowers to facilitate interest-only payments and avoid capitalization (accrued interest converting to principal). Capitalization occurs at repayment after the grace period, when the student is no longer enrolled at least half time. • Private education loan option (many of these loans are for the student borrower, but may require a co-signer) • Combined billing for federal and private loans • Consolidation loan option • Local banking or online banking services
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Other Questions to Consider

Do Lender Policies Differ?

Yes. Some lenders retain ownership of your loan throughout the life of the loan. Others may sell your loan and immediately transfer it to another holder, called a secondary market. The terms of the loan will always remain the same, but you make payments to the new holder. Ideally, you want a lender that collects its own loans or sells to only one secondary market. If a lender sells its loans to **different** secondary markets, you may have to make monthly payments of at least \$50 at repayment to **each secondary** market that holds one of your loans. Avoid this by finding out if your lender sells its loans and to whom.

What Is A Servicer and How Does It Affect Me?

Some lenders service your loan account themselves when you are in school and contract with outside agencies to service your loan account when you enter repayment. Other lenders use servicers while you are in school as well as in repayment. You communicate with this servicer, not your lender, when you have questions on your loan status, amounts owed or changes in your enrollment status or address. You are notified of where to direct your questions with each sale. Ask your lender about their servicing policies.

Should I Stay With One Lender?

In general, we recommend you borrow all of your loans from one lender because it will simplify your repayment process. Different lenders use various servicers and secondary markets; if you change lenders during your school program, your loans may end up at different sites, resulting in multiple payments and correspondence to different sources. However, if all of your same-type loans are serviced in one place, they can be combined into one monthly payment. In many cases, a combination of loan payments results in a lower monthly payment. Ask your lender about its servicing policy. If your lender uses more than one secondary market or servicer, ask if all of your loans will be kept together at the same servicing site.

