



# A Quick Start Guide to Getting A Private Student Loan

It starts with you.



There are a lot of ways to finance your dream of going to college. Then there's the best way for you.

Once you understand where private student loans fit into the college financing picture and how they work, you can use that information to customize a loan that you know is right for you because you created it.



## Table of Contents

- 1. What Are Private Student Loans?**
- 2. Where Do Private Student Loans Fit Into College Financing Planning?**
- 3. How Do Private Student Loans Work?**
- 4. Certified Expenses: What a Private Student Loan Can Be Used to Pay For**
- 5. Eligibility for Private Student Loans**
  - Credit scores
  - Cosigners
  - Releasing the Cosigner and Why It's Important
- 6. What to Consider Before Applying for a Student Loan**
  - How much should you borrow?
  - What about loan fees?
  - Interest rates: variable vs. fixed
  - Repayment options: In-school vs. deferment
  - Grace periods and forbearance
  - Before you apply: Gathering information and documents
- 7. Choosing the Right Private Student Loan Provider for You**





# 2 Where Do Private Student Loans Fit Into College Finance Planning?



Phew. College is expensive. If you're like most students, you'll need to pull together your financing from a number of different sources to cover all the costs of going to school. These sources typically include federal student and parent loans, scholarships and grants, school financial aid packages, college savings and private student loans.

We saved private student loans for last because that's where they come into your college financing planning. After all of your other financing is in place, a private student loan could fill the 'gap' between how much you have and how much you still need. That's why private student loans are also called 'gap' loans.



# 3 How Do Private Student Loans Work?



Private student loans work pretty much like any type of personal loan. The provider lends you money and you pay it back with interest. Interest is how lenders make money.

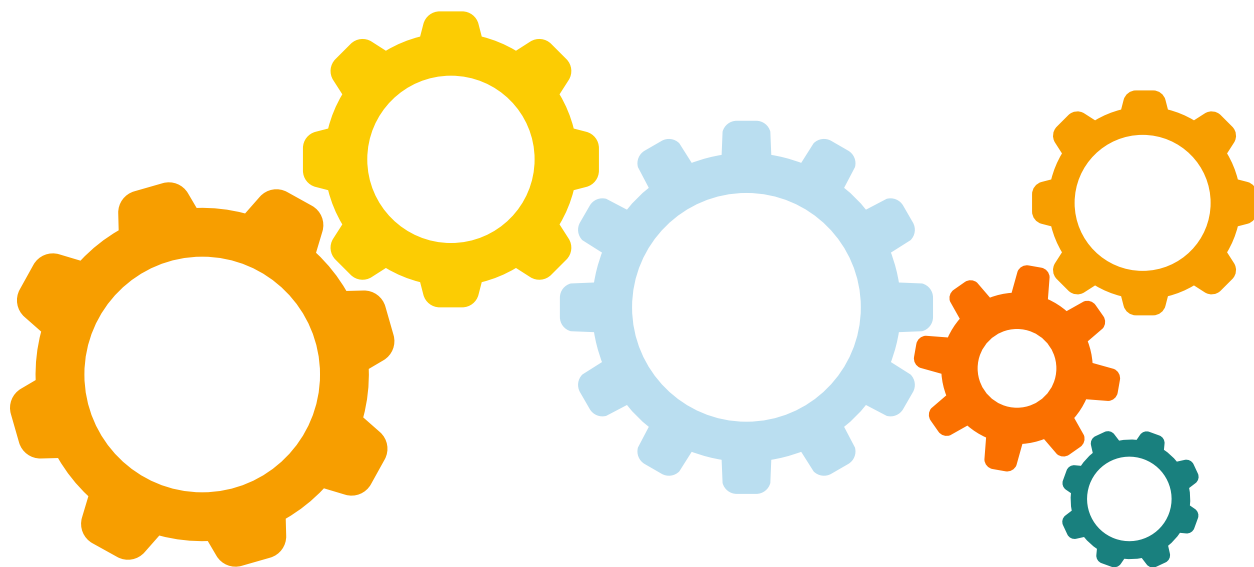
The repayment option and length of the loan you choose (a.k.a. the term) determine, along with the interest rate, how much it will cost to borrow the money you need.

When you apply, and assuming you're approved, you'll have the choice of starting to repay your loan while in-school or deferring repayment until after you graduate.

There's no right or wrong decision. Every student's financial situation is different and that's why lenders offer a number of different repayment scenarios.

That said, the faster you pay off your loan, the less it will cost to borrow that money.

While each lender determines its own disbursement policies, most private student loan funds are sent directly to the school after confirmation of enrollment and the cost of attendance.

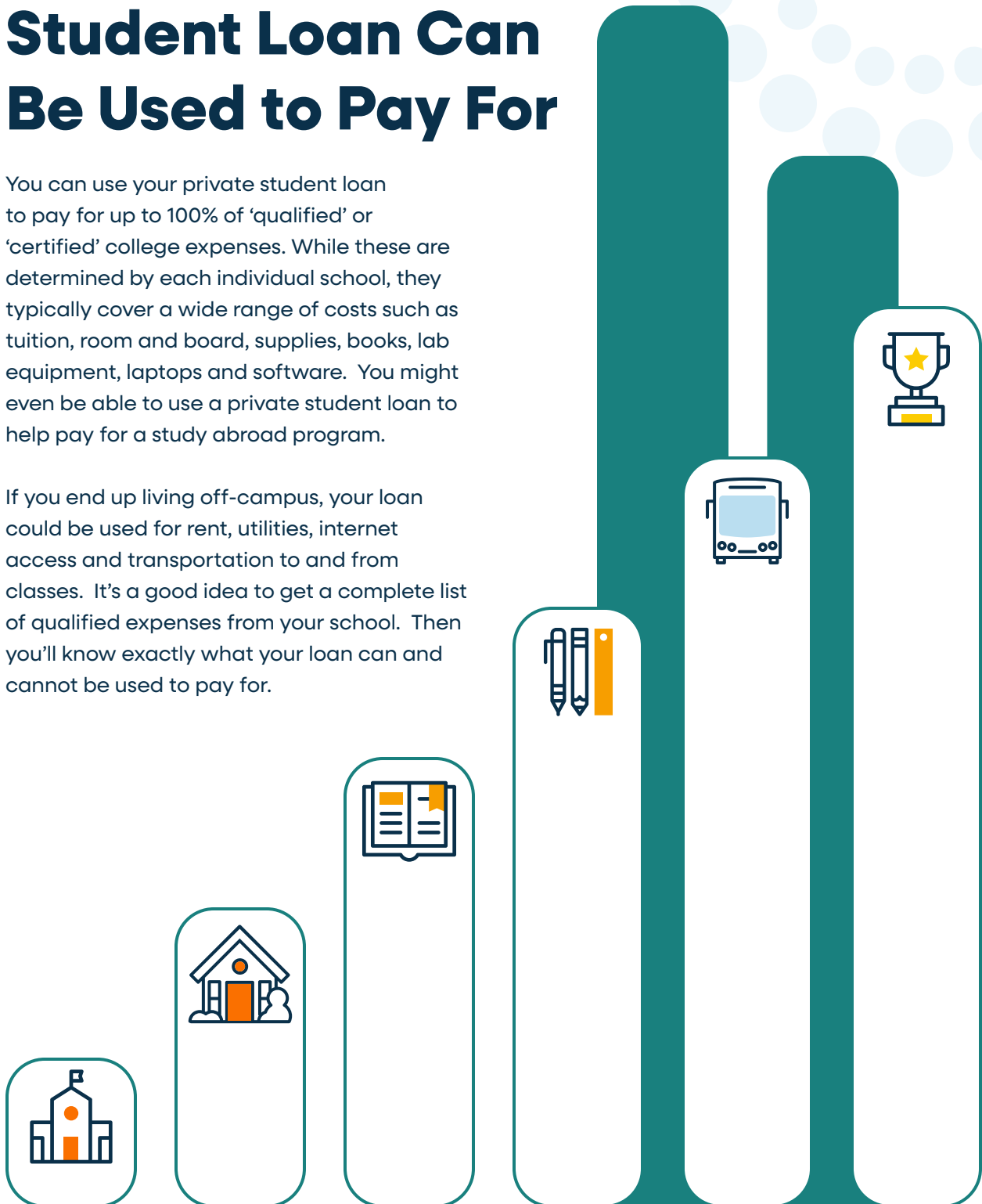


# 4 Certified Expenses: What a Private Student Loan Can Be Used to Pay For



You can use your private student loan to pay for up to 100% of 'qualified' or 'certified' college expenses. While these are determined by each individual school, they typically cover a wide range of costs such as tuition, room and board, supplies, books, lab equipment, laptops and software. You might even be able to use a private student loan to help pay for a study abroad program.

If you end up living off-campus, your loan could be used for rent, utilities, internet access and transportation to and from classes. It's a good idea to get a complete list of qualified expenses from your school. Then you'll know exactly what your loan can and cannot be used to pay for.



# 5 Eligibility for Private Student Loans



Anyone who is of legal age in their home state is eligible to apply for a private student loan. Students who are not yet 18 are still eligible if they apply with a cosigner (more on that below).

Eligibility for being approved for a loan is based on what's called borrower creditworthiness. Responsible lenders use a borrower's credit history and score to gauge his or her ability to repay the loan.

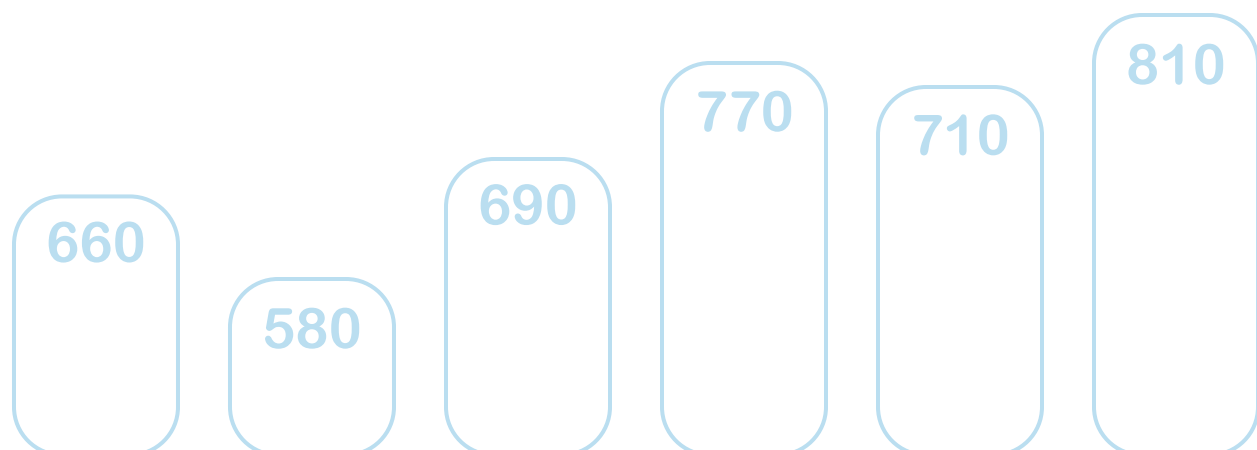
## Credit scores

A credit history is simply a borrower's track record for repaying debt and other financial obligations such as rent and utilities. Credit histories are quantified and ranked using what's called a FICO® credit score (because they're issued by the Fair Isaac Corporation).

A FICO® score ranges from 300 to 850. The higher the score, the better the borrower's credit and the more likely the loan will be approved.

Once approved, your credit score and credit history will also be used to determine how much you can borrow and your loan's interest rate.

If you're just graduating high school, don't panic – lenders know you haven't had a chance to build a strong credit history. That's why they let you apply with a cosigner.



# Eligibility for Private Student Loans



## Cosigners

If you're like many students, you have a 'thin' credit history. This means that even though you may use credit, you have fewer than five credit accounts such as credit cards, store cards or auto loans.

This is where a cosigner can come to the rescue and help you get a private student loan.

A cosigner is an additional applicant on a loan, such as a parent, guardian, grandparent, or family friend who will bear the same legal responsibility for repayment as the student.

It's important that your cosigner has a good credit score. That will make loan approval much more likely. Also, a cosigner with excellent credit could help you get a lower interest rate. And a lower interest rate = lower overall cost of your loan.

### WANT TO KNOW IF YOU AND YOUR COSIGNER ARE ELIGIBLE?

It only takes five minutes to prequalify<sup>1</sup> for a Custom Choice student loan and find out with no obligation or impact on your credit.

You'll need to know your cosigner's address, contact information, social security number and annual income.

### RELEASING THE COSIGNER AND WHY IT'S IMPORTANT

Some lenders allow the cosigner to be released from the loan and its obligations when certain requirements are met.

For example, after a number of consecutive, on-time interest and principal payments are made, you may request a cosigner release. If your lender provides this special option, be sure to tell your cosigner as it could help them feel more comfortable cosigning your loan.

[PREQUALIFY NOW](#)

# 6 What to Consider Before Applying for a Private Student Loan



Private student loans vary from lender to lender. Some may have certain repayment options, terms and grace periods while others don't. Different lenders use different underwriting guidelines, too. Underwriting determines criteria for loan approvability. Therefore, an acceptable credit score range (for example) may vary from one lender to the next.

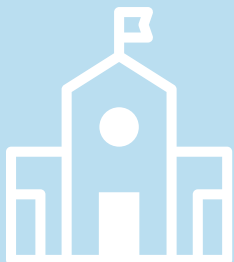
Here are the most important variables that come into play when choosing a private student loan provider.

## How much should you borrow?

To determine the amount you need to borrow, subtract the annual sum of all of your other college financing resources— federal student and parent loans, scholarships, grants, school financial aid and college savings— from the annual total cost of school. That is the amount you will need in additional funding. If you are approved, the amount you can actually borrow will be based on your and/or your cosigner's credit. Keep in mind the loan amount you request will need to be approved by your college financial aid office.

According to CBS News' July 2023 article, *How much can you borrow with private student loans?* the maximum amount you can borrow with a private student loan varies by lender but it typically ranges between \$75,000 and \$100,000.

Remember, loans are not 'free money'. They need to be repaid with interest. So only borrow as much as you need to pay for school and education-related expenses.



# What to Consider Before Applying for a Private Student Loan



## What about loan fees?

Lenders sometimes cover the operational costs of making loans by charging certain fees. Here are the most common:



### APPLICATION FEE

Some lenders will require you to pay a fee when you submit your application. This is typically non-refundable and varies by lender.



### ORIGINATION FEE

This fee covers the cost to process your loan or establish your account with the lender and is different from the application fee. The amount can vary depending on your lender. Not all lenders require an origination fee.



### PREPAYMENT FEE

Some lenders will require an additional fee if you pay off the loan before the end of the loan's term. It may seem odd that the lender would charge you a fee for paying them the money back early, but this is a common policy. Be sure you know which lenders on your list charge prepayment fees.



### LATE PAYMENT FEE

Another way lenders make money is to charge a fee for late payments. Everyone gets busy and may miss a payment date, but always plan to make your payments on time. Even if your lender doesn't charge a fee for it, a late payment can negatively impact your credit.

The law requires that lenders clearly disclose any fees associated with a loan. Be sure to read the fine print carefully before choosing a lender and signing on the dotted line.

The great news about Custom Choice is that there are no fees of any kind. Ever.

# What to Consider Before Applying for a Private Student Loan



## Interest rates: variable vs. fixed

When you take out a loan, you must pay back the original amount plus interest. The interest is basically the cost of borrowing. The interest on a loan is calculated using what's called the APR (Annual Percentage Rate).



### VARIABLE RATE

A variable rate fluctuates with the financial markets. Your payment amounts will go up if interest rates rise but they may also go down when rates decline.

Lenders advertise both variable and fixed rate ranges. Their most creditworthy borrowers get the lowest rate while those whose credit meets minimum acceptance criteria get the highest rate.

Keep in mind that most borrowers get a rate that falls in between the lender's highest and lowest published APRs. Ultimately, your rate will depend on your or your cosigner's credit and your choice of loan repayment options and terms.



### FIXED RATE

A fixed rate does not change at all for the life of the loan. Therefore, you can count on the same payment amount every month.

When your lender calculates your loan repayments, interest will be included in the amount you have to pay. Every month, a portion of your payment will go toward paying down your principal and a portion will go toward interest.

# What to Consider Before Applying for a Private Student Loan



Some lenders determine how and when you will enter repayment while others offer flexible options to accommodate the borrower's lifestyle and career path.

The general rule of thumb is the faster you pay off your loan, the less it will cost. The longer your loan term, the more it will cost.

That said, there's another trade-off to consider, too. The shorter the term, the higher the monthly amount will be. The longer the term, the lower the payment amount.

If you start immediate, in-school repayment, your loan will cost less since each payment will reduce the principal on which interest is calculated, but your monthly payments will be higher.

If you defer, your principal balance will not be reduced and interest will compound on the full amount of the loan.

## Repayment options: In-school vs. full deferment

### IN-SCHOOL REPAYMENT OPTIONS



#### START REPAYING LOAN PRINCIPAL AND INTEREST IMMEDIATELY

In this in-school repayment scenario, the borrower starts making principal and interest payments as soon as (or shortly after) the loan is fully disbursed. The benefit of this option is that the loan will be paid off faster and you will pay less interest. If you have the means, immediate repayment reduces the cost of your loan the most.



#### INTEREST-ONLY PAYMENTS

In this case, the borrower begins making repayments immediately, but only for the amount in interest that accrues on the loan each month. This interest would otherwise be added to the principal amount. Paying it off as it's accrued lowers the cost of the loan in the long run.



#### FLAT, MONTHLY PAYMENTS

If you can't pay off the total interest accrued on the loan each month while in school, you can still pay a flat, monthly amount. This will reduce your balance amount at graduation and still make the loan a little faster and less expensive to pay off.

# What to Consider Before Applying for a Private Student Loan



## Repayment options: In-school vs. full deferment

### **FULL DEFERMENT: PAYMENTS DON'T START UNTIL AFTER GRADUATION**

Many students who have little or no income while in school choose to fully defer loan repayment until after they graduate. This is the more expensive repayment plan since interest will accrue on the loan during school, and therefore, the balance of the loan will be higher when repayment begins.

Some lenders also offer deferment grace periods — giving you up to six months after graduation to get a job and start earning money — before repayment begins. More on that next.

### **REPAYMENT GRACE PERIODS AND FORBEARANCE**

Grace periods and loan forbearance help relieve the natural stress and worry that come with borrowing money and then having to pay it back.



#### **GRACE PERIODS**

A grace period is like getting an extension on when you need to make payments. Grace periods, which may last up to six months, are usually allowed upon graduation; giving you time to get settled into

a new job, find an apartment, buy a car— whatever you need to do to begin your life after school.



#### **FORBEARANCE**

Forbearance is for when life doesn't go according to plan. What if you're well into repaying your loan but lose your job and income? Or what if you need to take a FMLA leave of absence to recover from an illness? In these situations and more, certain lenders let you suspend your loan payments until you get back on your feet.

Neither grace periods nor forbearance should be confused with payment relief or payment forgiveness. You will still have to make the suspended payments. They will simply be tacked on to the end of your loan.

Responsible lenders, those who want you to be a successful borrower, will offer grace periods and forbearance programs not only to give you peace-of-mind, but also to help you keep your loan repayment and credit in good standing.

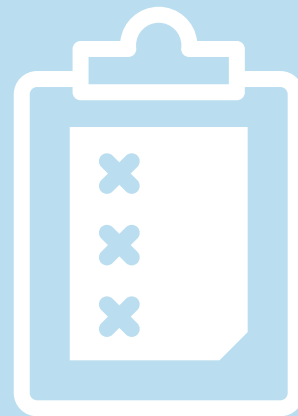
# What to Consider Before Applying for a Private Student Loan



## Before you apply: Gathering information and documents

Streamline application processing and get an answer as quickly as possible by having the following information and documents (yours and your cosigner's if using one) on hand:

- Dates of birth
- Social Security numbers
- Most recent tax return
- W-2
- Recent paystub
- Bank account information
- Annual income



# 7 Choosing The Right Private Student Loan Provider For You.



Now that we've covered the basics, you're one step closer to getting a private student loan. The next step? Finding a lender you can trust – and figuring out which repayment plan, loan amount and APR type makes the most sense for you.

A Custom Choice Loan, funded by Citizens, is worth considering. It's been in the market for the past 10+ years, with tens of thousands of borrowers.

## Why Choose Custom Choice?

It's all about you and giving you the best choice of money saving benefits, interest rates, repayment terms and options. Only then can you actually customize a loan that's right for you.



### COMPETITIVE INTEREST RATES

When you compare our rates with other private lenders, you'll see ours are competitive in the market. Plus, we offer both fixed and variable rate loans.



### FLEXIBLE REPAYMENT OPTIONS

Our borrowers have many choices when it comes to repayment options. Full deferment while you're enrolled in school, including a 6-month grace period, interest-only repayment, flat payment, or immediate repayment.<sup>2</sup>



### 2% GRAD REWARD

All loans include a 2% principal reduction upon request with proof of graduation.<sup>3</sup> The principal amount is the total amount owed on your loan.



### COSIGNER RELEASE

Cosigners can be released from all financial responsibility for the loan after 36 consecutive, on-time monthly principal and interest payments have been made.<sup>4</sup>



### NO HIDDEN FEES

A Custom Choice loan has no application, origination, prepayment, or late payment fees.

**READY TO APPLY?**  
Find out if you prequalify.<sup>1</sup>

**PREQUALIFY NOW**

# About Monogram

Monogram was founded with the goal of helping students reach their educational goals through access to funding. Monogram has leveraged innovative thinking and analytical rigor to develop financial and technological products for our partners and their clients.

Before applying for a private student loan, Citizens and Monogram recommend exhausting all financial aid alternatives including grants, scholarships, and federal student loans.

The Custom Choice Loan® is made by Citizens (“Lender”). All loans are subject to individual approval and adherence to Lender’s underwriting guidelines. Program restrictions and other terms and conditions apply. LENDER AND MONOGRAM LLC EACH RESERVES THE RIGHT TO MODIFY OR DISCONTINUE PRODUCTS AND BENEFITS AT ANY TIME WITHOUT NOTICE. TERMS, CONDITIONS AND RATES ARE SUBJECT TO CHANGE AT ANY TIME WITHOUT NOTICE.

1. In order to estimate the rates and loan options you prequalify for, Citizens will perform a soft credit inquiry, as authorized by you. Soft credit inquiries do not affect your credit. If you prequalify, the rates and loan options offered to you are estimates only. Once you choose your loan options and submit your application, Citizens may perform a hard credit inquiry, as authorized by you. Loan approval, options, and final rate depend on the verification of information provided on your application, and information obtained from the credit inquiry(ies) (and any cosigner’s credit inquiry(ies)).
2. Any student applicant who is enrolled less than half-time or who applies for a loan the month of, the month prior to, or the month after their graduation date, as stated on the application or certified by the school, will only be offered the Immediate Repayment option. The Interest Only option (defer principal payments), Flat Payment Repayment option (\$25 monthly payment) and the Full Deferment option (defer principal and interest payments) are only available while the student is enrolled at least half-time at an approved school. The Flat Payment Repayment option (\$25 monthly payment) is only available on loans of \$5,000 or more. With the Immediate Repayment option, the first payment of principal and interest is due approximately 30-60 calendar days after the final disbursement date and the minimum monthly payment will be \$50.00. Certain repayment terms and/or options may not be available depending on the applicant’s enrollment status and/or debt-to-income ratio. There are no prepayment penalties. See footnote 5 for payment examples.
3. The principal reduction is based on the total dollar amount of all disbursements made, excluding any amounts that are reduced, canceled, or returned. To receive this principal reduction, it must be requested from the Servicer, the student borrower must have earned a bachelor’s degree or higher and proof of such graduation must be provided to the Servicer. This reward is available once during the life of the loan, regardless of whether the student receives more than one degree.
4. A cosigner may be released from the loan upon request to the Servicer, provided that the student borrower has met certain credit and other criteria, and 36 consecutive monthly principal and interest payments have been received by the Servicer within 10 calendar days after their due date. Late payment(s), or the use of a deferment or forbearance will reset the number of consecutive principal and interest payments to zero. Use of an approved reduced repayment plan will disqualify the loan from being eligible for this benefit.
5. The 15-year term and Flat Payment Repayment option (paying \$25 per month during in-school deferment) are only available for loan amounts of \$5,000 or more. Certain repayment terms and/or options may not be available depending on the applicant’s enrollment status and/or debt-to-income ratio. Making interest only or flat interest payments during deferment will not reduce the principal balance of the loan. Payment examples (all assume a 14-month deferment period, a six-month grace period before entering repayment, no auto pay discount, and the Interest Only Repayment option): 7-year term: \$10,000 loan, one disbursement, with a 7-year repayment term (84 months) and a 9.50% APR would result in a monthly principal and interest payment of \$163.44. 10-year term: \$10,000 loan, one disbursement, with a 10-year repayment term (120 months) and a 9.30% APR would result in a monthly principal and interest payment of \$128.31. 15-year term: \$10,000 loan, one disbursement, with a 15-year repayment term (180 months) and a 9.29% APR would result in a monthly principal and interest payment of \$103.16.

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Monogram LLC (NMLS #2542102)

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