

The majority of students now borrow to help finance a college education. The lender that you select now will typically be the one that you will use throughout your entire college experience. That's why it's so important to get all the facts and choose your lender with care.

The fact is that all lenders are not alike. Now, in addition to banks, some educational associations and other organizations offer student and parent loans for school. Because these nonbank lenders focus on educational programs, they often offer some special free programs and services that are very helpful to students. Be sure to ask your financial aid administrator about these programs.

Choose the lender that's right for you. When you get down to talking with lenders, don't be afraid to ask questions. Carefully compare what each has to offer before you decide on a lender.

Here are some things you'll want to find out from each lender you are considering:

- **Does the lender offer any money-saving benefits?** Choose a lender that offers competitive benefits such as cash back on your loan when payments are made on time. Compare different lenders to see which can save you the most money in the long run.
- **How long will it take to get your loan?** The time it takes to process your application and get you your loan funds (the turnaround time) varies greatly between lenders. You will want to make sure that your funds are received by the college in time for you to begin your classes.
- **Does the lender sell your student loans?** Many lenders sell their loans to other lenders and to the secondary market so they will have funds to lend to new students. The secondary market includes organizations that specialize in buying student loans. Selling loans is very common practice in the student loan industry. When your loans are sold, you will be dealing with a new owner and not the lender who provided you with the loan. But rest assured, the interest rate and terms of your loan will not change.

Tip: To avoid confusion, choose a lender that sells to only one secondary market—and use that lender for all your student loans. That way, all your loans will be in the same place.

- **Does the lender use a servicer?** Some lenders have contracts with student loan servicers. These companies take care of all the details—like originating the loan, handling questions from students, and eventually collecting and processing payments. If your lender uses a servicer, you will communicate with the servicer, and not the lender. Please remember to notify the servicer if you have a change of permanent address or name.
- **Does the lender capitalize interest?** Capitalization occurs when you have interest accrual on your account during the in-school period for an unsubsidized loan. Generally, lenders will add the interest that has accrued during the in-school period at the beginning of repayment. This is called capitalization. This increases your balance (the amount you owe) and your monthly payments. A lender may choose to capitalize your interest every three months; every six months; once each year; or just one time, when repayment begins.

Tip: To save big money, choose a lender that offers one-time capitalization at repayment.

- **What types of repayment assistance plans does the lender offer?** Choose a lender that helps you manage your money through a variety of options, including graduated repayment and loan consolidation. This will be very important when it comes time to repay your loans.
 - Graduated repayment means your monthly payments will begin with a lower amount when your income is lower and will adjust to a higher payment later as your income increases.
 - Consolidation allows you to combine loans into one all-inclusive monthly payment, which lowers the amount of the payment but increases the length of repayment.
- **What is the lender's forbearance (hardship) policy?** Some lenders will be willing to lower or defer your loan payments for a time if you run into trouble repaying your loan. Choose a lender with a flexible forbearance policy.
- **Will the lender be easy to contact?** The last thing you need is a lender who puts you on hold when you call. Choose a lender with student-friendly services like toll-free telephone numbers and a helpful staff that answers your questions and provides guidance when you call. Look for lenders that offer 24/7 service through the Internet.

Remember: You are the customer. Plenty of lenders want your business. Choose the lender who will do the best job for you.