

## Graduate Student Loans: Private Loans

By: Emily Zaborniak

When finding funds for graduate school, a student may not be able to afford tuition and other costs with the loan allowances offered by the federal government. If this is the case, many graduate students look to private loan lenders to bridge the financial gap and make their dream of graduate school a reality. This method of attaining graduate student loans is both advantageous and disadvantageous for the borrower. To decide if private student loans for graduate school are right for you, first weigh the pros and cons.

One of the largest reasons private loan lenders do have many graduate student borrowers is that they can offer a larger loan allowance, whereas federal aid places limits and yearly maximums regulated by the government. Many graduate students do not consider that they can use private loans as a supplement, instead of taking the entirety of their loan needs from a private lender. When evaluating how much a graduate student borrower can take out, most federal aid is based on financial necessity, as demonstrated by submitting the Free Application for Federal Student Aid (FAFSA). Private loan lenders determine loan eligibility by reviewing the borrower's credit report; if the borrower's report does not meet the lender's requirements, often they can co-sign with a worthy borrower.

Also, graduate students may find it appealing to choose from multiple options of private lenders, as opposed to defaulting solely to a government resource. Another attribute of private loan lenders is their ability to customize the borrower's loans to suit their financial situation. Each private loan lender offers their own borrowing package, but many of them have similar lending basics. For example, most claim to have practical benefits, no fees for applying, and no deadlines for application submission. Also, private loan lenders disburse large sums of money quickly with fast online approvals. The ease and accessibility of private loans can swiftly persuade a graduate student who needs to solve their financial problems as soon as possible. When a private loan lender sends funds directly to the borrower, it increases the feeling of resolution.

There are numerous benefits to urge graduate students to pursue private student loans, but to be fair, private lenders have significant drawbacks, too. True to their name, federal student loans are guaranteed by the federal government; therefore, they carry a fixed rate. Even though the overall "fixed" rate may fluctuate yearly, a borrower still has the opportunity to lock it in. Concerning private loans, there is *no* cap on the interest rates and fees lenders can charge—as a result, unsuspecting borrowers find themselves buried in debts larger than anticipated. Also, private lenders are entitled to their own regulations, whereas federal loans are openly operated by set government standards.

Also, private lenders often have higher expectations for repayment. Many do not offer a grace period, interest will accrue while students are attending school, and repayment must be made in a shorter period of time (for example, a majority of private lenders do not allow beyond a 15 year repayment plan, which can significantly increase).

In order to apply for a private loan for graduate school, research plural lenders, choose the one that is right for you, and follow their applications instructions. Remember to compare and consider all funding sources, before you make your decision.

Want to know if your credit is acceptable for a private loan? Use these helpful links:

<https://www.annualcreditreport.com/cra/index.jsp>

[www.experian.com](http://www.experian.com)

[www.equifax.com](http://www.equifax.com)