

## Choosing a Federal Student Loan Lender

The University of Denver Sturm College of Law has no preferred lender list, because we know that each student has unique needs and preferences. You may have a previous relationship with a lender that might or might not influence your choice.

For a one on one consultation about choosing a lender for your student loans, email or call the Financial Management Office. We can guide you, but we will not tell you which lender to choose.

Following are some things to consider when choosing a lender:

### Things that are the same for all federal student loan lenders:

- The interest rate on all federal Stafford and Graduate PLUS loans is set by law. All lenders must offer the same rates.
- The grace period on all federal Stafford loans is set by law. All lenders must offer the same grace period.
- The repayment period options on all federal Stafford loans and Graduate PLUS are set by law. All lenders must offer the same repayment period options.

### Ways lenders can compete with each other for your business:

- Principal discounts - the lender reduces the amount you must repay by a certain percentage. For example, if you borrow \$8,500 in Stafford subsidized loan and the lender offers you a 1% principal discount, then you will only have to pay back \$8,415 plus interest.
- Interest rate discounts - the lender reduces the amount of interest charged on your loan. For example, if you make 24 on time payments, the lender will reduce the interest rate on the remainder of your loan by 1%. Most lenders credit the reduction by reducing your total number of payments, rather than reducing your monthly payment amount.
- Paying fees on your behalf - the lender may pay part or all of the origination or default fee on a federal Stafford on for you. As a result, you get a larger amount paid to you. For example, if you borrow \$10,000 in Stafford unsubsidized loan with 4% in fees, and you pay all the fees, then you would receive \$9,600. If the lender pays the 1% default fee, then you would receive \$9,700. If the lender pays all the fees, then you would receive \$10,000.

Most lenders offer interest rate discounts and principal discounts only after you make a certain number of on-time payments. Here are some questions to ask about these types of benefits:

- What exactly constitutes an on time payment?
- What happens to benefits if the loan is sold?
- What can cause me to lose the benefits (use of forbearance or deferment, etc.)

Who services the loan? This is the company that will be sending payment statements, etc. You will need to keep them informed of changes to your address, etc.

Considerable time and effort should be invested in shopping for the private lender that offers you the best terms. Please check companies' web sites for interest rate, guarantee fees, repayment options, loan fees etc. Most lenders now have telephone and on-line applications.