

YOUR MONEY

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What to Look for in Private Student Loans

Watch rates and payback terms to maximize savings, experts say; seek scholarships, too



College-finance experts say summer shouldn't be overlooked as a time to snag scholarship money. 'There are millions of dollars that are available over the summer,' says one. PHOTO: ASSOCIATED PRESS

By *Veronica Dagher*

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With the new academic year starting in a matter of weeks, student-loan and college-finance experts say there is still time to make some smart money moves.

On the to-do list: Shop around for private student loans and apply for scholarships.

"Housing deposits must be paid during the summer and college bills come due at the end of the summer, so now is the right time to bring your college financial plan up to date," says Mark Kantrowitz, a financial-aid expert and publisher of Cappex.com, a college-planning site.

While experts say students should prioritize federal loans because they are cheaper and have better repayment terms, among other reasons, private student loans offer financing for those who exhaust the U.S. government's Direct Loan, or Stafford Loan, program. For a student supported by his or her parents, those limits range from \$5,500 for a college freshman to \$7,500 for a senior.

Private student loans are nonfederal education loans made by banks and other financial institutions such as credit unions and online lenders such as SoFi. The lender sets the terms and eligibility for private student loans and the interest rate and fees are usually based on the credit score of the borrower or any co-signer. (Co-signers, who are equally responsible for the debt, may help the student qualify for a lower interest rate since the loan's rate and fees are typically based on the higher score of the two borrowers.)

One of the biggest problems is that many people don't research the loans. Twenty-five percent of families don't comparison-shop for private loans, according to a recent survey of 1,200 consumers by online lender CommonBond Inc.

Mr. Kantrowitz says to apply for several loans in order to compare the actual interest rates and fees. "Shop around as the best advertised rate might not be the rate you get,"

Mr. Kantrowitz says. Among the details to consider or disregard:

- Compare both the monthly payment and total payments over the life of the loan. A longer repayment term will yield a lower monthly payment but increase the total amount due, he says.
- Generally avoid using a loan's annual percentage rate to compare costs. A longer-term loan will generally have a lower APR but the borrower will pay more in total interest over the life of the loan, he says. Rather, compare loans based on the total interest or total payments over the life of the loan.
- Remember variable-rate loans' interest rates change over time and may increase beyond those on a loan that has a fixed interest rate, Mr. Kantrowitz says. A variable interest-rate loan may be cheaper for borrowers planning to pay the loan off early, though.

Another potential cost-saver: By signing up for auto-payments, borrowers may also be able to lower their interest rate by 0.25 to 0.50 percentage point.

SCHOLARSHIP SITES

Some websites to search for scholarship money and a bit about what each site offers:

- **Cappex.com:** The scholarship dashboard lets students manage their scholarships by setting a status for each scholarship (Might Apply, Will Apply, Applied, Won, Did Not Win, Doesn't Fit, Will Not Apply).
- **Chegg.com:** Users can search by their school year, age and GPA and create a personal profile to find better scholarship matches.
- **Fastweb.com:** The "Featured College Scholarships" section of the website frequently updates scholarship offers most students qualify for.
- **Petersons.com:** Filter your search by scholarships for college or grad school on this site.
- **Scholarships.com:** The site allows users to browse by special attributes. For example, users can search for scholarships for people who are adopted, LGBTQ or vegan.

ts shouldn't overlook scholarships. While many scholarships have deadlines that occur during the school year, some do exist with late-summer deadlines.

"There are millions of dollars that are available over the summer, so it's not too late or too early to apply," says Christopher Gray, co-founder of Scholly, a scholarship website.

Scholarships that have unusual eligibility requirements are usually easier to win (if you fulfill the criteria, that is), since there will be fewer applicants, he says. The same goes for smaller scholarships that are around \$1,000 to \$5,000 since many students don't apply for them thinking they aren't meaningful amounts, Mr. Gray says.

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