

Stronger Together Through Knowledge

KEY INSIGHTS INTO PRIVATE STUDENT LENDING

What we will talk about

- ▶ Federal policy changes
- ▶ Key differences between PLUS and Private Loans
- ▶ APR, interest rate, and origination fees
- ▶ Understanding credit
- ▶ The private loan process flow
- ▶ Q&A



What is changing?

- ▶ Limits on Parent PLUS Program
 - ▶ For new borrowers beginning July 1, 2026
 - ▶ \$20,000 annual cap per student
 - ▶ \$65,000 lifetime cap per student
- ▶ New Direct Unsubsidized Graduate Loan Limits
 - ▶ Graduate students
 - ▶ \$20,500 annual and \$100,000 aggregate
 - ▶ Professional students
 - ▶ \$50,000 annual and \$200,000 aggregate



What is changing?

- ▶ Elimination of Graduate PLUS Program
 - ▶ For new borrowers beginning July 1, 2026

Key differences between Grad PLUS and private loans

	Private Student Loans	Grad PLUS Loans
Lender	Banks, Credit Unions, Private Lenders	US Department of Education
Interest Rate	Fixed and variable	Fixed, set annually by government
Eligibility	Credit-based, many students need a creditworthy cosigner	Graduate/professional students with no adverse credit history
Borrowing Limit	Up to the school certified COA, minus other aid	Up to COA, minus other aid
Fees	No origination fees	High origination fees (4.228%)
Repayment Options	Varies by lender, may include principal & interest, interest only, deferred or flat payment	Flexible federal plans (IDR, deferment, forbearance). Forgiveness Options (PSLF)
Forgiveness Options	Not eligible for federal forgiveness, limited lender discharge options	Eligible for PSLF and other federal forgiveness programs
Upcoming Changes	Continues to be available; can serve as an alternative funding source	No longer available for new borrowers on/after July 1, 2026



Interest rate v. APR – Incorporating the cost of fees

- ▶ **Fees** sometimes a “hidden” cost that can increase the overall cost of borrowing (either reduces the loan amount received up front or is added to the cost for the length of the loan).
- ▶ **Interest Rate** rate at which the amount of the money owed increases (does not reflect fees or any other charges you may have to pay on the loan)
- ▶ **Annual Percentage Rate (APR)** interest rate plus any additional fees expressed as a percentage. The total cost of borrowing money on an annual basis.

Fees make a difference

	Direct PLUS/Grad PLUS	Private Education Loan
Loan Amount	\$20,882.93	\$20,000
Origination Fees	4.228% (\$882.93)	0%
Net Loan Amount	\$20,000	\$20,000
Interest Rate	9.08%	9.08%
Term	120 months	120 months
Monthly Payment	\$265.44	\$254.22
Total Cost	\$31,853.04	\$30,506.06

Saved amount \$1,346.98



What determines a credit score?

- ▶ Payment history – 35%
- ▶ Amounts owed/credit utilization – 30%
- ▶ Length of credit history – 15%
- ▶ Credit mix – 10%
- ▶ New credit – 10%



Ways to build credit

- ▶ Monitor credit report and finances
- ▶ Get a secured credit card
- ▶ Credit builder or a secured loan
- ▶ Use a cosigner
- ▶ Become an authorized user
- ▶ Receive credit for the bills you pay
- ▶ Make your payments on-time

What can negatively affect your credit score?

- ▶ Length of credit history
- ▶ Account balances are too high
- ▶ Too many account with balances
- ▶ Balances too close to the credit limit
- ▶ Collection accounts
- ▶ Late/missed payments
- ▶ Defaults, repos, foreclosures, bankrupt, etc.



Credit Inquiries

Soft Credit Inquiries

Credit inquiries not being reviewed by prospective lender:

- Checking your own credit
- Credit checks made by businesses to offer you goods/services (promotional offers by cc companies)
- Inquiries made by businesses you already have a credit account

Hard Credit Inquiries

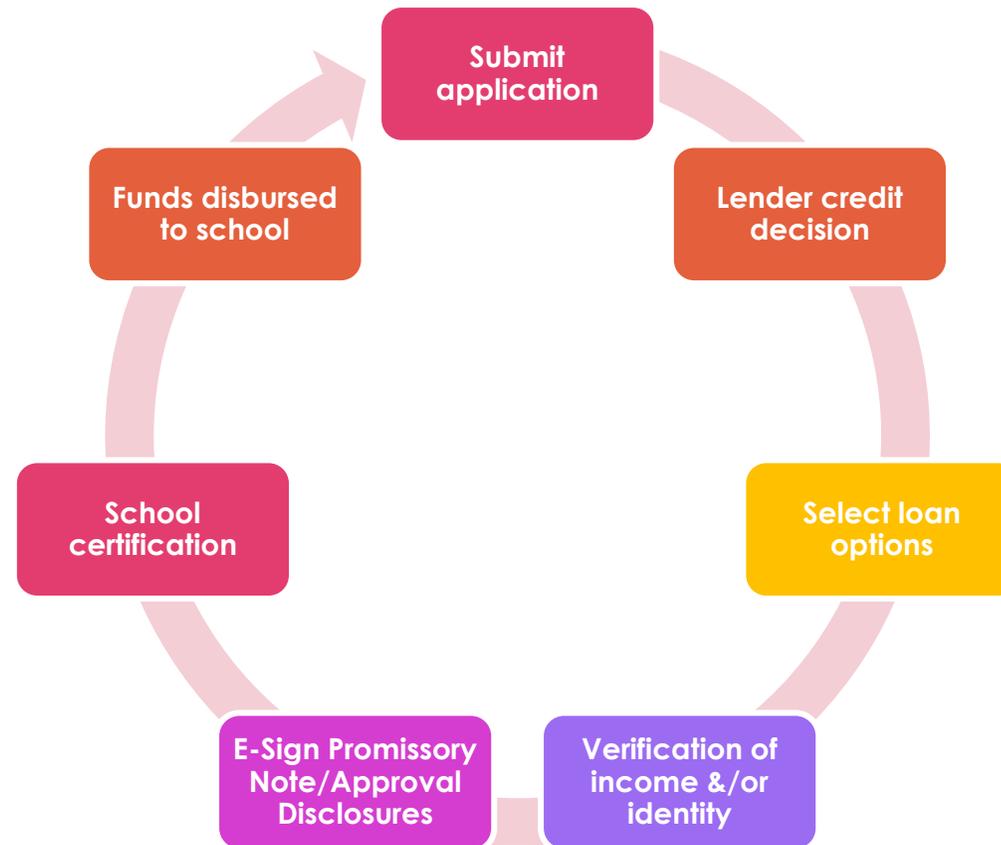
Credit inquiries where potential lender is reviewing credit because you've applied for credit:

- Credit checks when you've applied for an auto loan, student loan, mortgage or credit card

Rate shopping

Your FICO® Score considers all inquiries within a 14 to 45-day period for a mortgage, an auto loan or a student loan as a single credit inquiry.

Private Loan Application Process



When a student loan is denied

Steps taken by the **lender**

The lender will send the borrower an Adverse Action letter as required by law within 30 days, including:

- Reason(s) for denial clearly stated
- Sources used for making credit decision (bureau)
- Credit Score obtained (sometimes)

Steps that may be taken by the **borrower**

- Adding a co-signer (or different co-signer)
- Appeal if there's proof that the line items in the credit report are wrong
- If derogatory information has been reported incorrectly, have it corrected and re-apply
- Use the Adverse Action letter as a tool - order free credit report and work to improve credit history, score, debt-to-income
- Seek other options such as a private Parent Loan or Federal Parent PLUS Loan



Why a cosigner?

When the borrower has...

- ▶ Limited credit history
- ▶ Poor credit
- ▶ Doesn't meet the minimum income requirements
- ▶ Has high debt-to-income ratio

Benefits of a cosigner...

- ▶ Helps build credit
- ▶ Helps borrower establish good repayment habits

Q & A to our Panel Members

- ▶ Michael Jones – Citizens
- ▶ Deb Gossman – College Ave
- ▶ Matt Barr – SoFi
- ▶ Donette Downing – Sallie
- ▶ Bill Wozniak - INvestEd