

# ***Private Loans***

## *What You Should Know and When They're the Right Choice for Your Students*

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# Agenda

- Recent and current loan landscape
- What is a private loan?
- Private loans vs Federal Direct PLUS Loans
- Federal and private loans—relationship to student's credit
- Counseling your students



# Recent and current loan landscape

# Influencers on spending money – 2020 and 2021

- COVID-19
- Unemployment rate peak in 2020
- Cash flow of consumers
- Families had to be nimble on college plans
- Overall economy
- Higher education emergency funding

# Win for private loan borrowers

- New entrants into private loan arena
- Competitive landscape
  - Interest rates
  - Many “no fee” options and repayment benefits
  - Other private loan features and service levels

# What is a private loan?

# Educational loan ecosystem

The arrows point to “gap financing” options to cover the family contribution.

$$\text{Cost} - \text{Aid} = \text{Gap}$$



# What is a private student loan?

- Gap financing option – can cover the family's contribution
- Primarily made by lenders, banks and credit unions
- Free Application for Federal Student Aid (FAFSA) not required
- Credit check required
- School certified
- Many are cosigned
  - Industry average: 91% undergraduate/61% graduate students



# Who can apply for a private loan?

In general, lenders offer private loans to:

- Undergraduate and graduate/professional students
- Parents and other creditworthy borrowers on behalf of student
- U.S. citizens and permanent residents
- May allow international students
  - Often with a valid Social Security Number, U.S. address, and U.S. citizen or permanent resident cosigner
- Minimum age of majority for their state of residence may be required
- Students who graduated can also borrow a private loan to refinance debt

# Private loans vs Federal Direct PLUS loans

# What is a Federal Direct PLUS Loan?

- Also gap financing option – can cover family's contribution
- Lender is the U.S. Department of Education
- FAFSA is required
- Credit check required
- School certified



# Who can apply for a Federal Direct PLUS Loan?

In general, the U.S. Department of Education offers these to:

- Parents of undergraduate students can borrow the Parent PLUS Loan
- Graduate and professional students can borrow the Grad PLUS Loan
- U.S. citizens and permanent residents
- No international students
- Students must be at an eligible Title IV school in a program leading to a degree or professional degree or certificate

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Who can borrow?	Graduate or professional student	Biological parent of the student  Legal adoptive parent of the student  Student's stepparent (if on the student's FAFSA)	Student  Parent/Sponsor  Cosigner may be required (parent, stepparent, guardian or any creditworthy sponsor)

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans (and other lenders)
FAFSA required	Yes	Yes	No

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Can student be less than half time?	No	No	Yes

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Borrower credit	No adverse credit	No adverse credit	Full credit review

What is adverse credit for Federal Direct PLUS Loans?

Examples:

- Outstanding debts that are charged off, collection account or 90 days delinquent greater than \$2,085
- Past 5 years: wage garnishment, repossession, foreclosure, bankruptcy discharged, tax lien
- Title IV debt unpaid



# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Interest rates (2021-22)	Fixed: 6.284%	Fixed: 6.284%	Fixed and Variable available

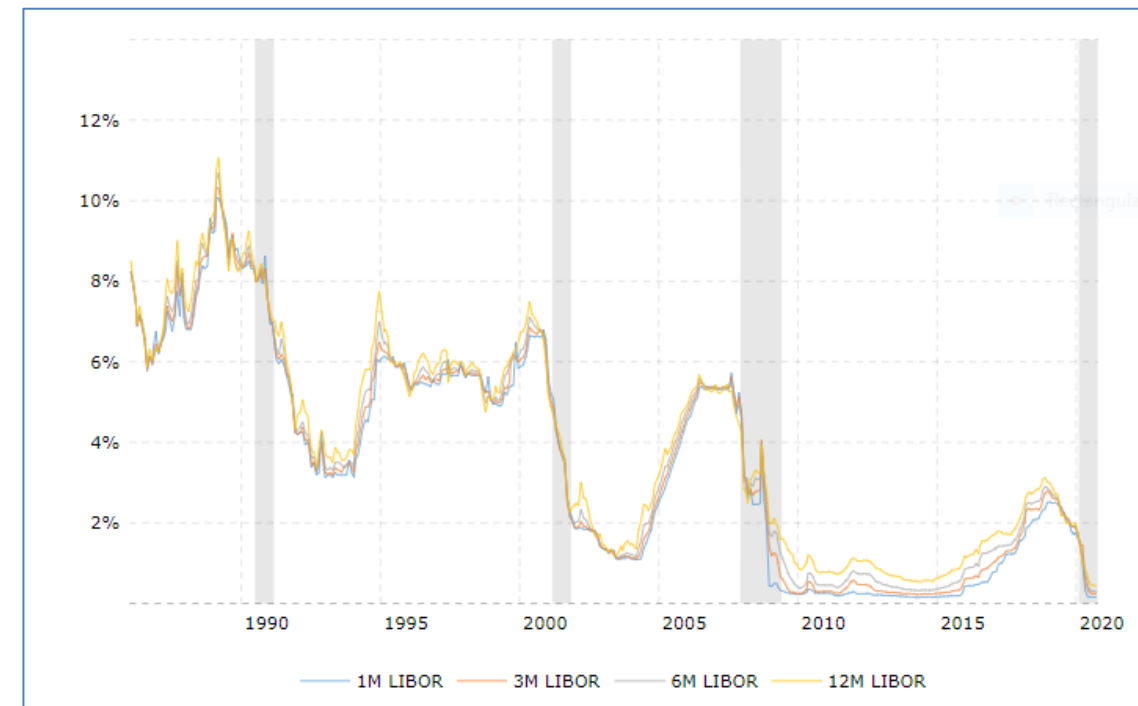


# Private loans vs Federal Direct PLUS loans

10-Year Treasury Bill History (1970 – 2020)  
Currently used to determine federal loan interest rates



1-month LIBOR Rate History (1990 – 2020)  
Currently used to determine College Ave private loan interest rates



# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Maximum loan amount	Cost of attendance less other aid	Cost of attendance less other aid	Cost of attendance less other aid

All of these are gap financing options

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Origination fee	4.228%	4.228%	None
<b>Loan example #1:</b>			
\$15,000 loan	\$634.20 fees	\$634.20 fees	\$0 fees
Net proceeds to school	\$14,365.80	\$14,365.80	\$15,000
<b>Loan example #2:</b>			
\$25,000 loan	\$1,057 fees	\$1,057 fees	\$0 fees
Net proceeds to school	\$23,943	\$23,943	\$25,000

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Repayment terms	Standard and Graduated Plans: 10 years  Extended: 25 years  PAYE (Pay As You Earn) and REPAYE  IBR and ICR	Standard and Graduated Plans: 10 years  Extended: 25 years	Multiple options available for each loan type—borrower chooses  Choose between 5 and 20 years, depending on the loan type  Depends on lender

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Eligible for federal Public Student Loan Forgiveness and Teacher Loan Forgiveness programs?	Yes	Yes	No

# Private loans vs Federal Direct PLUS loans

	Grad PLUS Loan	Parent PLUS Loan	College Ave Private Loans
Loan forgiveness for death, total and permanent disability?	Yes	Yes	Yes

Source: <https://www.studentloanborrowerassistance.org/loan-cancellation/federal-cancellation/disability-and-death/>

# Federal and private loans—relationship to student's credit

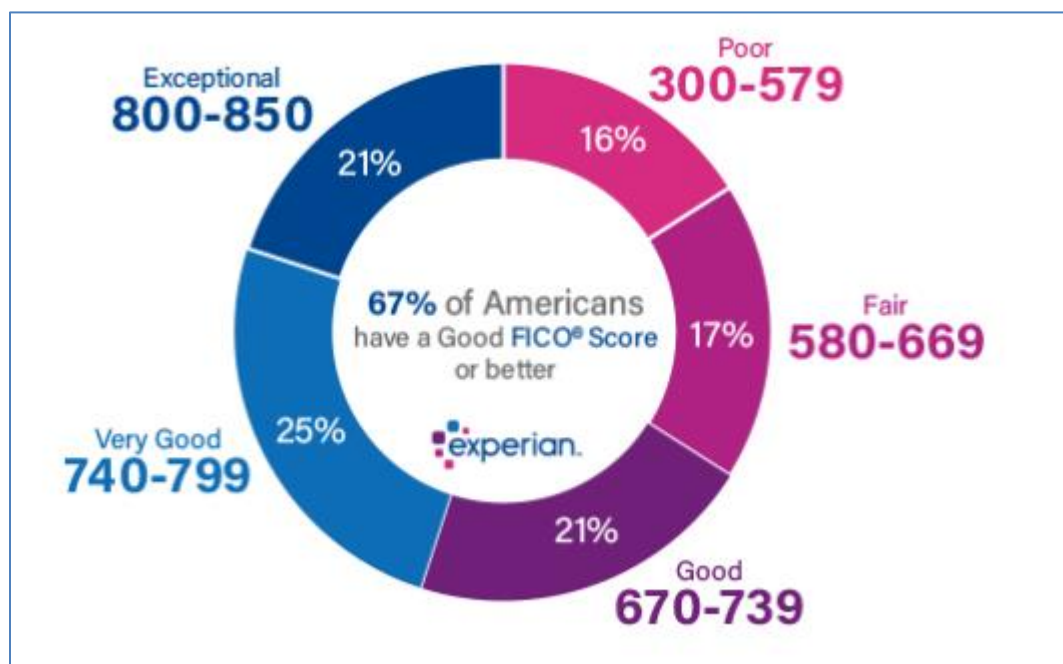


# Building credit

- Good for students to build credit
- Don't confuse credit with debt
- Build a positive credit history to get the best terms when students decide to take on debt
- Federal student loans, private loans, credit cards and even good payment behavior for utilities will all build good credit

# Credit scores

What Is a Good FICO® Score?



What weighs heaviest in a FICO® Score?



# Good and bad things follow you

How Long Accounts Stay on Your Credit Report	
Type of Account	Time Frame
Open accounts in good standing	Indefinitely
Closed accounts in good standing	10 years
Late or missed payments	7 years
Collection accounts	7 years
Chapter 7 bankruptcy	10 years
Chapter 13 bankruptcy	7 years
Credit inquiries	2 years

# Cosigners on private loans

- May reduce the interest rate offered
- May improve chance of approval
- Student without long credit history may need cosigner for private loans

# Cosigners on Federal Direct PLUS Loans

- No cosigners—only one borrower—the student (Grad PLUS) or parent (Parent PLUS)
- However...
- What if application is denied due to adverse credit?
  - Endorser
  - Credit counseling required
  - Documenting extenuating circumstances



# Counseling your students

# Financial literacy

- Any time, any age
- Counsel as if you are the first to try
- Grad/professional students have different concerns
- Offer variety of communication methods
- It's embarrassing to talk about sometimes
- Ask questions and give them tips
  - Where will they live/cost of living?
  - Making a plan during and after they graduate

# College Ave financial literacy materials

**FEDERAL PARENT PLUS LOAN & PRIVATE COLLEGE AVE PARENT LOAN**

## Understanding Gap Financing Options For Parents

As a parent, you want only the best for your child. Starting college can be an exciting milestone, and if you're pitching in financially, you'll want to explore all of your options. This chart helps you compare our private parent loan with the Federal Parent PLUS loan. Just remember, either way, the loan will be entirely in your name and you're solely responsible for it.

COLLEGE AVE PARENT LOAN	FEDERAL PARENT PLUS LOAN
LOAN FUNDS SENT TO SCHOOL	✓
PORTION OF FUNDS CAN BE SENT DIRECTLY TO THE BORROWER	✓
CHOICE OF FIXED OR VARIABLE RATES	✓
ORIGINATION FEE	None
PARENT REQUIRED TO BE BORROWER	✗
STANDARD REPAYMENT TERM	Choice of term (between 5-15 years)
FAST APPLICATION PROCESS	3 Minutes (Complete the application online)

At College Ave, parents can choose to limit monthly payments when it's time to borrow, we give you repayment stress out of paying for college by creating a payment plan.

**College AVE STUDENT LOANS**

## Welcome to the College Budget Planner

USE THIS WORKSHEET TO HELP YOU COMPARE THE COST OF EACH COLLEGE AND MAKE A PLAN TO PAY FOR SCHOOL. DON'T FORGET TO INCLUDE ADDITIONAL OUT-OF-POCKET EXPENSES.

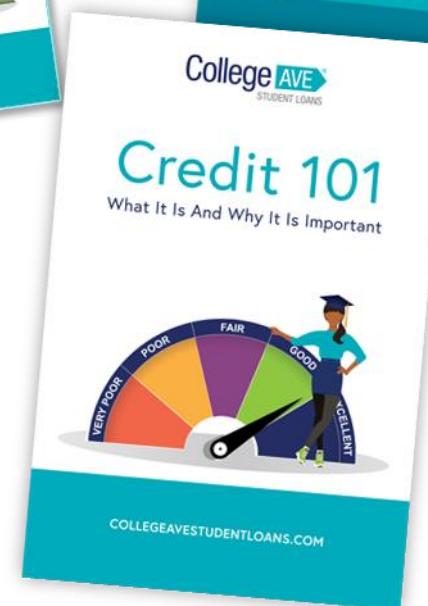
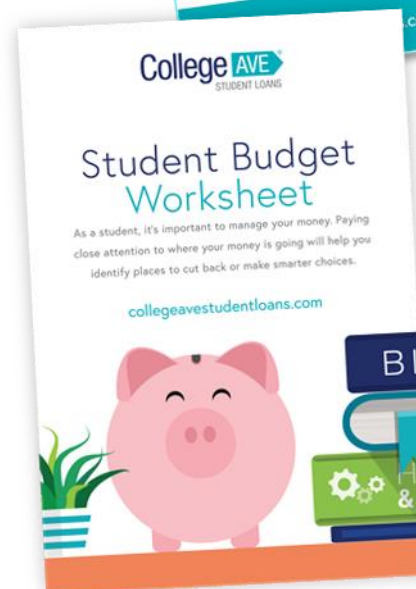
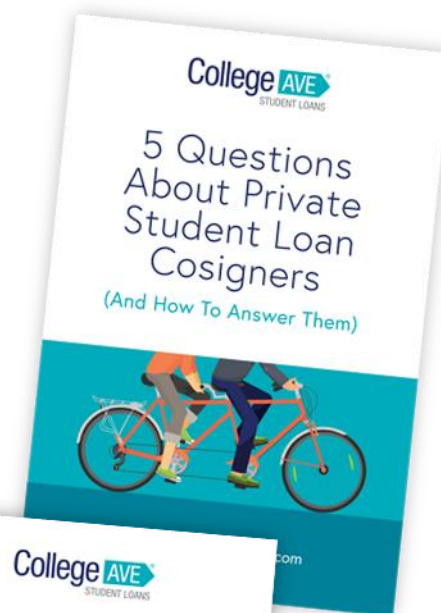
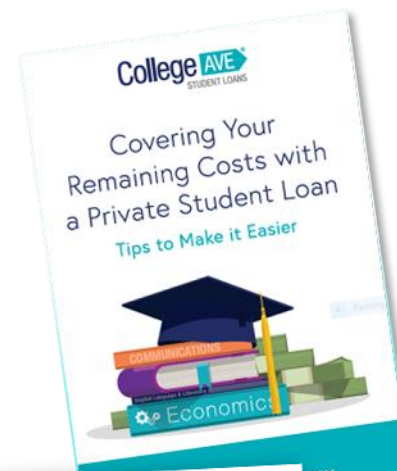
COLLEGE COSTS	School #1	School #2	School #3
TUITION & FEES			
ROOM & BOARD: On or off campus vs home			
BOOKS & SUPPLIES: Consider chosen area of study			
TRAVEL: Gas, bus, plane tickets & hotels			
CAMPUS ACTIVITIES: Clubs & events			
LYING EXPENSES: Laundry, phone & eating out			
<b>TOTAL COST OF ATTENDANCE</b>			
<b>GIFT AID (GRANTS &amp; SCHOLARSHIPS) - MONEY YOU WON'T HAVE TO PAY BACK</b>			
Grants & scholarships from the school			
Federal Pell Grant			
Grants from your state			
Other scholarships			
<b>TOTAL GIFT AID</b>			
<b>TOTAL NET PRICE (Cost of Attendance minus Gift Aid)</b>			

Now that you know how much your family is responsible for, start making a plan on how you'll pay the **NET PRICE**.  
Tip: Don't forget to factor in these costs each year your student is in school.

OPTIONS FOR PAYING THE NET PRICE			
Work-Study Program			
FEDERAL LOAN OPTIONS			
Federal Perkins Loan			
Federal Direct Subsidized Loan			
Federal Direct Unsubsidized Loan			
OTHER OPTIONS			
Savings (personal, 529 plan, etc.)			
Payment plan offered by the institution			
Federal Parent PLUS Loans			
Private student or parent loans			

For more helpful tips on paying for college, visit: [collegeavestudentloans.com](http://collegeavestudentloans.com)

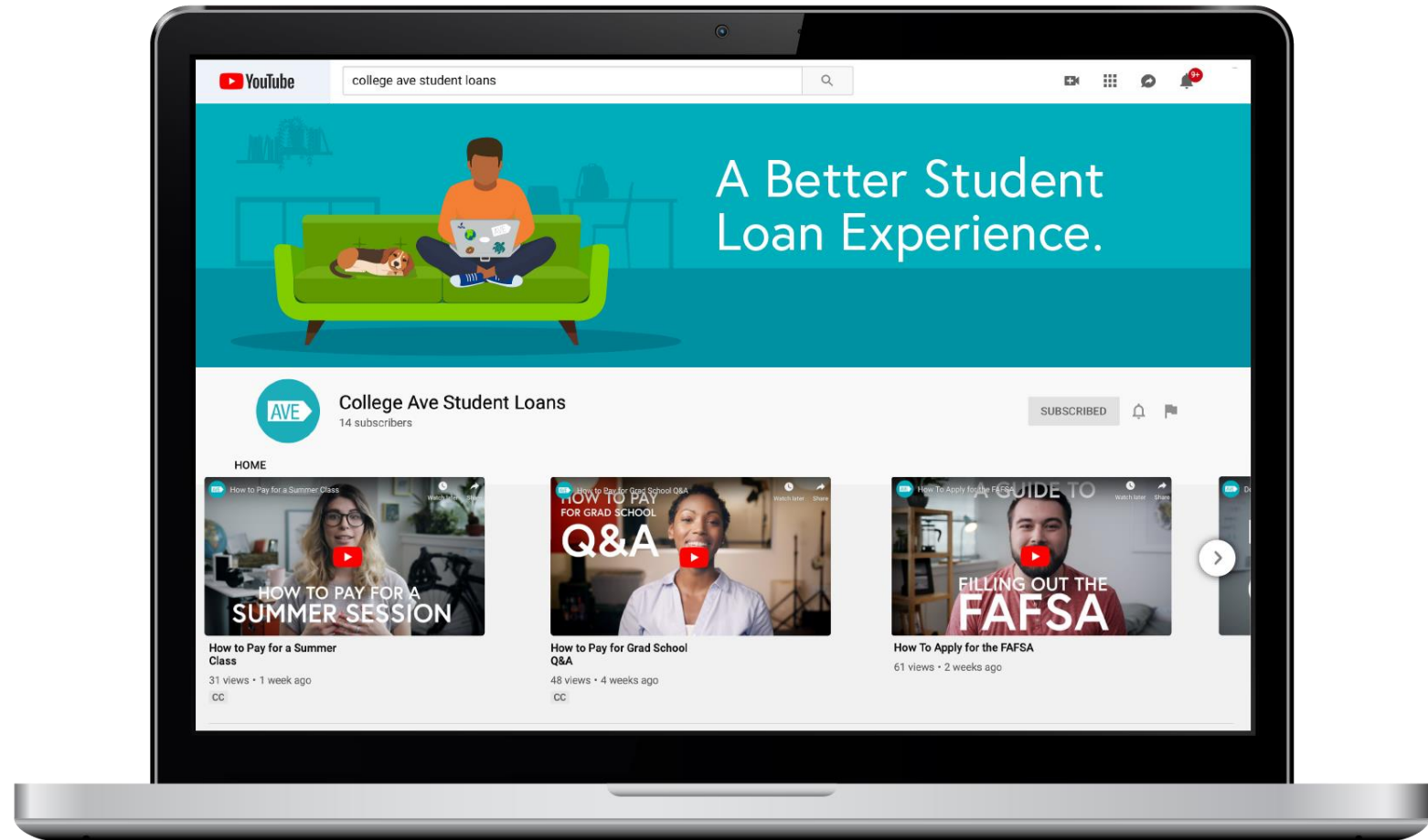
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# College Ave YouTube videos – financial literacy topics

- [How to Pay for College: 6 Ways to Cover Your Costs](#)
- [How to Find a Cosigner](#)
- [How to Pay for Graduate School](#)
- [How to Apply for the FAFSA](#)
- [How to Pay for a Summer Session: Do You Get Financial Aid for Summer Classes?](#)
- [Federal vs Private Student Loans](#)
- [Variable vs Fixed Interest Rates: What's the Difference?](#)
- [How to Repay Student Loans](#)
- [How to Read Your Financial Aid Award Letter](#)
- [Student Loans 101: How Student Loans Work](#)



# College Ave blog—search by topics of interest

<https://www.collegeavestudentloans.com/blog/>



JUNE 15, 2021 / JEFF ROSE

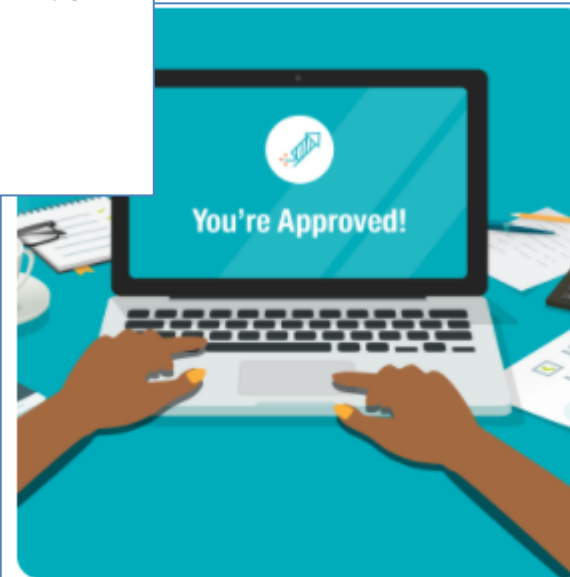
## I'm a Certified Financial Planner and Here's How I Plan to Pay for College

It's never too early to begin planning for college. Here's how Certified Financial Planner Jeff Rose plans to pay for college for his family...

READ MORE

MARCH 15, 2021 BY MARK KANTROWITZ

## What is Reasonable and Affordable Debt?



June 10, 2021 / College Ave Student Loans

## Are Student Loans Worth It?



December 29, 2020 / College Ave Student Loans

## Do Student Loans Build Credit?

College AVE<sup>®</sup>  
STUDENT LOANS

# Contact Information



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## **College Ave Website**

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

[www.collegeave.com/aacp](http://www.collegeave.com/aacp)

## **Campus/School Services**

844-422-7501

[schools@collegeave.com](mailto:schools@collegeave.com)

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## **Borrower Services**

844-422-7502

[studentloans@collegeave.com](mailto:studentloans@collegeave.com)

## **For Help Servicing or Repaying a Loan**

844-803-0736

[collegeaveservicing.com](http://collegeaveservicing.com)

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The student loan industry is subject to constant change, and therefore this presentation should serve only as general, background information in summary form and does not purport to be complete.

You are encouraged to further study the subject matter and the factual circumstances specific to you or your institution. Estimates, examples, and forecasts are believed to be reasonable, however it is impossible to accurately forecast the outcome of future events, so while believed to be reasonable, actual results may vary from those contained in this presentation in a materially positive or materially negative manner. Nothing in this presentation constitutes or is designed to constitute financial, tax, accounting or legal advice.