Private credit-based educational loans are loans offered by private commercial lenders or state loan authorities for the purpose of financing college costs. Qualifications and eligibility criteria vary by lender. Most lenders require a creditworthy U.S. borrower and sometimes a co-borrower.

Hobart and William Smith Colleges recommend that families consider the following information before making a borrowing decision:

- ☐ **Exhaust federal loans for both students and parents**: For students who are U.S. citizens or permanent residents, maximize your federal education loans first. Contact the Office of Financial Aid at Finaid@hws.edu to see if you have remaining federal loan eligibility.

- ☐ **Be an educated consumer:** Learn the language of student loans, including terms such as interest, deferment, repayment, capitalization, forbearance, default, etc. A good source for information is http://www.finaid.org/loans/.

- ☐ **Borrow only what you need:** Avoid the temptation to borrow more, especially if you are informed that you qualify for more than what you need. Remember, you must pay back every dollar borrowed plus interest.

- ☐ **Be prepared:** Because private loan lenders will review your credit, evaluate your own credit history. If you believe you may not qualify for a private loan because of compromised credit, it is advisable to resolve any issues before applying.

- ☐ **Don't make a decision on a loan based on the interest rate alone:** Consider loan comparisons using either long term priorities (the total cost of borrowing) vs. short term priorities (such as the lowest monthly payment requirement) or both. Consider the amount of loan fees charged. You may use the calculator at http://collegefinancecenter.org/calculators.html to estimate your monthly payments.

- ☐ **Don't overextend yourself:** Industry advisors suggest that your monthly student loan repayment obligations not exceed 10-11% of your monthly income, especially if you have other forms of debt (credit cards, car payments, etc.).

- ☐ **Be cautious of borrower-based benefits** offered with the loan. Examples include cosigner releases, interest rate reductions with on-time payments after a set period, etc. Although these incentives are attractive, statistics show only a small percentage of borrowers qualify for them.

- ☐ **Know your repayment contingencies:** Research "what-if scenarios" on repayment, such as: If you leave and later return to school, do you still have to continue payments your loan? If you run into financial hardship, can you postpone payments? If I choose to make payments while in school, can I change that decision if I run into financial difficulty? At HWS, we believe that is one of the most important pieces of the loan decision-making process.

- ☐ **Avoid Loan Default:** If you fail to honor the terms of your promissory note, you risk default, which will have an adverse effect on your credit. This can have a negative impact for years and may prevent you from using your credit for future purchases and financing.

- ☐ **Keep in touch**: It is YOUR responsibility to notify your lender if you move, if you go back to school and wish to apply for deferment of your loan, etc. You should not rely on any other party to do this for you. Lenders have the ability to work with you if they hear from you first!