

## For Students and Parents: Best Practices on Choosing Your Alternative/Private Lender

Below are suggested criteria for lenders that best meet your unique needs. You are also encouraged to consult our financial aid Alternative/Private Loan Specialist for assistance.

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Best Value & Benefits to  
Borrowers

Does the lender offer to pay fees on the student's behalf?

## **Important Terms**

**Consolidation:** *The combination of several types of federal education loans into one new loan. Consolidation simplifies loan repayment*

**Deferment:** *Temporary postponement of loan payments. During this time, the borrower does not have to pay neither principal nor interest.*

**Forbearance:** *Temporary postponement or reduction of payments because of the borrower's financial difficulties. Forbearance also may be an extension of the repayment period. All borrowers are charged interest during forbearance.*

**Lender:** *The organization that made the loan initially; the lender could be a bank, credit union, or other lending institution.*

**Life-of-Loan Servicing:** *A lender, servicer, and secondary market develop agreements to maintain a single point of service for the borrower from loan origination through repayment to ensure no interruption of service providers. Life-of-Loan servicing means that the same servicer will be used even if the loan is sold. It does not guarantee that the loan will not be sold.*

**Loan Holder:** *The organization that currently "owns" the loan and to which the borrower owes repayment. Many banks sell loans, so the initial lender and the current holder could be different.*

**Secondary Market:** *An agency that purchases student loans from originating lenders so these lenders can make additional student loans. If such an organization buys the loan, that organization becomes the "loan holder".*

**Servicer:** *An agency a school or lender employs to service (collect) a student loan account. Often, the borrower will deal with the loan servicer when there are questions about repayment. Servicers also approve deferments and forbearances on the lender's behalf.*