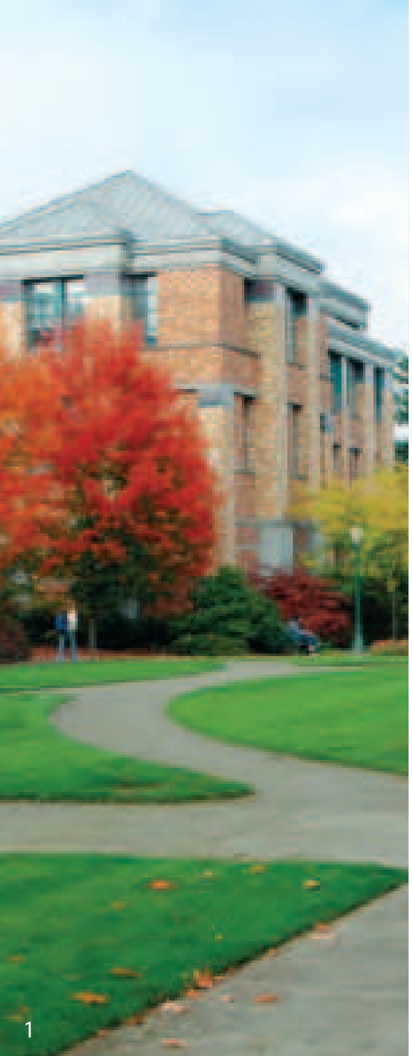
Private Loan Counseling



Guide To Borrowing A Private Student Loan

When it's time to pay for college, the money can come from many sources: grants, scholarships, family contributions and student loans. You should always consider your lowest-cost options first: grants and scholarships, which don't have to be repaid, and federal loans, which have low, fixed interest rates.

When these sources aren't enough to cover your college expenses, a private student loan can help.

What is A Private Student Loan?

A private student loan is a loan created and offered by private lenders, such as banks and credit unions. The lender sets the terms and conditions of the loan. Unlike federal student loans, which are designed and guaranteed by the federal government, private student loan terms vary from lender to lender.

Following are typical traits of private student loans:

- Often have larger borrowing limits
- School certification is not always required
- Enrollment requirements are sometimes less restrictive
- Repayment terms are sometimes more generous than the standard 10 years for federal loans

You may want to consider a private student loan if:

- Federal student loans, grants and scholarships don't cover all your tuition and fees
- You need additional funds for living expenses, books or even a study abroad program
- You don't qualify for federal aid
- You're enrolled in a license or multi-course certificate program

Understanding Private Loans

There are several terms relating to private student loans that you should understand before you borrow:

Credit-based: Private student loans are based on credit, which means your interest rate will be based on you and/or your cosigner's credit—the better your credit is, the lower your interest rate.

Variable Interest Rate: Private student loans generally have variable interest rates. This means that the interest rate is subject to changes in the market. Your rate can go up or down throughout the life of the loan, until it's completely paid off.

Payment Term: This is how much time you have to repay the loan. Your lender determines the payment term and when you need to start making payments—it may be right away, or you may be able to defer payments until you graduate or leave school. Some lenders allow a grace period of several months after leaving school before you need to begin repayment.

Interest Accrual: Interest begins building on your private student loan from the moment the funds are disbursed.

Do Your Research

Private student loans differ from lender to lender. It's important to ask questions when seeking a private student loan, so you can compare loans, and choose the one that best fits your needs.

Here are a few questions you might want to ask a potential lender about any private student loan you are considering:

- Will I need a cosigner?
- What is the interest rate?
- Will I need to make payments while I'm in school?
- Are there any fees?
- Is there a minimum or maximum amount I can borrow?
- When does the lender capitalize accrued interest? (that is, add any unpaid interest to the principal loan balance, which increases the amount of money you have to pay back)
- Does the lender combine billing statements for federal and private student loans so I only have one monthly payment?
- Does the lender offer electronic payments?
- Can I use this loan to cover an unpaid balance from a previous school term?
- Does the lender offer interest rate reductions or other incentives to borrowers?

How Do You Choose A Cosigner?

Sometimes students who apply for private student loans don't qualify on their own and need a cosigner to be approved for the loan. A cosigner is a person who agrees to assume responsibility for your private student loan debt, should you fail to repay.

An eligible cosigner impacts your loan eligibility and approval, so it's important that you choose your cosigner wisely.

A cosigner's chance of being approved greatly increases if some of the following attributes are reflected in his/her credit file:

- No serious derogatory items exist on the credit report
- All credit obligations are maintained as agreed
- Credit is not overextended
- A majority of revolving credit lines remain unused
- Four to five years of credit history exist
- Steady employment with income sufficient to meet current debt obligations

How Much Money Do You Need To Borrow?

Before you explore private student loans, be sure you exhaust your other funding options, then you'll understand how much money you need to borrow through a private student loan.

Use the worksheet below to budget your monthly income and expenses.

Income

Job or Work-Study	$ ________
Help from relatives	$ ________
Scholarships	$ ________
Grants	$ ________
Federal loans	
Savings	$ ________
Other income	$ ________
TOTAL MONTHLY INCOME	$ ________

Expenses

Tuition	$ ________
Room and board *(if you live on campus)*	$ ________
Rent and utilities *(if you live off campus)*	$ ________
Food and snacks	$ ________
Books and supplies	$ ________
Transportation *(car or public)*	$ ________
Medical/dental/vision insurance and expenses	$ ________
Phone and Internet	$ ________
Entertainment	$ ________
Personal *(clothing, laundry, etc.)*	$ ________
Miscellaneous	$ ________
TOTAL MONTHLY EXPENSES	$ ________

Subtract your Expenses from your Income

$ ________

If the difference is a negative number, you may want to borrow that amount in a private student loan to cover your expenses.

If the difference is a positive number or is close to zero, you may not need to borrow any further funds.

Borrow only what you need

Don't underestimate the impact that interest will have on the cost of your loan. Even if you qualify for a $25,000 loan, consider if that's really how much you *need*.

Remember that with a $25,000 loan you will actually repay much more considering the interest you will accrue.

Budgeting for repayment

You'll want to plan ahead when taking out student loans so you know how much to budget for repayment:

Be realistic about what your salary will be when you graduate from college. Research starting salaries at your school's career center. Divide each salary by 12 to estimate your potential monthly income. Subtract an additional 15 percent for income taxes. What you're left with is your take-home pay.

Add up the total amount you will owe on all your student loans. Review your disclosure statement for each loan. Your lender will send this to you when your loan is first disbursed.

Estimate what your monthly payments will be. Your payments will vary based on the amounts you've borrowed and the interest rates on your loans. Visit **wellsfargo.com/student** to check out our online payment estimation calculators.

Compare your estimated monthly payment with your estimated monthly income. Ideally, student loan payments should be 10 percent or less of your net monthly income.

Budgeting Basics

Keep your expenses under control and in line with your cash flow by following these simple budgeting basics:

Keep a record of your income (what you earn) and your expenses (what you spend). Use the budget worksheet on page 4 to help you balance your budget.

- Know the difference between needs (food, shelter) and wants (concert tickets, a pricey spring-break vacation).
- Keep close track of your bank account activity either online, or by manually balancing your checkbook. Avoid overdrawing your account so you don't have to pay any extra fees.
- Get organized: Establish a monthly bill-paying routine and set up a filing system for all your financial documents.
- Exercise credit card caution. Use your credit card for emergencies, not day-to-day purchases or impulse buying.
- Pay yourself first. Set aside a little money each month for your savings.

Here are a few money-saving tips to help reduce expenses while you're in school:

- Use public transportation. Not having a car means not having car payments, insurance premiums or maintenance costs.
- Watch your mobile phone habits. Are you constantly going over minutes or texts allotted? These expenses add up, so either cut back on your phone usage, or invest in a plan that reasonably covers your phone use.
- Get a roommate. Or two. You'll split the cost of rent and utilities—and maybe even make a lifelong friend.
- Clip coupons and buy generic products.
- Learn to cook. Spending only $20 a week eating out adds up to more than $1,000 per year.
- Buy used textbooks when you can (and if you don't need to keep them, sell them back when you're done with the class).

Find more budget strategies and money management information at **wellsfargo.com/student/money**.

Your Responsibility As A Borrower

As a student loan borrower, you have a number of responsibilities. Failure to meet these responsibilities can seriously affect your ability to obtain credit in the future.

You are responsible for:

- Repaying the loan as agreed (including any fees deducted from the loan at disbursement and any accrued interest) even if you do not complete your education, are unable to find employment, or are dissatisfied with the education you received
- Repaying the loan even if a bill is not sent; failure to receive a bill does not relieve you of the obligation to repay your loan(s) on schedule
- Opening and reading all mail related to your student loan

Additionally, before repayment begins, you will need to know:

- Where to send payments
- Where to send written correspondence
- About consolidation and refinancing options
- About default and its consequences

You must immediately notify the lender or servicer of your loan in the event of:

- Change in name, address, phone number, or Social Security number
- Dropping below half-time enrollment status
- Graduation, withdrawal, or transfer to another school
- Inability to meet the repayment terms agreed upon
- The need to apply for a deferment or forbearance

Your Rights As A Student Loan Borrower

As a student loan borrower, you have the right to:

- Cancel the loan by returning the unprocessed loan proceeds to the lender, or asking your school to do so (note that if the loan proceeds have already been processed, it's not possible to cancel the loan at that point)

You also have the right to the following documents:

- **Promissory Note** – This is an agreement to repay your loan. When you apply for a private student loan, sign the promissory note and keep a copy for your records. If you sign your promissory note at **wellsfargo.com/student** using an electronic signature, be sure to print a copy of the signed document for your files.
- **Disclosure statement** – Your lender will send you this statement, which includes information on the total loan amount, interest rate fees and disbursement date.
- **Notification of Loan Sale or Transfer** – Your lender will send you this notification if your loan is sold or transferred to another organization. It will identify the new organization holding the loan, the name and address of the organization to whom future payments and correspondence should be sent, and the telephone numbers for both organizations.
- **Repayment Schedule** – You will receive this information shortly before your first loan payment is due. It will provide specific repayment information on the loan—balance owed, estimated total interest, number of monthly payments, amount of each payment, and the date the first payment is due.

Before signing the student loan promissory note, seriously consider these rights and responsibilities. It's to your benefit to clearly understand all aspects of the loan and its repayment requirements. Contact your lender with questions concerning these rights and responsibilities.

If You Have Trouble Making Payments

When you borrow a student loan, you want to avoid delinquency and default at all costs. If you're having difficulty making your monthly payments as scheduled, contact your lender immediately to see about applying for a forbearance.

A forbearance allows you to postpone or reduce loan payments temporarily if you are experiencing financial hardship. Forbearance is granted at the discretion of the servicer or lender. During a forbearance, interest will continue to accrue on the loan at your expense. Unpaid interest will be capitalized (added to the principal balance) at the end of your forbearance period.

How to apply for a forbearance

- Contact your lender or servicer to obtain the necessary forms.
- Complete the forms, follow all directions, and return the forms to your lender or servicer.
- Continue to make scheduled payments until you receive confirmation from your lender or servicer that the forbearance has been processed.

Use a forbearance only during times of need. While it may increase the total amount you repay because of accrued interest, it is better than the long-term consequences of delinquency and default.

What Loans Does Wells Fargo Offer?

Wells Fargo offers private student loans for undergraduates, graduate, and health professional students.

Features of our private loans:

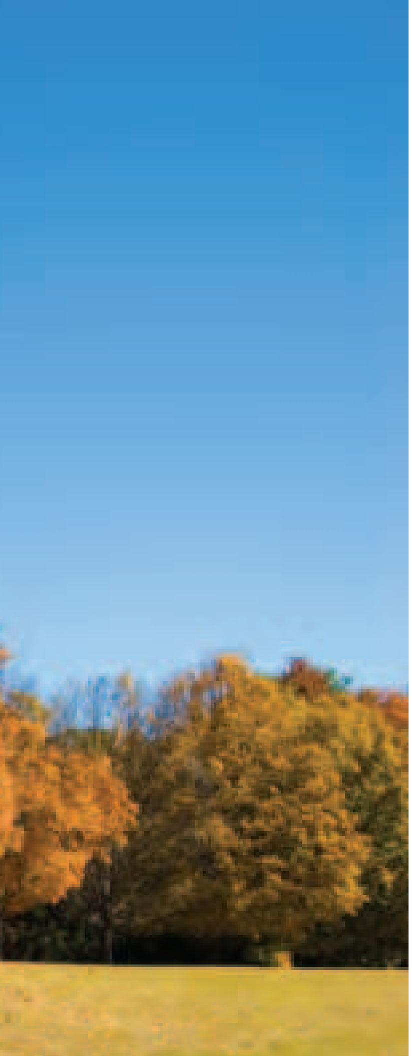
- No payments during school and for up to six months after graduating or leaving school[1]
- Competitive interest rates
- Borrower rewards[2]
- Most students qualify for our graduate-level loans without a cosigner
- Quick online application and credit decisions

To find the private student loan options available to you, visit **wellsfargo.com/student** and use the "Find the Right Loan" tool in the upper right corner.

Once you graduate, you'll want to focus on your career—not managing multiple student loan payments. That's why we offer a way to simplify repayment with the *Wells Fargo Private Consolidation*℠ Loan, which offers:

- One convenient monthly loan payment
- A 25-year repayment term
- Consolidation of up to $100,000 in private student loan debt, even if your loans are with a lender other than Wells Fargo

1 Maximum in-school periods apply and vary by loan program.
2 Rewards may be modified or discontinued at any time without notice.



Private Loan Consolidation FAQ

What is private loan consolidation?

Private loan consolidation is when you combine multiple private student loans with one or more lenders into one new loan, with a single lender. It allows you to make one payment each month, to just one lender.

Can I consolidate my private loans?

Yes, Wells Fargo offers the *Wells Fargo Private Consolidation*SM Loan. You can use this loan to consolidate your private student loan debt.

When should I consider consolidating my private student loans?

If you're making more than one private student loan payment each month, consolidation can help you simplify repayment.

What are the advantages of a consolidation loan?

Consolidating your private student loans makes bill paying more convenient because you'll make a single monthly payment to one lender.

Are there any disadvantages to loan consolidation?

You may be extending the repayment term, which could mean paying more interest over the life of the loan. Additionally, you may lose eligibility for certain borrower benefits you may have qualified for on the loans that are being consolidated.

What's the minimum amount I can consolidate?

If you are consolidating your private loans with Wells Fargo, the minimum amount is $5,000.

Is there a maximum amount I can consolidate?

If you are consolidating your private student loans with Wells Fargo, you can consolidate up to $100,000.

Can my spouse and I consolidate our private student loans together?

Yes, you and your spouse can consolidate your collective private student loan debt with a *Wells Fargo Private Consolidation* Loan.

When does repayment begin?

On the *Wells Fargo Private Consolidation* Loan, repayment begins within 45 days of disbursement.

Will I need a cosigner?

The *Wells Fargo Private Consolidation* Loan is a credit based loan, so you may need a cosigner. However, provided you meet credit guidelines at the time of the request, you may be eligible to release the cosigner after making the first 24 consecutive monthly principal and interest payments on-time.

Establishing And Protecting Your Credit

Your student loan might be your first chance to establish a credit history. Your loan is a serious responsibility, and making all your monthly payments on time is the best way to begin establishing good credit.

Why care about credit?

Strong credit references can affect your everyday life. Things like renting an apartment, meeting criteria for a job, or getting a cell phone can be based on credit.

Poor credit can follow you for years, and can affect your purchasing and borrowing ability.

How lenders evaluate your credit

Your credit history is one factor lenders often consider when evaluating your request for credit and it may impact interest rates and borrowing limits.

If you've managed your debt responsibly in the past, it shows that you're more likely to pay back what you borrow—in other words, you're a "good credit risk."

Credit reports

Your credit report is a detailed list of your credit history, and it is held and updated through credit agencies. It shows:

- What credit cards or loans you have and the amount you owe on each
- Your payment history
- How long you've had credit
- Collection records
- Bankruptcy or liens

Your name, date of birth, Social Security number and other identifying information is also included, but is not used to determine your credit score.

Credit scores

Your credit score is a numeric summary of your credit history, and can range from 300 to 850 points. A higher score indicates a positive history and a minimal credit risk.

Credit scores are often called "FICO®" scores"—which is the calculation of your credit based on software developed by the Fair Isaac Corporation (FICO).

Many lenders use credit scores to help make lending decisions, and each has their own credit criteria.

There's no single minimum "cutoff" score used by all lenders, and there are many additional factors that lenders use to determine if they will accept a loan or credit card application.

Checking Your Credit Report

Every time you apply for credit, you're giving lenders permission to obtain your credit report. And other creditors with a permissible purpose—such as sending you a pre-approved credit card offer—can check your report without your permission. So shouldn't you see what they're seeing? Be proactive and check your credit report on a regular basis. Not only will you be better prepared for negotiations with lenders, you can also get early warning signs of fraud.

You should review your credit report from the three major U.S. credit reporting agencies (Equifax, Experian, and TransUnion) at least once a year, and especially before making a large purchase, like a house or a car. You can also order credit reports from all three agencies at the same time from Fair Isaac Corporation.

Equifax
www.equifax.com

Experian
www.experian.com

TransUnion
www.transunion.com

Fair Isaac Corporation
Consumer Division
www.myfico.com

Glossary

Accrue — To accumulate. Loan interest accrues according to the current interest rate and the amount owed.

Borrower — The person who takes out a loan and is legally responsible for repaying it.

Capitalize — To add unpaid (accrued) interest to the principal balance of a loan, creating a new principal amount.

Consolidation — Combining two or more loans together to create a new single loan with new terms and a new interest rate.

Cost of Attendance — The price of tuition, room and board, and fees.

Default — Default occurs when a borrower does not comply with the terms of the promissory note, such as not making a loan payment in the amount or within the time specified. If a borrower is in default, the lender is entitled to take legal action.

Delinquency — Failure to make a loan payment when it is due. Late fees may be assessed if the lender doesn't receive the required payment by the due date.

Disclosure Statement — A document providing your loan's interest rate, fees, and the total amount you will owe. The lender sends this document when you receive the first disbursement of your loan funds.

Forbearance — A period of time when you're allowed to postpone or temporarily reduce the amount of your loan payment due to temporary financial hardship.

Grace Period — The timeframe after graduating, leaving school, or dropping below half-time enrollment status (usually six months) when you do not have to make loan payments.

Interest — The cost of borrowing money from a lender to pay for your education, expressed as a percentage of the outstanding principal.

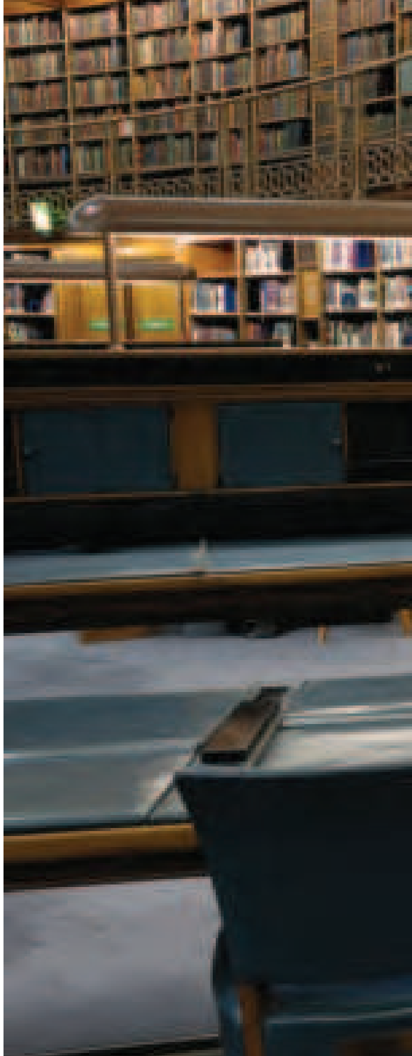
Lender — The company (such as a bank or credit union) that provides the funds for a student loan.

Promissory Note — The legal document a borrower signs before receiving private loan proceeds for a single academic year. The promissory note includes information about the terms and conditions of the loan.

Principal — The total amount of money borrowed, not including interest.

Private Loans — Loans not guaranteed by the federal government.

Repayment — The period of time during which you pay back the loan with monthly payments.



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