



# 5 Questions About Cosigning Private Student Loans (And How to Answer Them)

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# Cosigning Private Student Loans

When it comes to the total cost of college, a private student loan can help fill in gaps that other forms of financial aid don't cover. Since most students enrolling in college don't meet student loan credit and income requirements, lenders often require students to apply with a cosigner to help ensure the loan can be paid back.

It's important that students understand both the benefits and responsibilities associated with having a cosigner. We've compiled a list of five questions they are likely to ask a financial aid advisor, along with answers that provide some guidance.

## 01

### What Is A Private Student Loan Cosigner?

A cosigner is an individual with a positive, established credit history and stable income who agrees to share responsibility for a loan with the student borrower. This brings assurance that the loan will get repaid in full and on time, should the student become unable or unwilling to make payments.

Student borrowers should understand that both parties bear equal responsibility for the loan, but that a cosigner is not necessarily someone who is meant to take on the loan payments. Rather, a cosigner is someone who helps secure the opportunity for the student to make good on their commitment to repay.



## 02

### Why Do I Need A Cosigner For A Private Student Loan, But Not A Federal Student Loan?

Federal student loans are provided and funded by the federal government and do not require a cosigner, while private student loans are awarded on the basis of creditworthiness. Creditworthiness helps lenders assess an individual's ability to pay back a loan based on their demonstrated financial history.



## 03

### How Do I Know If I Need A Cosigner?

The lender will ultimately make this determination, but it is very common for college students to need a cosigner, since recent high school graduates rarely have credit histories and incomes that meet the requirements to secure a private loan.

they can help secure a lower interest rate, which will affect the total amount of money repaid on the loan.

## 04

### Who Should I Ask To Be My Cosigner?

Often, it's a parent, guardian, or other family member who acts as a cosigner. If a family member is not available, students should consider approaching a close family friend or mentor.

The stronger the cosigner's creditworthiness, the more likely

## 05

### What Risks Are Associated With Being A Cosigner?

Cosigners are equally responsible for the loan, so they are risking quite a bit if the student defaults on their payments. The student benefits directly from the cosigner's good credit history, so students should do everything possible to uphold their end of the arrangement.

**Keep in mind, the loan will be listed on both the student's and the cosigner's credit reports.** That means good payment history will positively impact both the student's and the cosigner's credit score and late or missed payments will have a negative impact on both scores.

### Make Sure You Know...

You're not alone in needing a cosigner. In fact, securing and repaying a private student loan is an excellent opportunity to build good financial habits and a credit history. Both are vital for securing loans for other milestones, like a home or a car, in the future.

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