

COSIGNING

A PRIVATE STUDENT LOAN

Q&A

Students often do not have an established credit history, so it can be beneficial — and sometimes required — for students to have cosigners on their private student loans.

Here's what students and cosigners need to know before signing on the dotted line.

WHAT IS A COSIGNER?

A cosigner is a creditworthy adult who agrees to take equal responsibility for the student loan. They can help improve the student's chances of getting approved and obtain a lower interest rate.

DOES THE COSIGNER HAVE TO BE A PARENT?

Parents are often the cosigners, but that doesn't have to be the case. A cosigner should be an adult with good-to-excellent credit whom the student knows well and is willing to discuss personal financial information with.

WHO IS RESPONSIBLE FOR PAYING THE BILL?

Both the student and the cosigner are equally responsible to repay the loan. This means that even if there is an agreement that the student will pay all of their student loans, the lender will expect the cosigner to pay if that obligation is not met.

HOW DOES COSIGNING AFFECT CREDIT?

A cosigner is helping their student's chances of getting approved for a loan and building their credit profile. Both credit scores will be affected, so it's important to make payments on time and keep the student loan in good standing no matter who is paying the bill.

HOW INVOLVED SHOULD THE COSIGNER BE?

This will vary. Some students may want guidance and some cosigners may prefer to be more or less involved. Cosigners have the same access to loan information as the primary borrower, so they can check in on account activity even if the student is primarily responsible for making payments.

WHAT SHOULD COSIGNERS AND STUDENTS DISCUSS BEFORE SIGNING?

Establish clear communication and discuss the terms before a loan is taken out to help both parties understand the agreement. Also, talk about what happens if there are issues with repayment so there's a plan in place if needed.

CAN A STUDENT GET A PRIVATE STUDENT LOAN WITHOUT A COSIGNER?

It's possible to get a private student loan without a cosigner. But a student's chances of getting approved and getting a lower rate are better with a creditworthy cosigner.