



Alternative/Private Loans

Sometimes it is necessary to apply for additional funds from an outside lending institution in order to help finance your education. While we cannot recommend lenders to you, this guide is intended to help you know what questions to ask and what to be on the lookout for when investigating Alternative Educational loans.

What are the differences between Federal and Private Student Loans?

Federal student loans include many benefits not typically provided for private loans, such as fixed interest rates and income-based repayment plans. In contrast, private loans are generally more expensive than federal student loans. Federal Aid can be applied for by completing the Free Application for Federal Student Aid (FAFSA). In any case, you should only borrow what you need. Use the worksheet on the right to help determine what you will need to meet your educational expenses. If your need is a “+” look at reducing your borrowing. If it is a “-” you will need to look at increased funding options. The chart below provides a summary of the differences between Federal and Private Student loans:

FEDERAL STUDENT LOANS	PRIVATE STUDENT LOANS
You will not have to start repaying your federal student loans until you graduate, leave school, or change your enrollment status to less than half-time.	Many private student loans require payments while you are still in school.
The interest rate is fixed and is often lower than private loans—and much lower than some credit card interest rates.	Private student loans can have variable interest rates, some greater than 18%. A variable rate may substantially increase the total amount you repay.
Undergraduate students with financial need will likely qualify for a subsidized loan where the government pays the interest while you are in school on at least a half-time basis.	Private student loans are not subsidized. No one pays the interest on your loan but you.
You don't need to get a credit check for most federal student loans (except for PLUS loans). Federal student loans can help you establish a good credit record.	Private student loans may require an established credit record. The cost of a private student loan will depend on your credit score and other factors.
You won't need a cosigner to get a federal student loan in most cases.	You may need a cosigner.
Interest may be tax deductible.	Interest may not be tax deductible.
If you are having trouble repaying your loan, you may be able to temporarily postpone or lower your payments.	Private student loans may not offer forbearance or deferment options.
There are several repayment plans, including an option to tie your monthly payment to your income.	You need to make sure there are no prepayment penalty fees.
You may be eligible to have some portion of your loans forgiven if you work in public service.	It is unlikely that your lender will offer a loan forgiveness program.

Satisfactory Academic Progress Status

If you are seeking an Alternative/Private loan because you are not meeting Satisfactory Academic Progress, did you know that you can submit an appeal for consideration that may allow your federal aid to be reinstated? Before turning to an Alternative/Private loan, visit the Financial Aid Office to learn about the appeal process. You can also visit the Financial Aid webpage to learn more about what Satisfactory Progress Standards are and how the appeal process works.

BORROW ONLY WHAT YOU NEED

School Expenses	
Tuition & Fees	
Books & Supplies	
Other	
Food & Groceries	
Meal Plan	
Groceries	
Snacks & Eating Out	
Other	
Living Expenses	
Board Plan/Rent	
Electric	
Cell Phone	
Internet	
Cable	
Child Care	
Car Insurance	
Medical	
Other	
Entertainment/Travel	
Entertainment	
Travel	
Other	
Personal	
Hair Care	
Grooming	
Clothing	
Laundry	
Other	
Debt Management	
Credit Card Pmts.	
Loan Payment	
Car Payment	
Other	
Misc Expenses	
Total Expenses	
Income	
Employment	
Family Help	
Financial Aid	
Scholarships	
Other	
Total Income	
Total Income	
Total Expenses	
Remaining Need	+/-

Guidelines to Follow When Considering Alternative/Private Loans

Borrow Federal First. Federal education loans are less expensive, more available, and have better terms. The unsubsidized Stafford loan and the PLUS loan are not based on financial need. Remember, the unsubsidized Stafford and PLUS loans are available to all students, even those who do not have financial need.

Minimize Debt. If you will be borrowing more during your educational journey than your expected starting salary, consider choosing a less expensive college. Live like a student while you are in school so you don't have to live like a student after you graduate.

Apply with a Credit Worthy Cosigner. As a student, you may not have established your credit rating just yet, which means you will be required to apply with a cosigner. Not only does this increase the chances you'll be approved for the loan, but it also decreases the cost of the loan.

LIBOR vs PRIME. LIBOR stands for London Interbank Offered Rate, and it is the average interest rate estimated by leading banks in London that they would be charged if borrowing from other banks. The PRIME rate is the interest rate that commercial banks charge their most credit-worthy customers. Typically variable interest rates will be expressed as a percentage above or below the PRIME rate.

Interest. Pay at least the interest that accrues during the in-school period. This will reduce the cost of the loan by avoiding the capitalization of interest. Some lenders offer lower fees for borrowers who pay the interest instead of deferring it.

Shop Around. While we cannot recommend lenders for private loans, we do suggest exploring all your options before making your decision. Do you have an established relationship with a banking institution? Banks are more likely to provide better discounts and lower interest rates and fees than non-bank lenders.

Read the Fine Print. While private lenders do not give you the same borrower protections and capped interest rates as federal loans, they still can't be dismissed or included in bankruptcy, and if you default your cosigner is on the hook with you as well!

There is No Aggregate Limit. Unlike federal student loans, there are no aggregate lifetime borrowing limits, which means you really need to pay attention to how much you are borrowing. At some point you will have to pay it all back!

Student Loans : Avoiding Deceptive Offers

An education is an investment in your future. It can be expensive and often requires you or your family to take out loans to help pay for it. Whether you're taking out a new student loan or consolidating existing education loans, the Consumer Financial Protection Bureau (CFPB), the nation's protection agency for the financial marketplace, and the U.S. Department of Education (ED), the agency that oversees federal student loans, want you to know how to spot potentially deceptive claims or business practices some private companies may use to get your loan business. Private companies may offer you loans and other forms of financial assistance for your education. They often use direct mail marketing, telemarketing, television, radio, and online advertising to promote their products.

The CFPB works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit consumerfinance.gov or call toll-free, 1-855-411-2372.

Federal Student Aid, an office of the U.S. Department of Education, administers the federal student financial aid — grants, loans, and work-study programs — available for education beyond high school. Federal Student Aid interacts with postsecondary schools, financial institutions and other participants in the student aid programs to deliver services that help students and families plan and pay for college. To learn more about Federal Student Aid and how to pay for college, visit www.FederalStudentAid.ed.gov or call 1-800-4-FED-AID.



QUESTIONS TO ASK

- What are your Repayment Terms?
- What are your Enrollment Requirements?
- Do you have any Repayment Incentives?
- Is there a grace period?
- Do you have deferment and forbearance options? What are they?
- What will my monthly payments be?
- What are the loan amounts?
- Are there any fees?
- What is the Interest Rate?
- Is it based on Prime Rate or LIBOR?
- Am I required to maintain Satisfactory Academic Progress according to school's policy?
- If I'm approved without a cosigner, can my interest be lowered if I get a cosigner?
- Do you have interest rate reductions with payment automatically withdrawn from bank account?
- Do you have interest rate reduction for on-time monthly payments?
- Do you defer principal and interest during school year or pay only interest during school or pay principal and interest immediately?
- Can my cosigner be released after making a certain number of on time payments? If so, how many?

More information can be found at:



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