



Helpful Tips for Choosing an Alternative Student Loan

What are alternative loans?

Alternative loans are private loans through a lending institution that are not part of the federal government programs. Alternative loans are more expensive than federal government loans and should only be used when all other options have been exhausted. Research all possibilities for scholarships, grants, and federal loan programs before borrowing from an alternative loan program. If you determine you need an alternative loan, use the helpful comparison chart on the back of this page and research the lenders for additional information. Choose the loan the best suits your needs and remember to borrow only what you need!

What should I look for in an alternative loan?

Annual Percentage Rate (APR) –The APR is the annual cost of your loan including the effect of any fees and charges in addition to interest. The APR is determined based on the terms of the loans. APR's will defer based on the terms and loan amount. Make sure you are comparing APRs to receive a true comparison. Note, if the rate is variable, the APR may be increased after you take out the loan. Take APRs and the other term mentioned above into consideration when borrowing an alternative loan.

Repayment Incentives

Does the loan have an annual or aggregate limit? Can you afford to borrow within these limits? It's a good idea to borrow from the same lender each year, so make sure the loan can cover your costs throughout your entire education.

Loan Limits

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Pre-approval

Do you need to know quickly if you qualify? Does the lender offer loan pre-approval over the phone or internet?

Cosigner Requirement

Does the alternative loan require you to have a cosigner? Sometimes cosigners reduce the costs of the loan, but if you can't find a cosigner, you'll need to find an alternative loan you may borrow on your own.

Interest Capitalization

If you choose not to pay the interest on your loan while you are in school, the interest may be capitalized (added to your principal balance). When is the interest capitalized? Annually? At repayment? If the interest is capitalized annually the loan is more expensive than if it is capitalized only once at repayment.

Repayment

Does repayment begin immediately or after you graduate or leave school? Make payments whenever you can afford to, but if you can't make regular payments while you're in school, you'll need to find a loan that doesn't require immediate repayment.

Loan Consolidation

Combining student loans into one new loan through one lender can simplify your repayment period. Allowing you to make one monthly payment for all of your student loan. Consolidation extends the length of the repayment period, which reduces monthly loan payments. The total amount repaid over the loan term, however will be greater as a result of the extended repayment term.

Repayment Period

How long is the repayment period in which you repay the loan? If your educational costs require you to borrow large amounts, you may need a longer time to repay the loans.

Give Yourself Credit!

Lenders use credit scores to make fast and objective decisions on which applicants are likely to repay their loans on time. Credit scoring is calculated using many pieces of your past bill payment history (number and types of accounts, late payments, outstanding debt, and the age of your accounts). The way you have handled credit in the past is often a good indication of how you will manage credit in the future. Therefore your credit score is like a snapshot of your level of credit risk at a particular point in time: when your credit information changes, so does your credit score. Give yourself the credit you deserve. Pay your bills on time, pay down any outstanding debt and avoid taking on new debt or applying for too many new credit cards.