

The Bottom Line

Be a wise borrower! Apply for financial aid first. Then choose the right private, alternative lender and pay less for college.



Before selecting an alternative loan, be sure you have maximized your eligibility for Federal loans. Then, keep your costs down by looking for private lenders who:

- have competitive rates.
- provide responsive customer service.
- have a reputation for stability and continuity.
- offer straight-forward communication.
- appear student-focused.
- have reasonable penalties for late payments.
- will pay your past-due balances.



Sometimes, it's hard to separate the good guys from the bad guys. You can steer clear of trouble by avoiding lenders who:

- have escalating rate clauses.
- discourage you from working with your financial aid office.
- advertise introductory rates.
- claim you can apply and receive your money immediately.
- charge high or hidden fees.
- use asterisks and fine print

Check 'em out: Compare your lenders

| Ask About <i>See back for more info</i> | Lender 1 | Lender 2 | Lender 3 |
|---|----------|----------|----------|
| Interest rates With a co-signer? Adjusted when/how? | | | |
| Loan limits Annual and aggregate? Minimum amount? | | | |
| Fees Origination fees? Other expenses? | | | |
| Borrower benefits Direct debit? Co-signer release? | | | |
| Repayment terms Deferment? Maximum term? | | | |
| Penalties For prepayment? Late fees? | | | |

WMU students frequently choose one of these three lenders. Click on the names for each lender's Web site and details.

- **Citi** www.studentloan.com/schools/wmich
- **Nelnet** www.nelnet.com
- **Sallie Mae** www.salliemae.com/signature

We will process an alternative loan application from any private lender you choose. Still not sure? We are here to help. Bronco Express offers walk-in help Monday-Friday at the Bernhard Center. You can also call (269) 387-6000, or send an e-mail to finaid-info@wmich.edu.

Don't speak the language? Let us help you translate the lingo.

What is an interest rate? The interest rate calculates how much you will pay to borrow money. Your interest rate will be based on either the prime rate or LIBOR, which is the rate your lender pays to borrow money. So, your interest rate is calculated by adding an additional percentage to the prime rate, depending on your credit worthiness. Most alternative loan lenders will be able to give you a range of rates, before prime. The current prime rate can be found in newspapers like the Wall Street Journal. It is also important to ask your lender when and how they adjust rates because as the prime interest rate rises, so does your total repayment amount. Some lenders may adjust rates monthly, others quarterly.

Why do I need a cosigner? Many private lenders will give you a break on your interest rate if you apply with a credit worthy cosigner. This person becomes responsible for your alternative loan if you should fail to make your payments. If you apply with a cosigner, be sure to ask about cosigner release. Some lenders will release your cosigner after a set number of on-time payments.

What is the difference between annual and aggregate loan limits? Lenders cap the amount of money you can borrow. Most lenders will have not only an annual limit, meaning you can only borrow so much per

year, but also an aggregate, or overall limit. This number is the maximum amount you can borrow for your education. It is important to know your lender's aggregate limit and how it impacts your program of study. Some private lenders may offer a higher aggregate limit for more costly programs.

What fees should I look for? Lenders all assess fees differently. Some may charge an application fee, while others charge an origination fee. The bottom line: you need to know about all fees up front, so you can compare lenders and make a choice based on the total cost of the loan.

What are borrower benefits? Some alternative lenders offer perks that reduce the overall cost of your private loan. Look for programs like direct debit. Many lenders will reduce your interest rate if you sign up to have your payments automatically deducted from your bank account. Other programs to ask about are cosigner release, e-billing and rate reductions for on-time payments.

What about repayment? You need to find out if your lender will defer payments, and for how long. Most lenders give you a six-months grace period after college, before having to repay your alternative loan. You also need to find out how long your repayment term will be. This will vary, and will

impact the total cost of your loan. A longer repayment term may give you lower monthly payments, but it may increase the amount of interest you pay. You should also ask about consolidation -- Can your Federal loans be consolidated with your private loans? You will also want to find out if your lender will sell your loan to a third party. These factors can affect your total cost.

What if I can't pay? Be sure to ask if your lender offers any kind of deferment or forbearance options in case of unemployment, the birth of a child or financial hardships. In some cases, you may be able to delay repayment.

What penalties should I ask about? You want to know about all penalties and fees associated with your loan. Ask if your lender will charge you a penalty for paying off your loan early. Find out what the late fees are, and how a late payment will affect your loan.

What else do I need to know? Before borrowing, consider these tips:

- Create a budget of your daily expenses and your total education costs.
- Be creative and keep costs down so you can borrow as little as possible.
- Determine your monthly loan payment and be sure your anticipated salary after college will be enough to cover your living expenses