

PRIVATE ALTERNATIVE LOANS

Private/Alternative Loan Information

An alternative loan is a privately financed educational loan in the student's name, which is offered by banks and other organizations. These loans are not federally funded. The interest rates on these loans often are variable, are not capped and are tied to the prime rate or LIBOR index.

Alternative loans are credit-based loans and in most cases, a credit worthy co-applicant is required. In addition, by having a co-applicant, the risk to the lending institution is reduced and a better interest rate is given to the borrower. Individual eligibility will vary according to cost, need, and any other aid being received by the student.

As of February 14th, 2010, the U.S. Department of Education passed new legislative measures that affect the way you will obtain a private/alternative loan(s). Title X of the Higher Education Opportunity Act stipulates that lenders must provide multiple, detailed loan disclosure statements that also require active completion on the part of the borrower and co-borrower.

Most, if not all lenders, will require one or more of these disclosure forms to be completed and mailed in a paper format. Be sure to follow each step of your lender's process when applying for a private/alternative student loan. Should you need assistance, contact your lender as they will walk you through their process and update you on the status of your loan.

Please be aware that while this process is going to be similar with each private/alternative loan lender, there will be time delays in the overall process. This should be carefully considered when applying for loans in reference to meeting your financial deadlines at Valparaiso University.

Private loans should be considered as a last resort. Stafford loans have better interest rates and repayment terms. However, students may need help beyond what Stafford loans provide. In such cases, students and families should look to alternative lending options such as a Parent PLUS loan and/or an alternative loan in the student's name.

The chart below provides a full comparison between these two loan programs for the 2010-2011 academic year.

Loan Type	Federal Parent PLUS Loan	Private/Altern
Who is the borrower?	Parent	Student
What is the interest rate?	Fixed at 7.9%	Variable Tied into the p
Are there fees?	Yes, 2.5% of the amount borrowed	Various - dep
When is the loan repaid?	60 days after the final disbursement of the loan. Options are available to defer payments for up to four years while the student is enrolled.	Various - dep repayment is or enrollment

How much can I borrow?	Up to the cost of attendance minus other financial aid.	Up to the cost of attendance minus other financial aid apply.
Do I need a co-signer?	No	Yes, in most cases
Is the loan based on credit?	Yes* *If the parent is denied, the student can be awarded a \$4000 (freshman or sophomore) or \$5000 (junior or senior) unsubsidized Stafford Loan.	Yes

Choosing a lender is an important decision. You are beginning a relationship that will be a part of your life for many years to come. You have the option to choose any educational loan lender available to you.

As a result of so many changes being made to borrower benefits offered by each lender, we believe it is in your best interest to carefully evaluate your borrower relationship with a loan lender of your choice.

For information on how to choose a lender, see below:

Choosing a lender is as easy as 1 - 2- 3...

1. Getting Started Loans are funded through a lender, and choosing a lender is an important decision - it involves a financial obligation that will be a part of your life for many years to come. Picking a lender can seem like a daunting task, but it doesn't have to be. We suggest that you first ask someone you trust for a referral and also check out the business where you have a bank account(s). Then, take the time to compare a few different lenders to find the one that is right for you. You may choose any educational loan lender you prefer.

Below is a historical list of lenders who continue to participate in the Alternative/Private Loan Program and who within the last three years Valpo students have used. The University does not endorse any lender. You may choose any educational loan lender you prefer.

- [Alaska Student Loan Corporation \(Alaska residents only\)](#)
- [Canada Loan \(Canadian residents only\)](#)
- [Canton Student Loan Foundation \(residents of Stark County, OH\)](#)
- [Chase Student Loans](#)
- [Charter One Bank](#)
- [CitiBank Student Loan Corporation](#)
- [Discover Student Loans](#)
- [EdAmerica](#)
- [Fifth/Third Bank](#)
- [Interra Credit Union](#)
- [MEFA \(Massachusetts Educational Finance Authority\) Massachusetts residents only](#)
- [Messiah Lutheran Church - Fairview Park, OH - members only](#)
- [Motorola Employee Credit Union](#)
- [Nellie Mae Loan](#)

- [NextStudent Loan](#)
- [Novation Credit Union](#)
- [PNC Bank](#)
- [Sallie Mae Loan](#)
- [Sun Trust Bank](#)
- [U.S. Bank](#)
- [Wells Fargo](#)
- [Wolcott Scholarship Fund Loan \(graduates of Toledo Public Schools\)](#)
- Additional lenders can be found using the [Private Student Loan Comparison Chart](#) which is provided by [finaid.org](#) and is not affiliated in any way with the University.

2. Be financial aid savvy and do your research Before you apply for the loan you will want to make sure you have done your research. Definitions of loan terms you should know before applying:

- *Master promissory note* - this is the agreement between you and the lender that you will re-pay the money when you graduate or fall below part time status. This is a legal contract. Please keep a copy for your records.
- *Interest rate* - The interest rate for the Stafford loan, Perkins loan and Plus loans are fixed. For a private loan the interest rate will vary. While you may see a low interest rate on a lender's website keep in mind that the low interest rate may depend on qualifying for the lender's benefit program.
- *Loan fees* - Some lenders will charge you an origination fee to use them as a lender while others will not. Remember that no origination fees do not save you any money in repayment, but you will receive more money up front.
- *Interest rate reductions for using automatic payments* - Some lenders will reduce your interest rate if you repay your loan through pre-scheduled automatic bank debits. Although the reduction in interest rate varies, the reduction is typically 0.25%.
- *LIBOR* - a term used for private student loans. This is the 3 month average of the London Interbank Offered Rate. LIBOR is the average interest rate paid on deposits of US dollars in the London market. APR - the Annual Percentage Rate, a rate that factors in the interest rate, fees, and other terms.
- *PRIME* - the Prime Lending Rate as published in the Wall Street Journal. This is the rate banks charge their most creditworthy customers.
- *Loan limits* - The aggregate loan limit for the Stafford loan is specific to the type of student you are. (See chart). For private loans, the aggregate limit is based on each lender's terms. This is the maximum you can borrow per year, as well as your entire time in school.
- *Repayment Terms* - This is the amount of time you have to pay back the loan.
- *Postponement options* - If you need to postpone making payments, you can take advantage of deferment and forbearance options. Call your lender to learn more.

Know what questions to ask/what to look for. Some questions you may want to ask are:

1. How often do you capitalize interest during postponement periods?

2. What are your repayment benefits? What percent of borrowers receive these benefits?
3. What do I have to do to receive these benefits and how are the benefits lost?
4. If I borrow \$10,000 over my college career and I receive all these benefits, what will be the total dollar amount I will owe by the end of my 10 year repayment?
5. If I borrow \$10,000 over my college career and I receive NONE of these benefits, what will be the total dollar amount I will repay by the end of my repayment?
6. Do you have a history of selling your loans?
7. How long have you been originating federal Stafford loans? Private loans?
8. What kind of debt management education do you provide?
9. How quickly can I talk to a real person when I call? How long am I on hold?
10. Is the lender able to provide insight and borrower education from pre-enrollment through repayment?

** Read the fine print. Make sure you know all you can about the lender and loan you are taking out. **

3. What happens next? You have selected a lender, now it is time to apply using their website! Did you know that peak processing begins before school starts in the fall? This sample timeline will guide you through the loan processes of how and when Student Financial Services Office will deliver your loan funds.

Private Student Loans May - Shop around for your lender. June - On your lender's website complete the application/promissory note. Please note, at that time your co-signer must also complete his/her portion of the application. Follow up with your lender 4-5 days after completing the application. This is the time to verify that your application is complete and that no further information is required. (***)Common missing items include a copy of a driver's license, pay stub, or co-signer signature). July - The lender will then notify Valpo of your application and our office will begin the process of certifying your student loan. August - At the beginning of your academic term, your loan funds will be deposited into your student account.

Please note that individual loan providers have their own applications and timelines. Plan to apply at least 45 days prior to the date the bill is due.

The PDF Footer