



Auburn University - Financial Aid Office

Office of Student Financial Aid, 203 Martin Hall, Auburn, AL 36849

Tips for Choosing an Alternative Student Loan

What are alternative loans?

Alternative loans are private loans made through lending institutions that are not necessarily part of the federal government programs. Alternative loans are more expensive than federal government guaranteed loans and should only be used when all other options have been exhausted. Research all possibilities for scholarships, grants, work-study, 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 preferred lenders listed for additional information. Choose the loan that best suits your needs and remember to borrow only what you need!

Borrow Wisely!

Remember that loans must be repaid after you leave school. Live conservatively during college because it will make your life easier after you graduate or leave school. After college there may be cars, houses, and children! Shop around for your alternative loan. Look for a loan that can offer you terms that fit your needs and the service you deserve. Not all loans are the same, so do your homework!

How do I compare loans?

Use the chart on the other side to compare alternative loan options. If you need additional information or clarification on a loan program, contact the lender at the number listed on the other side. It's also easy to find information by surfing the Web!

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 loan. APRs will differ based on the terms and loan amount. Make sure you are comparing like loan amounts when comparing APRs to receive a true comparison. Note, if the rate is variable, the APR may be increased after consummation of the loan. Take these terms and APRs into consideration when borrowing an alternative loan.

• **Loan Fees** - Does the alternative loan have origination, disbursement, or repayment fees added to the principal of the loan? These fees can drive up the overall price of the loan.

• **Repayment Incentives** - Does the alternative loan reward borrowers who make payments on time? For example, after 48 consecutive monthly on-time payments, will you receive an interest rate reduction?

• **Loan Limits** - 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 the year.

• **Credit Checks** - Because alternative loans are credit-based and not need-based, lenders will check with credit agencies to determine creditworthiness of the borrower.

The major reporting agencies are Experian, Equifax, and Trans Union. Your credit history is a summary of personal and employment information, inquiries into your credit history, and any bankruptcies, lawsuits, and liens. Your credit history can contain an accounting of how well you pay off your rent, utilities and loan payments, and how well you manage your bank accounts. To be considered creditworthy, a borrower must have an established, positive credit history, show employment and residential stability, and demonstrate income sufficient to repay the debt. In addition, interest rates may be determined by the borrower's individual credit rating and the credit rating of the cosigner, if applicable.

• **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.

• **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.

Wells Fargo Collegiate® Loan Example

Annual Percentage Rate (APR)

Example 1: Tier 1

If you were to borrow \$10,000 with a creditworthy cosigner who qualified for the lowest available pricing and you have a four-year in-school period with the variable rate maintaining a consistent rate of 4.00%, then your APR prior to the beginning of the repayment period would be 3.75%. If you maintained the same variable rate at 4.00% during the 12-year repayment period, your monthly payment would be \$103.34 for 144 months.

Annual Percentage Rate (APR)

Example 2: Tier 2

If you were to borrow \$10,000 with a creditworthy cosigner and you have a four-year in-school period with the variable rate maintaining a consistent rate of 5.50%, then your APR prior to the beginning of the repayment period would be 5.04%. If you maintained the same variable rate at 5.50% during the 12-year repayment period, your monthly payment would be \$118.57 for 144 months.

Printed courtesy of:

Wells Fargo

Education Financial Services

800-658-3567 • wells Fargo.com

LOAN PROGRAM	Eligibility	Annual Maximum Loan Amount	Interest Rate	Interest Capitalization	Maximum Repayment Term	Fees	Deferment Options	Repayment Incentives	Cosigner Requirement	Cosigner Release Option	School Certification Requirement	Private Loan Consolidation Program Available
Wells Fargo Collegiate® Loan 800-658-3567 wellsfargo.com/student	At least half-time enrollment	\$20,000	Prime + 0% to 6%, based on credit	Once at repayment	Up to 12 years	None	Defer payments until 6 months after graduation	<ul style="list-style-type: none"> 0.25% interest rate reduction for automatic payments 0.5% interest rate reduction after the first 48 consecutive on-time monthly payments 	None, with approved credit	Yes, after the first 24 consecutive on-time monthly payments of principal and interest	Yes	Yes
Nellie Mae Student EXCEL Loan 800-634-9308 nelliemae.com	At least half-time enrollment	Cost of education minus other aid	Monthly variable equal to Prime Rate + 1.00%; annual variable equal to Prime Rate + 2.00%	Once at repayment	Up to 20 years	<ul style="list-style-type: none"> Guarantee fee: 2.00% with cosigner or 6.00% without cosigner Deferral fee: 2.00% 	Defer payments until 6 months after graduation	0.25% interest rate reduction with payment automatically withdrawn from bank account	None, with approved credit	Yes, after the first 24 consecutive on-time monthly payments	Yes	Yes
Sallie Mae Signature Loan® 800-695-3317 salliemae.com	At least half-time enrollment	None	Prime Rate + 0% to 2%, based on credit	Once at repayment	Up to 25 years	<ul style="list-style-type: none"> Disbursement fee: 0 to 6% based on credit Guarantee fee: 2% with cosigner, 6% without cosigner 	Defer payments until 6 months after graduation	None	<ul style="list-style-type: none"> None with approved credit Yes for freshman and foreign students 	Yes, after the first 24 consecutive on-time monthly payments	Yes	Yes
National Education Preferred Alternative Loan 877-633-3900 nationaleducation.com	At least half-time enrollment unless employed full time	Cost of education minus aid	<ul style="list-style-type: none"> 91-T-bill + 3.25% in school 91-day T-bill + 3.4% in repayment 	Once at repayment	Up to 20 years	<ul style="list-style-type: none"> Repayment fee: 6.5% - undergraduate 5% - graduate 	Defer payments until 6 months after graduation	None	None, with approved credit	No	Yes	No
MOHELA EdCash Loan 800-666-4352 mohela.com	At least half-time enrollment	\$10,000	<ul style="list-style-type: none"> With cosigner: Prime Rate + 0.5% to 2%, depending on credit Without cosigner: Prime Rate + 0% to 1.75%, depending on credit 	Once at repayment	Up to 20 years	\$50 origination fee	Defer payments until 6 months after graduation or dropping below half-time enrollment	None	None, with approved credit	No	Yes	No
Edamerica Edapp Loan 800-337-6884 edamerica.org	Full-time enrollment	\$15,000	<ul style="list-style-type: none"> 91-day T-bill + 3% in school 91-day T-bill + 3.5% in repayment 	N/A	Up to 10 years	<ul style="list-style-type: none"> 6% origination fee 2% insurance fee 	Interest only payment option available	Rebate of interest paid available every year, with on-time payments	None, with approved credit	No	Yes	No
Citibank CitiAssist® Loan 800-745-5473 citiassist.com	At least part-time enrollment	Cost of education minus aid	Prime Rate + 0.5%	Once before repayment	<ul style="list-style-type: none"> Undergraduate: up to 12 years Graduates: up to 15 years 	None	Defer payments until 6 months after graduation	<ul style="list-style-type: none"> 0.25% interest rate reduction for automatic payments 0.5% interest rate reduction after the first 48 consecutive on-time monthly payments 	None, with approved credit	Yes, after the first 48 consecutive on-time monthly payments	Yes	Yes
Bank of America Private Loan 800-344-8382 bankofamerica.com/studentbanking	At least half-time enrollment	Cost of attendance minus other aid	LIBOR rate of 1.31% plus 1% to 2.75% while in school and 3% to 3.9% while in repayment	Once at repayment	Up to 20 years, based on loan amount	0% to 7%	Defer payments until 6 months after graduation	<ul style="list-style-type: none"> Flexible payment options No prepayment penalty 	None, with approved credit	No	Yes	No
Fleet Education Financing Continuing Education Loan (CEL) 888-353-3846 fleeteducation.com	At least part-time enrollment	Up to \$15,000	Prime Rate + 0.5%	Once at repayment	Up to 20 years	None	Defer payments up to 2 years after graduation	<ul style="list-style-type: none"> 0.25% interest rate reduction for automatic payments 0.5% interest rate reduction after the first 48 consecutive on-time payments 	None, with approved credit	No	Yes	Yes
Wells Fargo Education Connection™ Education Loan 877-255-2431 wellsfargo.com/student	<ul style="list-style-type: none"> At least part time enrollment Must be of legal age in state International students with creditworthy US cosigner 	\$20,000	Prime Rate + 0% to 8.25%, based on credit and amount borrowed	Not capitalized	7 or 15 years	0% to 8% origination fee based on credit and amount borrowed	Defer payments until 6 months after graduation	0.5% interest rate reduction after the first 48 consecutive on-time monthly payments, tiers 2-5 only	None, with approved credit	Yes, after the first 24 consecutive on-time monthly payments	None	Yes

*Information shown was current on website as of 8/03