What is an alternative loan?

Alternative loans are private supplemental loans that take one’s credit into account. These loans are NOT guaranteed by the federal government. These loans may be used to supplement federal financial aid. They usually do not have the generous benefits federal government guaranteed loan programs have and can carry high variable interest rates.

Finding an Alternative Loan Lender

1. Check with a financial organization you already have a relationship with (i.e. checking/savings account, car loan, etc.)
2. You can utilize well-known Internet search engines to find reputable private loan lenders. You can also utilize websites that list private loan lenders such as www.finaid.org/loans/privatestudentloans.phtml. You can research consumer reports regarding the lenders and their products prior to applying for their private loan product.
3. Depending on the lender, you may be charged fees to originate the private loan. Remember to compare several products from different lenders to ensure that you receive the best private loan product with a favorable interest rate that suits your need.

Here is a checklist of things to consider:

- What is the interest rate or APR?
- Do I have a choice between fixed or variable rates?
- Will I need a cosigner? Can the cosigner be taken off the loan at a later date?
- Are there any fees?
- What are the enrollment requirements? Do I have to be enrolled at least half-time?
- What are the program requirements? Is my program eligible? Do I need to be degree-seeking?
- Will I need to make payments while I’m in school?
- Is there a minimum or maximum amount I can borrow?
- Does the lender offer interest rate reductions or other incentives to borrowers?

LOAN PERIODS: When applying for an alternative loan, the lender will ask that you supply them with the loan period (also called period of enrollment), for which you want to borrow. Below is a list of semester begin and end dates to help you select the correct loan period:

<table>
<thead>
<tr>
<th>Period</th>
<th>Begin Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winter 2016</td>
<td>1/6/16</td>
<td>4/28/16</td>
</tr>
<tr>
<td>Fall 2015/Winter 2016</td>
<td>9/2/15</td>
<td>4/28/16</td>
</tr>
<tr>
<td>Spring 2016</td>
<td>5/2/16</td>
<td>6/24/16</td>
</tr>
<tr>
<td>Summer 2016</td>
<td>6/29/16</td>
<td>8/20/16</td>
</tr>
<tr>
<td>Spring/Summer 2016</td>
<td>5/2/16</td>
<td>8/20/16</td>
</tr>
<tr>
<td>Fall 2016/Winter 2017</td>
<td>9/6/16</td>
<td>4/26/17</td>
</tr>
</tbody>
</table>

Do I have to apply for federal financial aid?

If eligible to file, UM-Flint always recommends that a student first apply for and accept the federal financial aid offered to them (including the Federal Direct Loans). The federal loan programs typically have the lowest interest rate for the student borrower.

How much can/should I borrow?

There are limits to what a student can request in an alternative loan. To determine the maximum loan amount a student can borrow for an alternative loan, please contact the Financial Aid Office.
Focus on the APR.

Alternative student loan pricing consists of two components: interest rate and other “fees” which may be charged at the time the loan is disbursed or when the loan enters repayment.

- APR stands for Annual Percentage Rate. It tells you how much you will pay on money you borrow, so you can compare loans by comparing the APR. Think of the APR as the “price” of borrowing, quoted in terms of an interest rate.
- Lenders are required to provide APR information to prospective borrowers.
- Alternative loan borrowers should be aware that the formula used to calculate APR may change depending on whether the borrower is in school or in repayment.
- You should compare the costs of alternative loan products by comparing both the in-school and in-repayment APRs.

Have an idea of what interest rate you will qualify for BEFORE you apply.

Your APR is determined by your credit history, your debt-to-income ratio and, with many lenders, by the school you will be attending (borrowers attending schools with a low student loan default rate are viewed favorably).

A smart borrower will obtain their credit score first from one of the three major credit bureaus (Experian, Transunion, or Equifax) before starting to shop for private loans. With this information, you should be able to get an idea of what your APR will be before applying.

Though a lender will usually not be able to tell you your actual APR until you apply (they have to do their own credit check), they should be able to inform you of their available pricing “tiers”, which are the different APRs available to borrowers with excellent, good, or fair credit. Pricing tiers will also vary depending on whether or not you apply with a co-signer and the co-signer’s credit (applying with a co-signer will often provide access to a lower pricing tier).

Multiple alternative loan applications may have a negative effect on your credit score because lenders view the fact that you are looking for more credit as a risk. It is advised that you do not apply for any alternative loan until you have some idea of the rate you will qualify for.

If your prospective private loan provider will not provide you ANY idea of their pricing tiers prior to applying, it is STRONGLY advised that you do not do business with that entity.

BORROW ONLY WHAT YOU NEED!

Ask about interest capitalization.

Interest capitalization is basically how often the amount of accrued interest is added to your loan principal. Some lenders capitalize your interest annually, others quarterly, or only once you enter repayment. It can have a big impact on the cost of the loan. The more frequently interest is capitalized, the more you end up paying because you are basically paying interest on interest as it compounds.

Ask about borrower benefits.

Most lenders offer interest rate reductions or principal refunds if you pay your loan on time. Many will offer interest rate reductions when you sign up for automatic payment withdrawals from your bank account. If applying with a co-signer, many will offer co-signer release option that allows the co-signer to be taken off the loan after a number of on-time payments. Make sure to investigate all borrower benefits when selecting an alternative loan provider.