

# Private/Alternative Loan Information

Students needing additional funding for school, whose aid package has not fully met their cost of attendance, may opt to apply for funding through a private lending agency. These loans have a variable interest rate and require credit checks for all applicants.

## Some guidelines to follow when considering a private/alternative loan:

1. If you have lost your federal aid eligibility due to past unsatisfactory academic progress, you do have the option to request reinstatement of your eligibility by submitting a Satisfactory Academic Progress appeal. Further information about the process is available online: <http://www.oit.edu/faid>
2. Borrow federal loans first. Federal education loans are less expensive, more available and have better terms. The unsubsidized Stafford loan and PLUS loan are available to most students, even those who do not have financial need.
3. Minimize debt. If you will be borrowing more than your expected starting salary, reconsider your major and/or college choice. Take a hard look at how much money you really need to pay for school and cover your living needs. Live like a student while you are in school so you do not have to live like a student after you graduate.
4. When applying for a private student loan, apply with a creditworthy cosigner. Not only does this increase the chances you will be approved for the loan, but it also decreases the cost of the loan.
5. Focus on private loans that are pegged to the LIBOR index. Loans that are pegged to the Prime Lending Rate will be more expensive in the long term, all else being equal, as the spread between PRIME and LIBOR will grow wider over time.
6. Pay at least the interest that accrues during the in-school period. This will reduce the cost of the loan by avoiding the capitalization of interest. Some lenders offer lower fees for borrowers who pay the interest instead of deferring it.
7. Banks are more likely to provide better discounts and lower interest rates and fees than non-bank lenders.

## Sample questions to ask lenders when researching private/alternative loans

- What are your repayment terms? 12, 15, 20 or 25 years?
- What are your enrollment requirements?
- Do you have any repayment incentives? (Interest rate reduction for auto-payments or consecutive on-time payments?)
- Do you defer principal and interest during the school year?
- What type of payment is required during the school year? Principal and interest. Interest only. Or none, with principal and interest deferred.
- Do you have flexible repayment options?
- Do you have deferment and forbearance options?
- Can a co-signer be released at any time?
- Is there a grace period?
- If I cannot make the principal interest payments what are my options?
- What are the loan amounts? Do you have an annual minimum? What is your aggregate maximum?
- What is the interest rate? Is it based on the prime rate or LIBOR?
- What is the prime rate? What percentage interest rate is added to the prime for co-signed? Non co-signed?
- What is the LIBOR? What is the one and three month LIBOR?
- Am I required to have a credit worthy co-signer?
- If I am approved without a co-signer, can I lower my interest by getting a co-signer?
- Am I required to maintain satisfactory academic progress according to my school's policy?

