

Financial Aid: Private/Alternative Educational Loans

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Typically, it is recommended that you borrow your maximum eligibility under the federal student loan programs before you turn to a private loan. If you decide you need a private loan, choose a loan that best meets your needs and borrow only what you need.

Private loans are offered through lending institutions and are not part of the funding you receive through the FAFSA application and the federal student loan program. Private loans may be more expensive than the federal student loans. You should be a careful consumer when considering a private loan and fully understand the terms of the loan. Private student loans are taken out in the student's name, and usually require a cosigner.

Choosing a Loan or Lender

Choosing a lender is an important decision, one that will affect you for the life of your loan. You may want to have some questions prepared when contacting a private loan lender so you are able to find the best alternative loan program to fit your needs.

Here are some questions you can ask as you are comparing your private loan options.

- Are there upfront costs or origination fees?
- Will the interest begin accruing while I am in school?
- What is the current interest rate and does it fluctuate?
- If I miss an interest payment, will there be a penalty?
- How do the terms of this loan compare to terms of other private loans?
- How soon do I have to start making payments on the principal balance? When do I have to start paying the interest?

NOTE: Although you will probably be paying interest on your alternative loan once it is disbursed, the principal on many private loans does not have to be repaid until six months after you are out of school.

Keep in mind:

- You may want to consider a loan with upfront costs and lower interest rates, depending on how long you will be borrowing the money.
- The terms of some private loans are not set until the credit check is done.
- Be aware that lenders post their best interest rates; the actual approved interest rate may be

different, based on your individual financial circumstances.

- The maximum you may borrow is equal to your financial aid budget minus your other financial aid.

Finding a Lender

If you have previously borrowed a private education loan, it is often to your advantage to continue borrowing funds, as needed, from this lender in order to avoid multiple loan payments.

If you are considered a dependent student for financial aid, you and your parent(s) may want to consider a [Federal Parent PLUS Loan](#) before considering an alternative loan.

If you are a Minnesota Resident, and have no prior alternative loans, the [SELF Loan](#) may be your best option.

You are free to use any alternative loan lender of your choice. [FASTChoice](#) may be a helpful tool for comparing terms and selecting a lender.
