

alternative loan frequently asked questions

What are alternative student loans?

Also called private loans, alternative loans are offered by banks or lending institutions to assist students or parents in bridging the gap between college costs and traditional funding sources. These loans are not guaranteed by the federal government. Terms and conditions of these loans vary according to specific lender guidelines. See chart on back.

What lenders offer alternative loans?

Alternative student loans are currently offered by a wide variety of lenders, with each lender offering different programs and varying terms. We encourage students to visit each individual lender's Website for detailed information.

Who can apply for an alternative loan?

Students can borrow alternative loans to supplement traditional federal and state sources of financial aid. Claremont McKenna College encourages all students to apply first for federal and state financial aid. Alternative loans may assist with the needed resource for educational expenses not covered by federal or state financial aid.

How much can a person borrow?

The actual amount a student or parent can borrow varies according to each student's individual financial circumstances. Other variables include the institutional cost of attendance, financial aid resources, and loan limits imposed by the lender. In most cases, students may borrow up to the cost of attendance minus their financial aid.

Are there strict requirements to obtain an alternative student loan?

Unlike federally guaranteed student loans, lending institutions that offer alternative student loans may impose certain requirements. In most cases, a student must have a good credit history, a low debt-to-income ratio, and a cosigner may be required. Since a credit check will probably be performed, not everyone is approved for an alternative loan. See the section at right for more information about credit scoring.

How do I apply?

You should contact the lender directly. Depending on the loan programs, lenders offer the borrower various ways to apply for the alternative loan. Very often you can go through a preapproval process to determine your eligibility for the loan.

answers to your questions about credit scoring

What is a credit score?

A credit score is a number that indicates how likely you are to pay on a loan or credit card as agreed. It is one piece of information lenders use when evaluating your application for credit. The way you have handled credit in the past has a strong link to how you will probably manage credit in the future.

Why do lenders use credit scores?

Before the widespread use of credit scoring, a loan officer could make only a subjective interpretation of how likely you were to repay as agreed. Personal judgment could (and often did) influence whether or not people got the credit for which they applied. The availability of credit scores has changed that. Scoring models are objective evaluators, a real plus for consumers.

How can I improve my score?

The key to improving your score is to consistently pay bills on time. Credit scores are based on your general payment patterns, the mix of credit cards and loans you have, and any indications that you are actively looking for more credit. Your score will improve as you continue to handle your credit obligations responsibly.

Think of a score as a snapshot of credit risk—it reflects your risk picture at a specific point in time. A snapshot doesn't change, but when you take another one you will probably look a little different. Similarly, when your credit information changes, your score changes to reflect that. That's why lenders obtain your most recent score whenever you apply for credit.

Where do scores come from?

Statistical models located at the major credit bureaus weigh and measure many pieces of information in order to generate a score. A credit score is a composite based on a large number of complex calculations. Scoring models can weigh and balance these varying factors much more quickly and precisely than a human trying to evaluate the same information without the benefit of computerized models.

scoring facts and fallacies

FALLACY: A score is a "grade."

FACT: A credit score is a predictor of future performances, not of past behavior. This may seem like a subtle distinction, but it helps to clarify what credit scoring does. Scoring allows lenders to identify individuals who are likely to perform well in the future even if their credit information reveals past problems.

FALLACY: A poor score will haunt me forever.

FACT: Just the opposite is true. A score is a "snapshot" of an applicant's potential level of risk at a particular point in time. Scores change with time and with changes in your credit performance. Past credit problems fade as time passes and as recent positive data increases. Lenders obtain new scores just prior to making a decision, so they have the most recent information available.

FALLACY: Credit scoring is unfair to minorities.

FACT: Credit scoring is a bias-free tool that enables lenders to better forecast an applicant's likelihood of repayment, and to do so fairly—for everyone.

important things to consider when choosing an alternative loan

If you decide to take out an alternative loan, it is important to realize that you have made a decision that will impact your life after graduation. You should consider a number of factors.

- **Is a cosigner required?** Is the cosigner creditworthy?
- **Are there any enrollment requirements?** (undergraduate, graduate; full- or part-time; in a degree-seeking program...)
- **How is the interest rate determined?** Is it fixed or variable? What is the current interest rate?
- **What other fees are charged?**
- **When does repayment begin?** How long is the repayment period? What repayment options are there?
- **What is a realistic projection of your starting salary and future earning potential?** After considering your lifestyle needs and current obligations, can you afford to borrow from an alternative loan program?
- **What other loans or obligations do you already have** or are likely to take on in the near future?
- **Can you make any changes to your lifestyle needs and current obligations to free up additional funds** for loan repayment? Think about debt management strategies that might help you better manage your resources.



Financial Aid Office

Alternative Financing Options

Are you asking yourself these questions...

How will we pay the balance NOT covered by aid and Stafford Loans?

Should we borrow...or pay monthly...or can we do both?

How can we make payments that fit within our monthly budget?

While family resources and financial assistance are often sufficient to finance a CMC education, we recognize that you may wish to take advantage of alternatives to these traditional financial options.

The most utilized and economical choice for financing the family contribution is the Federal Parent Loan for Undergraduate Students (PLUS) program. However, in addition to the Federal PLUS and student loan programs, private educational loans are available for both student and parent borrowers. Borrower eligibility, cosigner requirements, interest rates, maximum loan levels, and payment options vary according to the program. However, the programs described in this brochure are recommended by CMC.

Staff in the Financial Aid Office will be glad to assist you in this process. Please see the inside of the brochure for the names and telephone numbers of our offices.



Education Loan Program

loans.collegeboard.com

890 Columbia Avenue
Claremont, CA 91711-6425
Office: (909) 621-8356
Fax: (909) 621-8516
finaid@claremontmckenna.edu
www.claremontmckenna.edu/admission/finaid

cost of attendance

Estimated direct costs for the 2006–2007 academic year are:

Tuition	\$ 33,010
Fees	\$ 200
Room & Board (double)	\$ 10,740
Comprehensive Cost	\$ 43,950
Books & Personal Expenses	\$ 1,850

Estimated personal expenses include books, supplies, and miscellaneous personal expenses.

contacts

Financial Aid Office	(909) 621-8356
Financial Aid Fax	(909) 621-8516
Student Accounts	(909) 621-8232
Admissions	(909) 621-8088

Claremont McKenna College
890 Columbia Avenue
Claremont, CA 91711-6425

finaid@claremontmckenna.edu

www.claremontmckenna.edu/admission/finaid

	College Board Connect Loan for Undergraduates (866) 232-9574 loans.collegeboard.com	College Board Signature Student Loan (800) 695-3317 www.opennet.salliemae.com	Citibank CitiAssist Loan (800) 745-5473 www.studentloan.com/schools/mckenna	Key Education Resources Alternative Loan (800) 539-5363 www.key.com/educate/alternative	Nellie Mae StudentEXCEL Loan (800) 634-9308 www.nelliemae.com	Student Loan Xpress Undergrad Xpress Loan (888) 748-9947 www.UndergradXpressLoan.com	U.S. Bank No Fee Education Loan (800) 242-1200 www.usbank.com/studentloans
Eligibility	Undergraduate student enrolled at least half-time in a degree or certificate program and making satisfactory academic progress. Student must meet the credit requirements or borrow with a creditworthy cosigner. Creditworthy U.S. cosigner required for international students.	Student enrolled at least half-time in a degree or certificate program and making satisfactory academic progress. Student must meet the credit requirements or borrow with a creditworthy cosigner. Creditworthy U.S. cosigner required for international students.	Student enrolled at least part-time. Student must meet the credit requirements or borrow with a creditworthy cosigner. Creditworthy U.S. cosigner required for international students.	Student enrolled at least half-time. Must be at least 18 or turning 18 during the academic term. Student must meet the credit requirements or borrow with a creditworthy cosigner.	Undergraduate student enrolled at least half-time in a degree-granting program. Must be at least 18. Student must meet the credit requirements or borrow with a creditworthy cosigner. Creditworthy U.S. cosigner required for international students.	A student enrolled at least half-time. Student must meet the credit requirements or borrow with a creditworthy cosigner.	Student enrolled at least part-time. Student must meet the credit requirements or borrow with a creditworthy cosigner. Creditworthy U.S. cosigner required for international students.
Loan Limits	\$1,000 up to the cost of education minus financial aid. No aggregate limit.	\$500 up to the cost of education minus financial aid. No aggregate limit with cosigner. Without cosigner, \$100,000 aggregate limit including all education loan debt.	\$0 up to the cost of education minus financial aid. Aggregate limit: \$120,000.	\$500 up to the cost of education minus financial aid. Aggregate limit: \$125,000.	\$500 up to the cost of education minus financial aid. No aggregate limit with cosigner. Without cosigner, \$100,000.	\$1,000 up to the cost of education minus financial aid. No aggregate limit with cosigner. Without cosigner, \$100,000 aggregate limit including all education loan debt.	\$1,000 up to the cost of education minus financial aid. Aggregate limit: \$100,000.
Interest Rate	LIBOR Index plus 3% to LIBOR Index plus 5.65%, based on credit and repayment option selected.	Prime minus 0.25% to Prime plus 6%, based on credit and whether cosigner only or cosigner and borrower are credit-approved.	As low as Prime minus 0.50%, based on credit and whether borrowing with a cosigner.	With cosigner: LIBOR plus 3.3% Without cosigner: LIBOR plus 3.85%	Monthly variable: Prime plus 1.25% Annual variable: Prime plus 2.50%	3-month LIBOR Index plus 2.75% to 3-month LIBOR Index plus 4.60%, based on credit and repayment option selected.	Prime plus 0%, 1.95%, or 3.95%, based on credit.
Fees	0% to 9.5%, based on credit and repayment option selected	0% to 3%, based on credit and whether cosigner only or both cosigner and borrower are credit-approved.	None	None	With cosigner: 0% Without cosigner: 5% Repayment fee: 2% if deferral of principal and interest	Based on borrower's credit history, supplemental fee of 1% may be added at origination; fees of 3%, 6% or 9% may be added at repayment	None
Repayment	Choose among 1) paying principal and interest while enrolled; 2) paying interest only while enrolled; or 3) deferring all payments until six months after graduating or dropping below half-time. 20 or 25 years to repay, based on amount owed.	Payments deferred and interest capitalized upon entering repayment six months after graduating, withdrawing, or dropping below half-time enrollment. May choose to make interest payments while in school. Up to 25 years to repay, depending on loan balance.	Payments deferred and interest capitalized upon entering repayment six months after graduating, withdrawing, or dropping below half-time enrollment. May choose to make interest payments while in school. Up to 12 years to repay.	Payments deferred and interest capitalized upon entering repayment six months after graduating, withdrawing, or dropping below half-time enrollment. May choose to make interest payments while in school. 10, 15, or 20 years to repay, depending on loan balance.	Payments deferred and interest capitalized upon entering repayment six months after graduating, withdrawing, or dropping below half-time enrollment. May choose to make interest-only or interest and principal payments while in school. Up to 30 years to repay, depending on loan balance.	Choose between paying principal and interest while enrolled or having payments deferred and interest capitalized upon entering repayment nine months after graduating, withdrawing, or dropping below half-time enrollment. Up to 20 years to repay. May apply for forbearance for up to 24 months in six-month increments. Borrowers in repayment that return to school full-time are also eligible for deferment.	Payments deferred and interest capitalized upon entering repayment six months after graduating, withdrawing, or dropping below half-time enrollment. May choose to make interest payments while in school. Up to 15 years to repay.
Benefits	0.25% interest-rate reduction for automatic payment. May be used to fund past-due balances.	Combined monthly statement for borrowers with Sallie Mae FFEL and Signature Student loans.	0.25% interest-rate reduction for automatic payment. 0.50% interest-rate reduction for borrowers who make their first 48 consecutive required monthly payments on time.		May be used to fund past-due balances for students currently enrolled at least half-time. Combined monthly statement for Nellie Mae borrowers with FFEL and EXCEL loans.	0.25% interest-rate reduction for automatic payment. Additional 0.25% interest-rate reduction for choosing immediate repayment option. Master Promissory Note may be used for multiple years.	0.25% interest-rate reduction for automatic payment. Additional 0.25% interest-rate reduction if automatic payments are made from a U.S. Bank checking account.
Cosigner Release Option	Yes, if creditworthy criteria are met after 48 consecutive on-time payments.	Yes, if creditworthy criteria are met after 24 consecutive on-time monthly payments.	Yes, if creditworthy criteria are met after 48 consecutive on-time payments.	Yes, if creditworthy criteria are met after 48 consecutive on-time payments.	Yes, if creditworthy criteria are met after 24 consecutive on-time payments.	Yes, if creditworthy criteria are met after 48 consecutive on-time payments. The interest spread for the remainder of the loan is increased to the spread that would have applied if the loan had never had a cosigner.	No.

Prime and LIBOR are variable interest rates whose current rates can be found in the *Wall Street Journal*. Information printed in this document was gathered from publicly available sources and is believed to be correct as of this printing. It is intended for use as an approximate guide for comparison purposes only. To ensure fully informed borrowing, you should refer directly to each lender's loan application and promissory note for exact information regarding terms, assumptions, conditions, eligibility, definitions, and Annual Percentage Rate (APR). Check with your lender for details and conditions regarding eligibility. If you default on your loans, and they are purchased by the insurer, any interest-rate reductions will no longer be applicable.