



## Helpful 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 can be more expensive than federal government guaranteed loans. Research all possibilities for scholarships, grants, work-study and federal loan programs to determine if borrowing from an alternative loan program is your best option. 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!

### 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.
- ❖ **Repayment Incentives** – Does the alternative loan reward borrowers that 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 your entire education.
- ❖ **Lender for Federal Loans** – Does the lender of the alternative loan also participate in the Family Education Loan Program (FFELP)? It may be easier to borrow your Federal Stafford and alternative loans through the same lender. Some lenders can even combine the billing for these loans so you will only receive one monthly billing statement.
- ❖ **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. 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 more time to repay the loans.

For Signature Student Loan, APR range is between 6.90% (assumes no fees) and 13.26% (assumes a 3% repayment fee), depending on credit. Figures assume a 15-year repayment term. For a \$10,000 loan, the monthly payment will range between \$118 and \$220.

For Student EXCEL, APR for a monthly variable rate is 9% and the monthly payment on a \$10,000 loan is \$90. These figures assume a 20-year repayment term, 0% disbursement fee, and immediate payments of principal and interest. The APR for an annual variable rate is 11% and the monthly payment on a \$10,000 loan is \$120. These figures assume a 20-year repayment term, a 5% disbursement and 2% repayment fee, deferral of principal, and interest payments for 18 months.

For GRADEXCEL, APR for a monthly variable rate is 8.5% and the monthly payment on a \$10,000 loan is \$88. These figures assume a 0% disbursement fee, 0.25 percentage point interest rate reduction for auto-debit, and immediate payments of principal and interest for 20 years. The APR for an annual variable rate is 10.8% and the monthly payment on a \$10,000 loan is \$120. These figures assume a 20-year repayment term, a 5% disbursement and 2% repayment fee, deferral of principal, and interest payments for 18 months.

Alternative Loan Chart APR examples based on the April 28, 2006 Prime Rate of 7.75%. The APR for each loan program will increase if the Prime Rate increases.

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<b>Education Loan Information</b>	<b>Sallie Mae® Signature Student Loan®</b> 800-695-3317	<b>Nellie Mae® Student EXCEL®/GRADEXCEL®</b> 800-634-9308	<b>Wells Fargo Collegiate® Loan</b> 800-658-3567	<b>Citibank CitiAssist Loan</b> 800-745-5473	<b>US Bank No Fee Education Loan</b> 800-242-1200
<b>Minimum Enrollment</b>	Full, half, and less than half-time	At least half-time	Full, half and less than half-time	Full, half and less than half-time	Full, half and less than half-time
<b>Interest Rate</b>	Prime minus 0.5% to Prime plus 6.5% depending on credit	Student EXCEL: Prime plus 1.25% or Prime plus 2.5% GradEXCEL: Prime plus 1% or Prime plus 2.5%	Prime plus 0% to Prime plus 4.5%, depending on credit	Prime plus 0.5%	Prime plus 0% to Prime plus 3.95%
<b>Interest Cap</b>	Varies by lender	Maximum allowed by law	None	25%	None
<b>Loan Fees</b>	None, if enrolled at least half-time	0%, 2% or 7%, depending upon cosigner and repayment option	None	None	None
<b>Capitalization</b>	Once at repayment	Once at repayment if payments are deferred	Once at repayment	Once at repayment	Once at repayment
<b>Minimum Annual Loan Amount</b>	\$500	\$500	\$1,000 for first-time borrowers, \$500 thereafter	None	\$1,000
<b>Maximum Annual Loan Amount</b>	Cost of education minus other financial aid	Cost of education minus other financial aid	Cost of education minus other financial aid	Cost of education minus other financial aid	Cost of education minus other financial aid
<b>Creditworthy Cosigner Required</b>	May need co-signer	May need co-signer	May need co-signer	May need co-signer	May need co-signer
<b>Cosigner Release</b>	Yes	Yes	Yes	Yes	No
<b>Repayment Term</b>	15 to 30 years, based on loan balance	Up to 30 years, based on loan balance	12 years	Undergraduates: 12 years Graduates: 15 years	15 years
<b>Deferment Options</b>	Yes	Yes	Yes	Yes	Yes
<b>Pay Prior Year</b>	Yes	Yes	Yes	Yes	Yes
<b>SAP Required*</b>	No	No	No	No	No
<b>Website</b>	salliemae.com/signature	nelliemae.com	wellsfargo.com/student	citiassist.com	usbank.com/nofeeapp

\*SAP – Satisfactory Academic Progress