

What are alternative loans?

Alternative loans are private loans made through lending institutions. These are not part of the federal government programs. Alternative loans are more expensive than federal government guaranteed loans and should only be used when all other options have been exhausted. Research all possibilities for scholarships, grants, Work-study, and federal loan programs before borrowing from an alternative loan program.

If you determine you need an alternative loan, research the preferred lenders listed for additional information. If you need additional information or clarification on a loan program, contact the lender at the number provided. It's also easy to find information by surfing the Web. 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.
- **Loan Fees** - Does the alternative loan have origination, disbursement, or repayment fees added to the principal of the loan? These fees can drive up the overall price of the loan.
- **Repayment Incentives** - Does the alternative loan reward borrowers who 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 the year.
- **Credit Checks** - Because alternative loans are credit-based and not need-based, lenders will check with credit agencies to determine creditworthiness of the borrower. The major reporting agencies are Experian, Equifax, and Trans Union. Your credit history is a summary of personal and employment information, inquiries into your credit history, and any bankruptcies, lawsuits, and liens. Your credit history can contain an accounting of how well you pay off your rent, utilities and loan payments, and how well you manage your bank accounts. To be considered creditworthy, a borrower must have an established, positive credit history, show employment and residential stability, and

demonstrate income sufficient to repay the debt. In addition, interest rates may be determined by the borrower's individual credit rating and the credit rating of the cosigner, if applicable.

- **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, having a cosigner reduces the costs of the loan; but 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 a longer time to repay the loans.

How do I compare loans?

Use the chart inside to compare alternative loan options. If you need more information or clarification on a loan program, contact the lender at the number listed. It's also easy to find information by surfing the web!

Give yourself credit!

Lenders use credit scores to make fast and objective decisions on which applicants are likely to repay their loans on time. Credit scoring is calculated using many pieces of your past bill payment history (number and types of accounts, late payments, outstanding debt, and the age of your accounts). The way you managed credit in the past is often a good indication of how you will manage credit in the future. Therefore, your credit score is like a snapshot of your level of credit risk at a particular time. When your credit information changes, so does your credit score.

Give yourself the credit you deserve! Pay your bills on time, pay down any outstanding debt, and avoid taking on new debt or applying for too many credit cards.

Web sites for scholarships

Consider all options for financing your education including grants and scholarships that do not have to be repaid. Thousands of scholarships from several thousand sponsors are awarded each year. Don't think you need a superior scholastic record or outstanding athletic achievement to qualify, since you may be eligible for any number of other reasons. Check the resources at your public library, your high school guidance counselor's office, your college's financial aid office, or go to the following Web sites.

(Be cautious about using any scholarship search that charges you a fee. Most scholarships will be listed with services that do not charge you a fee.)

- <http://www.collegescholarships.com>
- <http://fastweb.monster.com>
- <http://www.scholarships.com>
- <http://www.collegenet.com>

Wells Fargo Collegiate® Loan Repayment example

Prime Rate Plus	Interim APR	Repay APR	Monthly Payment
0.00%	7.39%	8.25%	\$145.80
1.50%	8.58%	9.75%	\$164.11
3.50%	10.11%	11.75%	\$190.85
4.50%	10.85%	12.75%	\$205.24

Annual Percentage Rate (APR) is based on a \$10,000 loan with repayment deferred for four years, a 12-year repayment period and a prime rate of 8.25%. All payments are subject to a \$50.00 minimum monthly payment.



Printed courtesy of
Wells Fargo Education Financial Services
www.wellsfargo.com/student
1-800-658-3567
Lender Code: 807176

Your No-Fee Stafford Lender



Alternative Loan Comparison Chart

Lender/ Loan Program	Wells Fargo <i>Wells Fargo Collegiate</i> [®] Loan	Wells Fargo <i>Wells Fargo Education Connection</i> SM Loan	Key Bank Key Alternative Loan [®]	Bank of America TERI Loan	Nellie Mae EXCEL Loan	Chase Chase Select Loan	Citibank CitiAssist [®] Loan
Interest Rate	Prime Rate + 0% to 4.50%	Prime Rate + 0% to 7.75%	Cosigned: 3-month LIBOR + 3.30% Non-cosigned: 3-month LIBOR + 3.85%	Variable, based on LIBOR + 2.80% to 5.45%	<ul style="list-style-type: none"> Monthly variable: Prime Rate + 1.25% Yearly variable: Prime Rate + 2.25% 	Prime Rate minus 0.50% to Prime Rate + 6.50%	Prime Rate minus 0.50% to Prime Rate + 4.00%
Loan Fees	None	None	None	0% to 9.00% at disbursement depending on FICO score	5.00% disbursement fee	0% to 5.00%	None
Creditworthy Cosigner Required?	Yes, if student doesn't meet credit criteria	Yes, if student doesn't meet credit criteria	Yes, if less than three years of credit history	Students who apply with a qualified cosigner will be approved	Yes, if student cannot meet credit requirements	Yes, if student does not meet credit criteria	No
Cosigner Release Option?	Yes, after the first 24 months of consecutive on-time monthly payments	Yes, after the first 24 months of consecutive on-time monthly payments	Yes, after 48 months of on-time payments	No	Yes, after making 24 on-time monthly payments of principal and interest	Yes	Yes, available upon request after the first 48 consecutive monthly on-time payments
Minimum Loan Amount	\$1,000	\$1,000	\$500	\$1,000	\$500	\$500	None
Maximum Annual Loan Amount	Cost of education less other financial aid	Cost of education less other financial aid or \$25,000, whichever is less	Cost of education less other financial aid	None	Cost of education less other financial aid	\$120,000	Cost of education less other financial aid
Repayment Term	15 years	15 years	Up to 20 years	20 years 25 years for balances over \$40,000	20 years	20 years for loan amounts up to \$30,000 and 25 years for amounts greater than \$30,000	Up to 20 years
Combined Billing with FFELP?	Yes	Yes	No	No	Yes	Yes, for loans serviced by Chase	Yes
SAP Required?	No	No	Yes	No	No	No	No
At Least Half-time Enrollment Required?	No	No	Yes	Yes, except for Continuing Education Program	Yes	No	No
E-Signature?	Yes	No	No	Yes	Yes	Yes	Yes
Web Site	www.wellsfargo.com/student	www.wellsfargo.com/student	www.key.com/html/H-1.32.b1.html	www.bankofamerica.com/teriloans	www.nelliemae.com/loancenter/	www.chaseselectloans.com	www.studentloan.com