

## WHAT ARE ALTERNATIVE LOANS?

Alternative loans are a financial aid resource designed to help students and their families finance educational expenses not covered by other forms of financial aid such as grants, scholarships and federal student loans such as Direct Loans and Perkins Loans.

Ferris State University recommends keeping your borrowing to a minimum. Students who borrow an alternative loan in the amount of \$10,000 per year for 4 years will have a high monthly payment due after graduation. Please manage your debt carefully.

The difference between alternative loans and federal loans is that Direct and Perkins loans are awarded as a result of filing the FAFSA. Because the federal government guarantees Direct and Perkins Loans, there are no credit checks or cosigners involved.

Alternative Loans, however, require credit history checks to determine the credit-worthiness of either the borrower or cosigner of the loan. Some alternative loans have more stringent credit history requirements than others. Because of the diversity of our student population, we offer several different alternative loan options.

## WHAT IS THE FIRST STEP?

The first step in determining which alternative loan best suits your needs, is to determine who will be borrowing the funds.

There are two options for alternative student loans:

The first option is that a parent (or both parents) may borrow the funding to cover their student's educational expenses. There are two different alternative loans that allow the parent(s) to be the borrower.

It is important to note that if the parent borrows the funds, **the parent will begin making payments on the loan while the student is in school.** It is also important to note that the student is not responsible for the repayment of these loans. The student is listed on the loan application to assure that the funding applies to the correct student account, but the student is not legally obligated for these loans.

The second option is that a student may borrow the funds, preferably with a credit-worthy cosigner. Traditional first-time college students (those who enter college directly from high school) rarely have enough qualified credit history to meet the credit requirements of alternative loans without a cosigner. Generally, to be considered for a loan without a cosigner the student must have established at least two years of good credit history in addition to two years of continuous employment.

It is not a requirement that the cosigner be the parent of the student, however, becoming an alternative loan cosigner is a serious responsibility. The cosigner is ultimately

responsible for the loan debt should the borrower default. The loan will appear on the cosigner's credit report as if they were the actual borrower on the loan. This debt could affect the cosigner's ability to obtain other forms of credit such as mortgage loans.

If the student is going to be the borrower, it is highly recommended that they secure a credit-worthy cosigner in order to insure that they get the best loan terms possible.

## ► PARENT BORROWER

### **There are two loan options available to the parent borrower:**

#### MI-LOAN

The MI-Loan, offered through the State of Michigan, considers the borrower or cosigners' debt-to-income ratio as well as their credit history. Despite the more stringent qualifying requirements, The MI-Loan is one of the better alternative loan options available for the following reasons:

- 1) The parent may be the borrower.
- 2) It has a low fixed interest rate of 6.95%.
- 3) The MI-Loan offers low monthly payment plan options.

Payments will begin 60 days after the first loan disbursement. Parents may request **\*\*forbearance** on the loan to avoid paying principle and/or interest payments for 12 months at a time; however, we strongly recommend that you pay the monthly interest to avoid **capitalized interest**. *Capitalized interest is unpaid interest that is added to the principle amount borrowed. Additional interest is calculated on the new principle amount. The result is that you pay interest on top of interest.* The MI-Loan has a 3.5 % loan processing fee on each loan.

[\*\*CLICK HERE TO APPLY FOR THE MI-LOAN\*\*](#)

#### DIRECT PLUS PARENT LOAN

The Federal Direct Parent PLUS Loan is a loan for the parents of an enrolled dependent student. One or both parents of the student may apply for the Parent PLUS Loan. The student is not legally responsible for repaying this loan.

- 1) The parent is the borrower on this loan, reducing the education debt of the student.
- 2) The Parent PLUS Loan currently offers a 7.9 % FIXED interest rate with a 4% processing fee (less a 1.5 % processing fee

- rebate\*\*) for a net loan processing fee of 2.5%. A \$10,000 loan would have a net loan processing fee of \$250.
- 3) \*\*\* May be the best option for parents with a poor credit history since the credit check is limited to the last 90 days.
  - 4) If the Parent PLUS Loan is denied, parents may seek an endorser (cosigner) in order to be approved.

Parents will begin making payments on the PLUS Loan 60 days after the loan has fully disbursed. Parents who can prove financial hardship may request forbearance on the loan to avoid paying principle and/or interest payments for 12 months at a time; however, we strongly recommend that you pay the monthly interest to avoid paying **capitalized interest**. *Capitalized interest is unpaid interest that is added to the principle amount borrowed. Additional interest is calculated on the new principle amount. The result is that you pay interest on top of interest.*

\*\* The Parent PLUS Loan will initially be processed with a 2.5% processing fee. If the borrower fails to make timely payments for 24 consecutive months, the processing fee will default to 4% and the loan will be recalculated at the higher amount.

\*\*\* The Parent PLUS Loan has one feature unique to this loan: If the loan is denied due to adverse credit history of the parent(s), the student may be offered an additional unsubsidized loan for up to \$5000. The amount will be determined by the amount of unmet need in the student's financial aid budget and their grade level. The additional unsubsidized loan may not be enough to fill the student's budgetary needs, but it would get them closer to meeting their expenses before exploring loans with higher interest rate options.

**[CLICK HERE TO APPLY FOR THE PARENT PLUS LOAN](#)**

## **► STUDENT BORROWER**

### **There are four loan options available to the student borrower:**

Remember, traditional first-time college students (those who enter college directly from high school) rarely have enough qualified credit history to meet the credit requirements of alternative loans without a cosigner. Generally, to be considered for a loan without a cosigner the student must have established at least two years of good credit history in addition to two years of continuous employment.

## MI-LOAN

The MI-Loan, offered through the State of Michigan, considers the borrower or cosigner's debt-to-income ratio as well as their credit history. Despite the more stringent qualifying requirements, The MI-Loan is one of the better alternative loan options available for the following reasons:

- 1) Either the parent or the student (with a cosigner) may be the borrower.
- 2) It has a low fixed interest rate of 6.95%.
- 3) The MI-Loan offers low monthly payment plan options.
- 4) The MI-Loan offers a forbearance option for up to five years.
- 5) Cosigners may be released from the debt after 24 on-time payments have been made.

Payments will begin 60 days after the first loan disbursement unless the student chooses one of the forbearance options to avoid making payments for up to a maximum of five years while being enrolled in school at least half time. We strongly recommend that the student pays the monthly interest on this loan to avoid paying **capitalized interest**, if possible. *Capitalized interest is unpaid interest that is added to the principle amount borrowed. Additional interest is calculated on the new principle amount. The result is that you pay interest on top of interest.* The MI-Loan has a 3.5 % loan processing fee on each loan.

[CLICK HERE TO APPLY FOR THE MI-LOAN](#)

## CITIASSIST LOAN

The CitiAssist Student Loan offers a variable interest rate with no fee. The interest rate is based on the PRIME rate **plus or minus** a percentage, depending upon the credit rating of the borrower or cosigner. For more information on the Prime rate, please click here ++++

The loan interest rate depends on the credit rating of excellent, good, or fair. The rate can be as low as PRIME - .50% or PRIME + 4% depending on the credit rating and whether or not a cosigner is used. Usually your rate is higher if you do not use a cosigner. Interest accrues from the date the loan proceeds are released to Ferris State University. Payments begin 6 months after the student either graduates or drops below half-time enrollment. A student can be enrolled less than half time and still qualify for this loan.

Cosigners may be released from the debt after 48 on-time payments have been made.

It is important to note that the interest rate on the CitiAssist Loan is variable, which means that it can be adjusted up to four times each year. There is no cap or ceiling

interest rate on this loan – it could potentially be increased to the maximum interest allowed by law.

[\*\*CLICK HERE TO APPLY FOR THE CITIASSIST LOAN\*\*](#)

### **KEY ALTERNATIVE LOAN**

The Key Alternative Loan offers a variable interest rate with no fee. The interest rate is based on the LIBOR rate *plus* a percentage, depending upon the credit rating of the borrower or cosigner. For more information on the Libor rate, please click here +++++.

The rate can be as low as Libor + 3.30% with a cosigner or +3.85 percent without a cosigner. Interest accrues from the date the loan proceeds are released to Ferris State University. Payments begin 6 months after the student either graduates or drops below half-time enrollment. A student must be enrolled at least half-time to be eligible for this loan.

Cosigners may be released from the debt after 48 on-time payments have been made

It is important to note that the interest rate on the Key Alternative Loan is variable, which means that it can be adjusted up to four times each year. There is no cap or ceiling interest rate on this loan – it could potentially be increased to the maximum interest allowed by law.

[\*\*CLICK HERE TO APPLY FOR THE KEY ALTERNATIVE LOAN\*\*](#)

### **SALLIE MAE SIGNATURE LOAN**

The Sallie Mae Signature Loan offers a variable interest rate with no fee. The interest rate is based on the PRIME rate *plus or minus* a percentage, depending upon the credit rating of the borrower or cosigner. For more information on the Libor rate, please click here +++++.

The loan interest rate depends on the credit rating of excellent, good, or fair. The rate can be as low as PRIME - .50% or PRIME + 6% depending on the credit rating and whether or not a cosigner is used. Usually your rate is higher if you do not use a cosigner. Interest accrues from the date the loan proceeds are released to Ferris State University. Payments begin 6 months after the student either graduates or drops below half-time enrollment.

Cosigners may be released from the debt after 48 on-time payments have been made

It is important to note that the interest rate on the Sallie Mae Signature Loan is variable, which means that it can be adjusted up to four times each year. There is no cap or ceiling interest rate on this loan – it could potentially be increased to the maximum interest allowed by law.

[CLICK HERE TO APPLY FOR THE SALLIE MAE SIGNATURE LOAN](#)

## **FREQUENTLY ASKED ALTERNATIVE LOAN QUESTIONS**

**What is an alternative loan?** *Alternative loans are a financial aid resource designed to help students and their families finance educational expenses not covered by other forms of financial aid such as grants, scholarships and federal student loans such as Direct Loans and Perkins Loans. The difference between alternative loans and federal loans is that Direct and Perkins loans are awarded as a direct result of filing the FAFSA. Because the federal government guarantees Direct and Perkins Loans, there are no credit checks or cosigners involved. Alternative Loans, however, require credit history checks to determine the credit-worthiness of either the borrower or cosigner of the loan. Some alternative loans have more stringent credit history requirements than others.*

**How much should I borrow in an alternative loan?** *You may borrow the amount of your financial aid budget, less any other forms of financial aid you have accepted. To find out the amount of your budget and aid award, please log into MyFSU and review your online award notice. Ferris State University recommends keeping your borrowing to a minimum. Please manage your debt carefully.*

**Will I get a refund if I borrow money through an alternative loan?** *Refunds of financial aid are issued to students who have excess financial aid (including alternative loan funds) after their billing account is paid. If you borrow more than is necessary to pay off billable items such as tuition, room and board, books and fees, then you will be issued a refund. You may use your financial aid refund for educational-related expenses such as transportation costs, personal expenses, books and supplies, etc. If you live off-campus, you may use your refund to pay rent or buy groceries as well.*

*If you have set up a direct-deposit account with the Business Office, your refund will be deposited into your bank account. If you do not have direct deposit, your refund will be mailed to your permanent (parent's) address.*

**How much will my payments be?** *Because there are so many variables involved in calculating payments – such as the amount of principle you borrow, your approved interest rate, when you begin repayment and the length of time you choose to repay your loan, we are not able to answer this question for you. Please contact your lender for specific payment information.*

**What is a cosigner?** *A cosigner is a person who has agreed to guarantee payment of your student loan debt, in the event that you default on your obligation. Lenders often require credit-worthy cosigners before approving alternative loans. It is not a requirement that the cosigner be the parent of the student, however, becoming an alternative loan cosigner is a serious responsibility. The cosigner is ultimately responsible for the loan debt should the borrower default. The loan will appear on the cosigner's credit report as if they were the actual borrower on the loan. This debt could affect the cosigner's ability to obtain other forms of credit such as mortgage loans. Cosigners may be released from the debt after a specific number of on-time payments have been made. Please refer to specific loan information for eligibility requirements.*

**What is capitalized interest?** *Capitalized interest is unpaid interest that is added to the principle amount borrowed. Additional interest is calculated on the new principle amount. The result is that you pay interest on top of interest.*

**What is Libor?** *The LIBOR (London Interbank Offered Rate) is among the most common of benchmark interest rate indexes used to make adjustments to adjustable rate mortgages and other loans.*

**What is the Prime Rate?** *The prime rate, as reported by the Wall Street Journal's bank survey, is among the most widely used benchmark in setting home equity lines of credit and credit card rates. It is in turn based on the federal funds rate, which is set by the Federal Reserve.*

**Do I have to make payments while I am in school (or while my child is in school)?** *Payment schedules depend upon who the designated borrower is and the terms of the selected loan. Generally, if parents are borrowing the funds for their student's education, then repayment begins while the student is in school. There are, however, forbearance options available on both loans that parents may apply for.*

*For student borrowers, all of the offered alternative loans have deferment options for at least five years. Please note that if your loan is in deferment, interest is accruing on the loan whether you are paying it while you are in school or not. Students continuing on to graduate school may run out of deferment or forbearance eligibility.*

**What's the difference between fixed and variable interest?** *A fixed interest rate means the rate of interest is set for the life of the loan – it does not change unless the loan goes into default. A variable interest rate is one that is subject to change – sometimes as often as four times per year. Alternative loan interest rates are based on either the Prime Rate*

*or Libor indexes. Variable rates have the potential of increasing substantially over the life of the loan, and borrowers should be cautious when choosing a loan with a variable interest rate.*

**How long does it take to process an alternative loan?** *Borrowers usually receive a response within two weeks of submitting all requested documents and applications.*

**How are alternative loan payments disbursed?** *Because Ferris State University bills for one semester at a time, alternative loans are divided into two disbursements – generally half for fall and half for spring. In the event of a one-semester loan such as those for the summer semester, one disbursement is made.*

**When will I start making payments?** *Payment schedules depend upon who the designated borrower is and the terms of the selected loan. Generally, if parents are borrowing the funds for their student's education, then repayment begins while the student is in school. There are, however, forbearance options available on both loans that parents may apply for.*

*For student borrowers, all of the offered alternative loans have deferment or forbearance options for up to five years. Please note that if your loan is in deferment, interest is accruing on the loan whether you are paying it while you are in school or not.*

**Does it make any difference which alternative loan I choose?** *Yes, you should consider many factors when selecting an alternative loan. One of the most important factors for most borrowers is the interest rate. The interest rate determines how much you will pay to borrow money. Opting for the lowest fixed interest rate available is generally wise.*

*Variable interest rates are somewhat risky in that they have the potential to increase steadily over the life of the loan. In many cases, student loans are paid back over a long period of time – for up to 30 years. It is impossible to accurately predict future changes in the economy that may impact variable interest rates. Knowing that your student loan has a fixed interest rate may offer peace of mind in the future. Conversely, variable interest rates also have the potential to decrease in the future.*

*You should also consider processing fees when choosing an alternative loan. Processing fees are a percentage of the amount borrowed that the lender retains to process your loan. For instance, if you borrow \$10,000 on a loan with a 3.5% loan processing fee, the lender will retain \$350 when disbursing your loan.*

*You must weigh the importance of a fixed interest rate with processing fees versus a variable interest rate with no processing fees to determine which is likely to have the biggest impact over the life of your loan.*

**What are my options if I don't have a cosigner with good credit?** *If you are a dependent student and your parents are unable to cosign for you because they have poor credit, our first recommendation would be that your parents apply for the Parent PLUS*

*Loan. The Parent PLUS Loan has a unique feature in that if a Parent PLUS Loan is denied, the dependent student may be offered an additional unsubsidized Direct Loan for up to \$5,000. While \$5,000 may not be enough to cover your educational expenses, it would bring you that much closer to meeting your budget.*

*Remember that cosigners do not necessarily have to be your parents. Sometimes grandparents or other friends or relatives are in a better position to cosign than your parents. If you find a suitable cosigner, you may pay lower interest rates than if you are approved for the loan without a cosigner.*

*Once dependent students have exhausted the options above, you may apply for alternative loans without a cosigner. Unless you have established good credit on your own, the chances of being denied are very high. Once you have exhausted the alternative loan options, we have no other options for meeting your educational expenses.*

*Independent students are not eligible for the Parent PLUS Loan option. You may apply for the other alternative loans with or without a cosigner, but if denied, we have no other options for meeting your educational expenses.*

**Which is the best alternative loan?** We offer five different alternative loan options because each student is unique and each loan has different features. We encourage you to weigh the options available to you and apply for the loan that you feel best fits your needs.