



# STUDENT ADVOCATES FOR FINANCIAL EDUCATION

## FEDERAL VS. ALTERNATIVE LOANS

**Student loans** are to many a fact of life when going to college. With a variety of loans available from the federal government as well as private lending institutions, it is a good idea to know the differences between these types of loans before signing any paperwork. Below is a table designed to compare federal loans to alternative/private loans to better prepare you before you commit yourself to anything that may not be in your best interest.

### LOAN COMPARISON TABLE

FEDERAL LOANS	ALTERNATIVE/PRIVATE LOANS
1. Can be consolidated with other federal loans	1. Cannot be consolidated with federal loans and usually cannot be consolidated with other alternative loans
2. No cosigner necessary	2. Cosigner usually required <ul style="list-style-type: none"> <li>• If their credit history is bad, you may not receive the loan</li> <li>• History of the loan goes on both parties' credit history</li> <li>• If primary borrower fails to pay, the responsibility falls onto the cosigner</li> </ul>
3. No credit check necessary; loan given based on financial need	3. Requires credit check; loans given based on credit, not financial need
4. Repayment begins 6 months after exiting school	4. Repayment may begin immediately
5. No application fee	5. Application fee
6. Offers money based on need	6. Offers loans that may be too large for your needs
7. Process done through schools financial aid office	7. May not require school certification of school costs
8. Loans taken out before 7/01/2006 are variable rate with an 8¼% interest rate cap; loans after 7/01/2006 have a fixed rate of 6.85%	8. Variable rate with no cap on interest rate

### TIPS BEFORE YOU APPLY FOR AN ALTERNATIVE LOAN

- Exhaust all federal loan options first! You may be pleasantly surprised at what you qualify for.
- Shop around for rates if alternative loans are a must.
- Try to keep all alternative loans with one bank. Since alternative loans cannot be consolidated with other alternative or federal loans, you may have luck consolidating with one bank.
- If a parent is willing to co-sign for an alternative loan, have them check into a Parent PLUS loan first. PLUS loans can be consolidated into a fixed interest rate.
- Borrow only what you NEED...not what you QUALIFY for!





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## SCHOLARSHIP SCAMS

Scholarships are an excellent way to offset the cost of education. There are many legitimate scholarship opportunities available for students, however, there are also many scholarship scams to be wary of as well. Scholarship scams are often “legal”, but they may promise unrealistic scholarship returns, be a front for identity theft, have unnecessary fees, or provide services that students could easily perform themselves. So, when searching for scholarships follow the old cliché, “If it sounds too good to be true, it probably is.”

### WATCH FOR TELLTALE LINES

The Federal Trade Commission (FTC) cautions students to look for telltale lines when searching for scholarships. Some of these include the quotes listed to the right.

To file a complaint with the FTC, call 1-877-382-4357 or visit [www.ftc.gov/scholarshipscams](http://www.ftc.gov/scholarshipscams).

“THE SCHOLARSHIP IS GUARANTEED, OR YOUR MONEY BACK.”

“YOU CAN’T GET THIS INFORMATION ANYWHERE ELSE!”

“THE SCHOLARSHIP WILL COST SOME MONEY.”

“WE JUST NEED YOUR CREDIT CARD OR BANK ACCOUNT NUMBER TO HOLD THIS SCHOLARSHIP.”

“YOU’VE BEEN SELECTED BY A ‘NATIONAL FOUNDATION’ TO RECEIVE A SCHOLARSHIP,” OR “YOU’RE A FINALIST” IN A CONTEST YOU NEVER ENTERED.

### “WE’LL FIND SCHOLARSHIPS FOR YOU”...

**Scholarship search services** charge a fee to find organizations offering scholarships that the applicant is eligible for. Instead of using a scholarship search service, look for the same scholarship information in local libraries or on-line. If it is necessary to use a scholarship search service, a reasonable fee should be no more than \$10-15; its reputation can also be checked out by contacting the Better Business Bureau.

While searching, be aware of scholarship search service scams. Below are some promises these scams make.

- **Guaranteed awards:** scholarship search services do not award scholarships, therefore they cannot possibly guarantee you will receive a scholarship.
- **Money back guarantees:** it is very difficult to meet the requirements of the money back guarantee; students are better off doing their own search.
- **Very high success rates:** scholarship search service scams try to get students so excited that they will ignore the natural sense of caution, thus they end up losing a lot of money or have their identity stolen.

### BEST PLACES TO SEARCH FOR SCHOLARSHIPS

LOCAL/PROFESSIONAL  
ORGANIZATIONS,  
CLUBS, AND BUSINESSES

American Assoc. of University Women  
Business and Professional Women  
Soroptimist Club International  
Rotary Club  
Lion’s Club

COLLEGE  
FINANCIAL AID  
OFFICE

REPUTABLE  
AND SECURE  
WEB SITES

[www.fastweb.com](http://www.fastweb.com)  
[www.collegenet.com](http://www.collegenet.com)  
[www.collegeboard.com](http://www.collegeboard.com)  
[www.srnexpress.com](http://www.srnexpress.com)  
[www.mus.montana.edu](http://www.mus.montana.edu)