Berkeley College ALTERNATIVE LOAN DISCLOSURE FORM

Your financial aid package includes a private educational loan, as identified below:

SALLIE MAE Signature Loan	CITIBANK CitiAssist Loan
SALLIE MAE Private Parent Loan	NJCLASS Loan
SALLIE MAE Opportunity Loan	Other _________________

Private educational loans are **not** part of the Federal Family Educational Loan Program (FFELP), and do not enjoy the same benefits as either the FFELP Stafford or FFELP PLUS loan programs.

Private educational loans, also known as 'alternative' loans, can help bridge the gap between the actual cost of your education and the limited amount the government allows you to borrow in its FFELP programs. Private loans are offered by private lenders and the rules for borrowing are set by the individual lenders based on criteria specific to their loan products. The interest rates charged on private educational loans are usually higher than those charged on FFELP loans, so private educational loans tend to cost more than the loans offered by the Federal government. In addition to the higher rate of interest, private educational loans may also charge additional fees based on the total amount borrowed, such as disbursement fees.

Parents or students who are considering a private educational loan should also consider other financing options, such as a home equity loan or a FFELP PLUS loan. The FFELP loans have a variety of flexible repayment provisions that are not available with home equity loans or private loans, such as in-school deferments on the Stafford Loan, interest subsidies on the subsidized Stafford Loan, graduated repayment, and income-contingent repayment. A private educational loan may also have flexible repayment terms, depending on the type of loan and the lender it is borrowed from.

Private student loans are generally charged a lower interest rate than credit cards. However, private educational loans should be used as supplemental funding only after all other sources of financial aid have been exhausted. And, as with any student loan, it's in your interest to be conservative and only borrow what you absolutely need.

Qualifying for private student loans is based on credit criteria established by each lender. Credit qualification criteria can vary by the type of loan, by whether the borrower is a student or parent, or by whether the loan is backed by a cosigner.

How do I compare interest rates?

Instead of a fixed interest rate that is easy to compare, such as 8% or 10%, private loans often have interest rates that are variable. Usually, they are based on either the "Prime" rate or a "Treasury Bill" rate, or "LIBOR", the London Interbank Offering Rate. Interest rates on private loans usually are based on one of these variable rates plus a set percentage, such as "the 91-day T-Bill + 3.75 percent." As these rates fluctuate with the market, the interest rates on the loans go up or down. Most lenders adjust interest rates on a quarterly basis. There also may be different interest rates used when you are in school versus when you are in repayment. In many cases, the interest rate that you will be charged will depend on your and your cosigner's individual credit histories, so you may be informed of the actual rate only after the lender has reviewed your credit rating. It is your responsibility to make sure that you are informed of, and understand, the interest rate and other fees that you will be charged for the loan.

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What kinds of fees are there, and when are they charged?

Guarantee fees are the lender's insurance against your defaulting on the loan, and origination fees are charged for the disbursement of the money. Many lenders also add on an additional fee right at the time you go into repayment; some lenders assess these fees on the original principal, and others on the original principal plus the accrued interest. So, when considering how much a loan program charges in fees, make sure that you add up both the fees charged initially at disbursement, and any fees charged at the time you go into repayment. Some private loans charge no fees, either at the time of the loan's origination or at repayment.

Should I consider getting a cosigner?

International students cannot apply for most private loan programs without a credit-worthy cosigner who is a US citizen or permanent resident. Even for students who are US citizens or permanent residents, some loan programs are only available to full-time students with a credit-worthy cosigner, while other loan programs offer a choice, and charge lower fees on cosigned loans. Securing a cosigner could give you more borrowing options or reduce the cost of your loan. However, there are drawbacks for cosigners, which they should consider carefully before agreeing to cosign a loan. For instance, cosigners are responsible for the loan if you default. Also, the loan is reflected on their credit report, and it is counted towards their total indebtedness, which may be a consideration for cosigners who are trying to secure a mortgage or other loans for themselves.

If I have credit problems does it help to provide a cosigner?

Even if you have a cosigner, loan programs are still going to look at your own credit history when considering you for a loan. While your cosigner's credit may be excellent, your own adverse credit may still cause the loan to be denied. In such cases, you will need to have a credit-worthy individual take out a loan on your behalf, and usually begin making payments on the loan immediately. If you are concerned about your own credit, we recommend that you obtain your credit report and review it.

What is capitalization? Is it important?

Capitalization is important because it adds to the total cost of your loan. From the moment your loan is disbursed, interest begins to accrue on the principal amount that has been disbursed. Capitalization occurs when the interest that has accrued so far is added to the principal. From that point on, you'll be charged interest on both the principal and the capitalized interest. Since you're paying interest on interest, capitalization can become very expensive, and the more frequently a lender capitalizes the interest, the more that loan will cost you. Some educational lenders capitalize accrued interest only once, when you enter repayment at the end of the grace period. However, some lenders capitalize once a year, or even more frequently, so check to see how often your lender capitalizes interest. You can avoid capitalization and reduce the cost of financing your loan if you pay the interest before it is capitalized.

Which loan program should I choose?

Since you will be responsible for paying back the loans that you borrow, you must decide which private loan program(s), if any, you choose to finance your education. Moreover, it is your responsibility to know the terms and conditions of any loans you borrow, as you have the best idea of your future plans and how your loans will fit into them.

By signing below, I acknowledge receipt of a copy of this disclosure form. I also acknowledge that my financial aid package includes a private loan that is not part of the Federal Family Educational Loan Program (FFELP). I also understand that receipt of the private loan is voluntary, and I may decline any financial aid award, including the private loan, by notifying either Berkeley College or the lender in writing, within 14 days of disbursement, that I do not want the loan.

Student Name Signature Date