

THE PROJECT ON STUDENT DEBT

Student Loan Options in a Tight Credit Market

The current credit crunch has students and parents concerned about whether they will be able to get the loans they need to cover college costs. The good news is that *federal student loans are and will remain widely available to students and families at all income levels*. These loans come with government-guaranteed benefits: affordable, fixed interest rates; substantial borrower protections; and new repayment and forgiveness options. However, the small percentage of undergraduates who use private, non-federal loans are likely to face stricter credit standards and possibly higher prices. Students and parents should only consider private loans as a last resort because of their high risks and costs.

To help people make the most of their student loan options, here are practical and creative answers to some of the most common questions and concerns.

Common Concern	Actual Options
“I’m not needy enough for government grants or loans.”	Federal Stafford loans are available regardless of family income. The rate is fixed (currently 6.8%) and comes with a wide range of repayment options. Depending on your level of need, you may be charged interest while in school, but these loans are still much safer than private loans.
“I don’t have a good credit record.”	There is no credit requirement or credit check to get a federal Stafford loan.
“I need more than the maximum Stafford loan.”	Ask the college if it has any federal Perkins loans or other types of aid, including grants and scholarships, for students like you.
“The school has no Perkins funds available to supplement my Stafford loan.”	If you have good grades and there is a remote chance you might someday be a teacher, you can get a federal TEACH Grant – which is actually a type of Stafford loan.
“I don’t qualify for a TEACH grant.”	Most parents can get a federal PLUS loan (at a fixed rate of around 8%) for any costs not already covered by grants and your own loans.
“My parents don’t want to borrow.”	Offer to split the cost of repaying a PLUS loan with your parents, and put it in writing. If they have good credit, another option is for them to cosign a private loan for you – this may help you get a good interest rate, but is still riskier for both you and your parents than federal loans.
“My parents don’t want to put their income information on the FAFSA .”	There is no federal requirement to fill out a FAFSA to get a parent PLUS loan, although some colleges require it. Contact your financial aid office to learn about your college’s policy and how to proceed.
“My parents were denied a PLUS loan because they were delinquent on their car loan. They tried two different lenders.”	If your parents have serious credit problems and can’t get a PLUS loan, the financial aid officials at your school can nearly double your eligibility for federal Stafford loans. If your new undergraduate Stafford maximum of \$57,500 is still not enough, consider other ways to reduce costs, including other schools.
“I can’t apply for federal aid because I’m not in contact with my parents.”	Talk to the financial aid officials at your college. Depending on your situation, they may be able to override the requirement to provide your parent’s financial information.

For more consumer tips about borrowing and repaying student loans, check out our other [fact sheets at www.projectonstudent.org](http://www.projectonstudent.org).