



Facts

Student Loan Advice for College Students & Families

Recent news accounts are warning college students and their parents about the difficulties they may face in finding school loans for the coming year. While any loan requires careful consideration, the latest concerns about the availability of student loans in light of the current credit crunch are generally overstated.

The term “student loan” refers to three distinct types of loans:

1. *Federally-backed student loans* which are provided through the Federal Family Education Loan Program (FFELP) and Direct Lending Program (DL). Both these federal programs provide federal Stafford Loans, PLUS Loans, Graduate PLUS Loans and Consolidation Loans.
2. *State-sponsored student loans* which are not backed by the federal government. In Connecticut, these are provided by the Connecticut Higher Education Supplemental Loan Authority (CHESLA).
3. *Alternative or private loan programs* which are not backed by either the federal or state government and are funded by private lending institutions.

Loan Availability

FFELP/DL - Although there have been a handful of FFELP lenders who have withdrawn or curtailed their participation in the program, students and families should have no difficulty finding lenders who are full participants this coming year. Check with your school to find out about FFELP lenders.

Similarly, students enrolled in schools which participate in DL should have no problems obtaining federal loans. For a list of schools participating in the DL program, go to:
<http://www.directstudentloancoalition.org/clientimages/40234/dlschoolsbystate.xls>

State Loan Programs – Some states have announced that they are discontinuing their loan programs. This is not the case in Connecticut. CHESLA is ready to meet the needs of eligible applicants for the coming year. For more information go to www.chesla.org

Private/Alternative Student Loans – This is the category of loans which merits most caution by students and their families.

Because these loans are not backed by the federal or state governments, the entire risk of making these loans rests with the provider. These lenders generally have stricter underwriting and approval requirements on these loans and those restrictions may have been tightened in light of the current credit crunch situation.

Borrowers with weak credit histories very well may find themselves being denied the loan, even though they may have been approved in previous years. Also, keep in mind that these loans tend to be the most costly of the various loan types. Students and families should first consider federal loans and state loans before opting for a private loan. Check with your school for sources of private student loans.

What to Do?

The first and best step is to contact your school and speak with the financial aid office about the actions it has taken to ensure access to student loan money. Remember, you should have little cause for concern if you are accessing a federal student loan.

If you intend to borrow a private student loan, however, you should check with the lender to see what the terms of the loan are and if you can be pre-qualified. By getting pre-qualified you'll have piece-of-mind entering school. If you are denied, you should immediately talk to your financial aid office to see what other options are available for financing your education.