CHOOSING THE BEST LOAN

√ Lenders sometimes advertise interest rates that are only available to a very small percentage of borrowers with cosigners and exceptional credit. You may need to apply to several lenders to compare the interest rates that you will qualify for from those lenders.

√ Keep in mind that when you apply for a private loan, the lender will check your credit score, and it is possible that incurring multiple credit checks could **negatively affect** your credit score. So do as much research as you can to limit your list of potential lenders before applying.

BORROWER BENEFITS

While the federal government sets the maximum interest rate for federal loans such as Stafford and PLUS loans, lenders of federal student loans compete by offering interest rate discounts and other "borrower benefits" that become available when a loan goes into repayment. For example, some lenders may offer to reduce your interest rate if you make 36 on-time payments, or if you use automatic debiting from a bank account. Some lenders also offer these types of borrower benefits in connection with private student loans.

Make sure to verify that any borrower benefits that your lender offers will be available at repayment if your loan is sold to another lender. The best way to do that is to get a written statement of the borrower benefits or, in the case of private loans, a promissory note or credit agreement listing the borrower benefits.

Most students are unable to qualify for benefits that require a certain number of consecutive, on-time payments. Loans that offer automatic interest rate discounts may be a better choice.

DIRECT-TO-CONSUMER MARKETING

As part of its investigation, the New York State Attorney General's Office found that some student loan lenders and marketers use deceptive TV, radio or online ads, phone calls or mail solicitations. Watch out for:

» Mailings that appear to be from the federal government.

» Free gifts – iPods, gift cards, GPS devices or other incentives offered in return for choosing a loan. These offers may distract you from evaluating the true cost of the loan.

CREDIT CARDS

Think twice before using a credit card to pay for school costs. Credit cards generally have a much higher interest rate than most student loans. If you use a credit card for school costs and you can't pay your credit card bill in full on the statement due date, you will end up paying even more interest on your credit card debt than you would with a student loan.

Student loans are a serious financial commitment that may affect students' and families' lives for years after graduation. Keep in mind that it is virtually impossible to eliminate student loan debt by declaring bankruptcy, except in cases of extreme hardship.

Future: One Student Loan at a Time, an educational DVD produced by the Attorney General's Office. This DVD includes an educational video and additional resources. You will learn more about funding options, ways to minimize borrowing, and how to choose the best loan. Most importantly, the DVD shows you how to exercise your new student rights under the law to avoid pitfalls in the student loan process. To order a free copy of the DVD, visit **www.ag.ny.gov**.

One Student Loan at a Time...

The State of New York
Office of the Attorney General
Eric T. Schneiderman

120 Broadway
New York, NY 10271
1.800.771.7755
www.ag.ny.gov

Safeguarding Your Future...

WHAT YOU SHOULD KNOW BEFORE YOU BORROW

As the cost of a college education continues to rise, more and more families are turning to student loans. It is important to understand what to watch out for when choosing a college loan because it can translate into a big difference for you - the difference between paying and saving thousands of dollars. **Safeguarding Your Future: One Student Loan at a Time**, an educational DVD and brochure, is designed to help you make smart decisions before you borrow.

ATTORNEY GENERAL CUOMO'S INVESTIGATION

The New York State Attorney General's nationwide investigation of the $85-billion student loan industry exposed widespread deceptive practices and conflicts of interest. The investigation revealed that some lenders were providing payments and perks to colleges antd universities – and to financial aid administrators – in return for benefits, including placement on the schools' "preferred lender" lists.

The Attorney General developed a **Code of Conduct** that prohibited these and other deceptive practices. More than a dozen lenders and twenty-six schools agreed to adopt the **Code of Conduct**.

REFORMING THE STUDENT LOAN PROCESS: YOUR NEW STUDENT RIGHTS UNDER THE LAW

The Attorney General drafted a new state law based on the **Code of Conduct**, the Student Lending Accountability, Transparency, and Enforcement Act, or "SLATE," which was enacted in May 2007. In 2008, the principles of SLATE became the law of the land when the U.S. Congress passed a new federal law.

With the passage of these laws, students' rights are protected nationwide, wherever they go to school, whether inside or outside of New York.

Paying for college is more difficult than ever...

FEDERAL STUDENT LOANS

Federal loans include **Perkins**, **Stafford**, and **PLUS Loans**. If you or your parents do decide to borrow, it is a good idea to exhaust your federal loan options first. Here's why:

- Federal loans are usually less expensive than private loans.
- Federal loans generally offer more flexible repayment options, such as income-based repayment plans.
- Some types of federal loans are subsidized, which means that the government pays the interest on the loans that accrues while you are in school.
- Some types of federal loans, such as **unsubsidized Stafford Loans**, are available regardless of family income or credit history.
- Federal loans have fixed interest rates, which means that the interest rate does not change over time. In contrast, private loans usually have variable interest rates.

The federal government sets a maximum amount that students can borrow under the Perkins and Stafford Loan programs. However, federal loans called PLUS Loans can be used for the entire cost of attendance over and above your federal Perkins and Stafford loans. PLUS Loans are available to parents of undergraduates, and to graduate students.

You can apply for federal loans by completing the Free Application for Federal Student Aid (FAFSA) at **www.federalstudentaid.ed.gov.**

PRIVATE LOANS

Students who require additional funds after exhausting their federal borrowing options sometimes turn to private or "alternative" loans. Private loans are generally more expensive than federal loans. Interest rates for private loans depend on your credit score. Students can usually qualify for better interest rates if a parent or other person serves as a cosigner on the loan.

How to choose a loan...

GETTING STARTED: BEFORE YOU BORROW

Before you take out a student loan, make sure you have explored all of your non-borrowing options, such as scholarships and grants, work-study or other employment, and savings. Unlike loans, which must be paid back with interest, scholarships and grants do not need to be paid back.

FINDING HELP: YOUR SCHOOL'S FINANCIAL AID OFFICE

If you have questions about paying for college, your first stop should be your school's financial aid office. Financial aid administrators can help you decide whether to borrow, how much to borrow, and what loans to choose. However, you should also do your own research and comparison-shop to make sure that you get the best loan for you.

TO LEARN ABOUT COLLEGE LOANS VISIT: **WWW.AG.NY.GOV**