

Private Alternative Loan Tip Sheet

Know your FICO score.

- Your FICO score is what is used to determine your credit risk.
- The Higher the FICO score, the better the interest rate.
- To estimate your current FICO score, use the Bankrate [Free FICO Score Estimator](#) calculator. You can also obtain your [actual FICO score](#), but it will cost you a few dollars. Scores provide a snapshot of your current credit risk and can change month to month.

Improve your FICO score.

- Obtain a [FREE credit report](#) and check for any errors.
- To increase your FICO score, pay bills on time, settle any past due accounts, pay down debt and reduce the percentage of your total credit card balances below 30% of total available credit.
- Don't close out a credit card account just to boost your score as it can have an immediate, short-term negative effect. Especially don't close out your oldest credit cards, because the longer history you have, the better your score.

Research your options but limit the number of applications.

- Every application for an alternative loan results in a "hard inquiry" being placed on your credit report. Several hard inquiries over 14+ days may reduce your overall credit score. Limit your application to one or two. *If you apply for more than one alternative loan, let us know which one you want as we will certify the first loan application we receive and may cancel subsequent requests.*

Questions to Ask

- **Annual Percentage Rate (APR):** The annual cost of your loan including the effect of any fees and charges in addition to interest; may be fixed or variable. Does the lender use PRIME or LIBOR to determine interest rates? (Those using LIBOR typically use the 3-month LIBOR rate.) Research [current Prime and LIBOR rates](#). **NOTE:** Variable rates are subject to change.
- **Interest Capitalization:** When is the interest capitalized (added to the principal)? Does this change during repayment? **NOTE:** Making interest-only payments on an alternative loan while in school will drastically reduce the overall cost of the loan.
- **Calculate the total cost of the loan:** Are there introductory rates that increase over time? Are there origination fees that are deducted from the loan before the loan funds are sent to Lesley University? Are there any fees added after the entire loan has been disbursed?
- **Loan Limits:** Does the loan have an annual or aggregate limit? If so, can you afford to borrow within these limits?
- **Repayment:** Does repayment begin immediately or after you graduate or leave school?
- **Repayment Period:** How long is the repayment period in which you repay the loan? Are there choices? (10 years vs. 20 years, etc.)
- **Repayment Incentives:** Does the alternative loan reward borrowers who make on-time payments? Are there any penalties for paying early?
- **Lender Stability:** How long has the organization been involved in providing student loans? Will they still offer alternative loans throughout the next 4 years? Does the organization sell its loans? If so: how often, to whom, and with what consequences?
- **Customer Service:** What special services does the organization offer to borrowers, including cooperation with the school, electronic funds transfer, toll-free help lines, and money management tools?