

Be Wary of Private Loan Offers

The growing problems with private loans has led the House Education and Labor Committee to question the \$85-billion-a-year student loan industry by asking the Federal Trade Commission to investigate the unfair and deceptive practices that lenders use to market their products and services to students. Following is a quote from the announcement of their request.

"Every day, millions of students receive marketing letters from private lenders - letters that are often intentionally designed to confuse or mislead students. These tactics are nothing short of predatory lending. No company should be able to get away with using aggressive scare tactics to profit off students who are already taking on enormous amounts of college loan debt. Just like any other group of consumers, students and their families deserve to be protected from any fraudulent or manipulative marketing practices."

College students are cautioned to be suspicious of unsolicited loan offers. Student loan debt can accumulate quickly and result in a lifetime burden of high payments and credit denials for automobile purchases, credit cards, and home mortgages. Private loans also can reduce eligibility for more desirable federal, state and college aid programs. To avoid these problems, read and understand the terms and conditions of all loans.

Michigan students are bombarded by media advertisements and mailings about private student loans. The Michigan Student Financial Aid Association (MSFAA) reminds students and families to beware of loan offers you did not initiate. Deceptive marketing tactics are not illegal in the world of private student loans. It is always in a student's best interest to explore federal loan options before applying for private loans. Here are some simple rules to follow when considering a private loan.

1. All students should file the Free Application for Federal Student Aid (FAFSA) to determine eligibility for grants, work-study, federal loans, and other desirable forms of student aid.
2. Students should only consider a private education loan if they have reached their federal loan borrowing limit.
3. Undergraduate students and parents should compare private loan costs with costs for the Federal PLUS Loan.
4. Graduate students can borrow under the Federal Graduate PLUS Loan and should compare PLUS costs to private education loan costs before applying for a loan.
5. Students should research private student loan options at reputable web sites such as FinAid.ORG (www.finaid.org/loans/privatestudentloans.phtml).
6. The financial aid offices at Michigan colleges and universities are staffed with knowledgeable people with years of experience who will be happy to answer your student aid questions.