

NEWS FROM

KHEAA–Alabama

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Financial Aid Tip of the Month, July 2016

Private loans bridge gap between college costs, other student aid

Most college-bound students qualify for financial aid to help pay for their education, such as federal and state grants, scholarships and Federal Direct and PLUS Loans. In addition, local scholarships are often available, according to KHEAA–Alabama. A parent can also borrow a federal loan to help pay their child’s college costs.

Those programs make it easier to pay for college. However, they may not cover all the costs. When that happens, many people turn to private student loans, also called alternative loans.

The interest rates on private loans largely depend on the borrower’s credit rating. So some students and parents may have to pay higher interest rates than they would on federal student loans. In addition, many lenders require students to have a cosigner, and some require the college to certify that the student needs the loan.

Students and parents are encouraged to do research before committing to any loan. They should compare the loans offered by various lenders to find the best possible deal.

KHEAA is a public, non-profit agency established in 1966 to improve students’ access to college. It provides information about financial aid and financial literacy at no cost to students and parents. KHEAA also helps colleges manage their student loan default rates and verify information submitted on the FAFSA. For more information about those services, visit www.kheaa.com.

For more information about financial aid and college planning, visit www.alstudentaid.com.