

Alternative Student Loans and You

All alternative student loans are based upon a test of creditworthiness. You may or may not be able to borrow the amount listed on your award letter based on your credit score.

Some students may be required to secure a co-signer in order to receive an alternative loan, or even have to have someone else, such as a parent, borrow on their behalf.

Items that enter into a credit score include how much credit you have available to you, how much of your credit limit you have utilized, any late payments, defaults, or write-offs that appear on your credit report, and how many recent inquiries you have made to secure additional credit. Having no credit history will not hurt you, but having a poor payment history or constantly maxed-out credit limits will.

Just as with credit cards, car loans, and mortgages, every dollar you borrow now will cost you more later. With interest rates that will change up to 4 times a year (based on Prime or LIBOR rates), it is strongly recommended that you borrow only what you need, and have your loan disbursed just before you need it. Interest on alternative loans begins accruing immediately upon disbursement, so it is not wise to have the loan disbursed until you actually need the money. And before you borrow, it is important to establish a budget that will include your costs during the year. Financial aid does not cover the acquisition of assets, such as a car, furniture, etc. Transportation costs are commuting costs only. If you have non-education related financial obligations, such as consumer loans or credit card debt, you should either pay these off before starting school or ensure that you have other means of financing them.

It is strongly recommended that students try to minimize their debt load by minimizing costs. Your financial aid budget is based upon a student's standard of living; therefore, students should not expect to have the same standard of living as their parents do, or as they had when they were working full time. First year students who have been living in dorms or with parents should consider staying at home, in the dorms, or with relatives not only to minimize costs, but also because the first year workload, especially for full time day students, is significantly greater than what students experience in their undergraduate years. Many law students found undergraduate education to be fairly easy, allowing for a lot of free time. Law school requires much more in the way of reading, briefing, outlining, research and writing. When a student has been living at home or in a dorm where someone else handles meals, grocery shopping, cleaning, laundry, bill-paying, etc., and tries to take on all these new responsibilities as well as law school, the results can be less than what the student had hoped. Most students and faculty will agree that the first year is the toughest, and is not the best time for the student to try to take on a host of other new responsibilities. Staying at home, if it is possible, saves both money and time for most students. In addition, the award provides for living costs only for the 9-month school year (11 months if the student attends summer school). Students must find alternative sources to cover living expenses during months when they are not in school.

Finally, it is most important to keep your payment obligations current throughout your law school career. When you apply for the Bar, you will need to report any past due financial obligations. These can prevent graduates from being admitted to the Bar. What you borrow now and during your academic career will affect you for many years to come. How you handle your borrowing and your current obligations will determine whether you build a strong credit history or find yourself in a financial hole. It's up to you

Students must complete and submit a separate alternative loan application for the alternative loan they wish to borrow. It is strongly recommended that a student stay with one alternative loan lender during his/her tenure at the Law school to avoid having multiple repayments upon graduation. Thus, students who believe they will need to borrow for Bar study expenses (bar exam and review course fees and/or living expenses while studying for the bar) may want to choose a lender that provides both in-school and bar study loans. Students who plan ahead may be able to save enough money from summer employment and their in-school loans to avoid having to borrow a Bar loan.

Most alternative loan lenders allow students to apply on line or send applications directly to them. Those lenders will generally contact the Financial Aid Office for loan certification. If you choose a lender that does not require certification of the loan by the Financial Aid Office, it is your responsibility to report the loan amount and source to the Financial Aid Office. These loans are considered resources and may reduce your eligibility for other aid.