



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Financial Aid Tip of the Month, July 2009

Private loans bridge gap between college costs, student aid

Many sources of financial aid are available to help college-bound students pay higher education expenses, including federal and state grants, scholarships and Federal Stafford and PLUS Loans. In addition, merit-based scholarships and need-based grants are often available at the local level.

All these programs may help ease the burden of paying for college. However, sometimes those sources aren't enough to cover all the costs of college. When that happens, parents and students may take advantage of private student loans, also called alternative loans.

With the crisis in the credit markets, private loans are harder to qualify for this year than in past years. Some lenders have stopped offering them, and nearly all the ones that still do have tightened the requirements.

One thing to be aware of is the amount that may be borrowed and the interest rate will largely depend on the borrower's credit rating. Instead of the 5.6 or 6.8 percent interest students pay on Stafford Loans, they may have to pay up to 19 percent interest on a private loan. In addition, some lenders require students to pay at least the interest on private loans.

Students need to do some research before committing to any loan. They should compare the loans offered by various lenders to find the best possible deal.

To learn how to plan and prepare for higher education, visit www.GoHigherKY.org. For more information about Kentucky scholarships and grants, visit www.kheaa.com; write KHEAA, P.O. Box 798, Frankfort, KY 40602-0798; or call (800) 928-8926.

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