

DATE: March 14, 2008
FROM: The Office of Student Aid
TO: All Washington College Students and Families
RE: Recent Changes to Private Non-Federal Student Loan Programs

You may have heard recent news reports about how the subprime mortgage credit crisis has reduced the availability of funds for private student loans. The Office of Student Aid would like to advise you of how these issues may impact your ability to borrow a private student loan for 2008-2009. However, these issues will in no way jeopardize your ability to participate in the **Federal** student loan programs.

Lenders that provide private, non-Federal, student loans plan to implement stricter credit underwriting policies for 2008-2009. As a result, more borrowers may be required to apply for private, non-Federal, education loans with a credit-worthy cosigner. These new mandates may make it more difficult to secure a private loan to assist with your educational costs for 2008-2009.

We want to stress that families should always consider a private student loan as a loan of last resort. Interest rates on these loans are almost always higher than those of Federal student loans, and interest rates on these loans can change annually. Also, there are no federal regulations overseeing annual loan limits. This combination makes private student loans costly in terms of the accumulation of interest and the ability to borrow what can appear to be “easy” money. Families should always try to exhaust all options available under the Federal loan programs (Stafford, Perkins and Federal Parent PLUS loans) before considering a private student loan.

However, if you decide that you want to borrow educational funds through a private student loan for 2008-2009, now is the time to ensure that your credit score, and that of your cosigner, is in the best shape possible. If you begin now you have time to amend any problems that may show up on your credit report before you need loan approval for the fall semester. In 2004, the federal government passed a law that entitles everyone to one free credit report per year from each of the main reporting agencies. Both you and your cosigner should obtain free copies of your credit reports and review the information for accuracy and eliminate any adverse remarks. The credit reporting agencies are:

Equifax
PO Box 105873
Atlanta, GA 30348
(800) 685-1111

Experian
PO Box 2002
Allen, TX 75013
(888) 397-3742

TransUnion
PO Box 2000
Chester, PA 19022
(800) 888-4213

Even if you are not required to do so, we suggest that you apply for a private student loan with a credit-worthy cosigner. This may qualify you for a much lower interest rate than if you applied on your own. Additionally, we suggest that you keep your borrowing to the bare minimum and, when possible, make payments on the interest that is accruing while you are in school.

If you have any questions regarding the private loan programs, please do not hesitate to contact our office at 410 778 7214.