Alternative Education Loans

An alternative education loan is a non-federal loan made by a private financial institution, such as a bank, credit union, or state-affiliated agency, to cover educational expenses. Unlike federal loans, which are guaranteed by the U.S. government and do not primarily rely on a borrower's credit history, private loans are issued based on creditworthiness and often require a strong credit history and/or a qualified cosigner.

A list of potential lenders can be found on ElmSelect, but this list is not exhaustive. ISMMS will accept loans from most private education lenders; contact studentfinancialservices@mssm.edu if you need SFS to complete a school certification.

Key Factors to Consider

When reviewing private loan options, pay close attention to the following:

- Interest Rates: Compare both fixed and variable rates. Variable rates may start lower but can increase over time, potentially becoming much more expensive than fixed rates.
- Repayment Terms: Look at in-school payment requirements, deferment options, and the maximum repayment term (e.g., 10 or 15 years).
- Cosigner Requirements: Most private loans require a creditworthy cosigner (often a parent or trusted adult) to secure the lowest interest rates available. Be prepared to compare rates with and without a cosigner and understand the terms for cosigner release if you plan to assume sole responsibility later.
- Fees: While most alternative loans do NOT have origination fees, be sure to check for any origination fees, application fees, or prepayment penalties.

Questions to ask when considering an Alternative Loan

LOAN TERMS

- What is the interest rate? Is it fixed or variable, and how is it determined?
- How often is the interest rate adjusted?
- How much are the origination fees, and how are they charged?
- Will I have to pay interest while enrolled in school?
- When does interest begin to accrue, and will it be capitalized?
- What are the minimum and maximum loan limits?