

Student Loans



A joint publication of the Federal Trade Commission and
the U.S. Department of Education.

An education beyond high school is an investment in your future. It can be expensive and often requires you or your family to take out loans to help pay for it.

Student loans fall into two categories, federal loans and private loans.

- Federal loans, which are subject to oversight and regulation by the federal government, include:
 - Direct Loans, where the U.S. Department of Education is the lender;
 - Federal Family Education Loans (FFEL), where private lenders make loans backed by the federal government; and
 - Federal Perkins Loans.
- Private loans, sometimes referenced as “alternative loans,” are offered by private lenders and do not include the benefits and protections available with federal loans.

Whether you’re taking out a new student loan or consolidating existing education loans, the Federal Trade Commission (FTC), the nation’s consumer protection agency, and the U.S. Department of Education (ED), the agency that oversees federal student loans, want you to know how to spot potentially deceptive claims or business practices some private companies may use to get your loan business.

Private Loans

Private companies may offer you loans and other forms of financial assistance for your education. They often use direct mail marketing, telemarketing, television, radio, and online advertising to promote their products.

Paying for your education is a serious long-term financial obligation; that's why comparing the costs of different ways of financing your education is so important. Private loans tend to have higher fees and interest rates than federal government loans. Private loans also do not offer the opportunities for cancellation or loan forgiveness that are available on many federal loan programs. So it makes good financial sense to exhaust your federal loan options (as well as grants and scholarships) before considering loans from any private companies. To learn more about federal government loans, visit StudentAid.gov.

How to Spot Deceptive Private Student Loan Practices

If you are considering a private student loan, it's important to know whom you're doing business with and the terms of the loan. The FTC and ED offer these tips to help you recognize deceptive private student loan practices.

- Some private lenders and their marketers use names, seals, logos, or other representations similar to those of government agencies to create the false or misleading impression that they are part of or affiliated with the federal government and its student loan programs. ED does not send advertisements or

mailers, or otherwise solicit consumers to borrow money. If you receive a student loan solicitation, it is not from ED.

- Don't let promotions or incentives like gift cards, credit cards, and sweepstakes prizes divert you from assessing whether the key terms of the loan are reasonable.
- Don't give out personal information on the phone, through the mail, or over the Internet unless you know with whom you are dealing. Private student lenders typically ask for your student account number — often your Social Security number (SSN) or Personal Identification Number (PIN) — saying they need it to help determine your eligibility. However, because scam artists who purport to be private student lenders can misuse this information, it is critical to provide it or other personal information only if you have confidence in the private student lender with whom you are dealing.
- Check out the track record of particular private student lenders with your state Attorney General (www.naag.org) and your local consumer protection agency (www.usa.gov/topics/consumer.shtml).



Special Considerations for Consolidation of Federal Loans

Student loan consolidation is combining several loans into one with a new repayment term and interest rate. This is generally offered in connection with federal loans. Here's how to help identify potential problems related to loan consolidation:

- Avoid lenders and marketers who use high-pressure sales tactics. Some marketers pitch that “your interest rates may go up if you do not consolidate immediately!” Whether and when interest rates for consolidating your loans will change depends on what type of loans you have. Look at your loan documents to determine whether the interest rates are fixed or variable:
 - If all of your education loans have fixed interest rates, there may be no deadline to consolidate.
 - If some or all of your loans have variable interest rates, when you consolidate into a fixed loan it may affect the interest rate of your loan. ED publishes new variable rates for some federal loans each July 1st. The annual rate changes can raise or lower the interest rate offered on a consolidated loan because the consolidation interest rate will be the weighted average of all loans consolidated.

Whether or not you have a targeted timeframe, take your time to determine whether consolidating is right for you.

- Some lenders impose restrictions on promised discounts. Some may disclose these limits only in the fine print. Read the fine print in your loan documents to find these types of conditions:
 - Some lenders lower the interest rate on your consolidated loan, but only if you opt for automated payments from your checking account.
 - Other lenders discount the interest rate on your consolidated loan, but only if your loan has at least a specified minimum loan balance.
 - Still others agree to lower the interest rate on your consolidated loan, but only if you remain current on your payments for the life of the loan. You may want to consider loans with more immediate discounts, a shorter on-time payment period for interest rate discounts, or an additional discount for signing up for automatic payments.
- Some lenders sell consolidated loans to other companies. Because benefits of consolidated loans — like promised discounts — may not transfer, you may lose benefits if the lender sells your loan. Ask the lender whether the terms of your loan will change if it is sold.
- Be cautious about consolidating federal loans and private loans into one private loan. The result of consolidating all loans into one non-federal private loan means that you lose all the benefits and protections provided in the federal loan programs.

- Consolidating a Perkins loan may not be in your best interest. You may lose unique deferment and cancellation rights available to Perkins loan borrowers. For more information about these rights visit www.myeddebt.com/borrower.
- Frequent consolidation after borrowing may impact timelines you need to meet to qualify for these benefits.

For More Information or to File a Complaint

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To learn about federal student loans, contact:

U.S. Department of Education

Federal Student Aid Information Center

P.O. Box 84

Washington, DC 20044-0084

800-4-FED-AID (TTY: 800-730-8913)

www.StudentAid.gov

Federal Student Aid, an office of the U.S. Department of Education, administers the federal student financial aid — grants, loans, and work-study programs — available for education beyond high school. Federal Student Aid interacts with postsecondary schools, financial institutions and other participants in the student aid programs to deliver services that help students and families plan and pay for college.

Notify the Federal Student Aid Ombudsman at 1-877-557-2575 or studentaid.ed.gov/repay-loans/disputes/prepare if you have a complaint that you cannot resolve with your lender.

For questions about a particular lender, contact the federal agency with jurisdiction over that lender:

Who Regulates My Bank?

The Office of the Comptroller of the Currency maintains www.Helpwithmybank.gov, a clearinghouse that provides people with answers to more than 250 frequently-asked questions on topics like bank accounts, deposit insurance, credit cards, consumer loans, insurance, mortgages, identity theft, and safe deposit boxes.

You also may wish to contact:

Consumer Financial Protection Bureau

P.O. Box 4503
Iowa City, Iowa 52244
(855) 411-CFPB (2372)
www.consumerfinance.gov

What About Other Creditors?

The FTC regulates non-bank lenders, including retail, gasoline, finance, and mortgage companies.

Federal Trade Commission

Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
www.ftc.gov

Report Scams

If you believe you've responded to a scam, file a complaint with:

- the FTC
- your state Attorney General

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit **ftc.gov** or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261.

Watch a video, *How to File a Complaint*, at **consumer.ftc.gov/media** to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



Federal Trade Commission
consumer.ftc.gov
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