

## Private Student Loans: How To Spot Deceptive Offers

(NAPSA)—An education beyond high school can be expensive and could require 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 are subject to oversight and regulation by the federal government. Private loans, sometimes called “alternative loans,” are offered by private lenders and do not include the benefits and protections available with federal 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, say it pays to learn about student loans so you can make an informed decision about financing your education.

### 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.

Comparing the costs of different ways to finance your education is important. Private loans tend to have higher fees and interest rates than federal government loans. Generally, they do not offer the opportunities for cancellation or 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.

If you are thinking about 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 questionable claims and practices related to private student loans:

- Some private lenders and their marketers use names, seals, logos or other representations



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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.

To learn more, see “Student Loans: Avoiding Deceptive Offers” at [www.ftc.gov](http://www.ftc.gov) and visit [www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov).