2018-2019

Guide to Alternative and Federal Parent Loans

Many students and families choose to borrow alternative loans to help cover the cost of attending Berklee. This guide is designed to help you make an informed decision on whether alternative loans are the right fit for your needs, and includes information on how to choose a lender, apply for a loan, and make the most informed decision regarding repayment of your loan. The institution is in no way affiliated with, nor does it accept benefits from, any lenders. Berklee will process a loan from any lender.

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Questions to Consider Before Borrowing an Alternative Loan

Considerations when applying for other financing options

Have I exhausted all federal aid options?
Private loans should always be a last resort when seeking educational funding. We strongly encourage all eligible students to file the 2018–2019 FAFSA (Free Application for Federal Student Aid). Berklee uses this application to award federal and state-based aid to those who qualify.

You may borrow up to your cost of attendance for the current academic year. The cost of attendance is an estimate of a student’s educational expenses for the period of enrollment, including billed charges and allowances for books and living expenses. Any excess funding after your direct charges have been paid will be refunded to you to be used for your indirect costs, which may include off-campus housing.

berklee.edu/financial-aid/cost-of-attendance

Please note: The earliest possible time you can receive a refund will be the third Friday of the semester (after the add/drop period has ended). This means that you should be able to cover any off-campus living expenses out of pocket for at least the first month of each semester. No exceptions will be made.

What is my loan period?
The loan period or period of enrollment is the semester(s) for which you wish to use a loan. Generally, a loan period is the first day of class through the last day of class in a given semester. If you are applying for a multiple-semester loan, you will want to use the first day of the semester through the last day of the second or third semester. We strongly recommend using the longest loan period possible (two or three semesters) versus processing an application each semester in order to avoid delays in the posting of funds and therefore the student’s ability to register and/or check in. Having your credit checked for multiple loans in one year also will decrease your credit score.

Summer 2018 Only Loan
May 29, 2018—August 17, 2018

Summer 2018/Fall 2018 Loan
May 29, 2018—December 21, 2018

Summer 2018/Fall 2018/Spring 2019 Loan
May 29, 2018—May 10, 2019

Fall 2018/Spring 2019 Loan
September 10, 2018—May 10, 2019

Please note: Berklee Online dates may be different.

What are common repayment options?
There are three common repayment options: deferred, interest only, and immediate repayment. Keep in mind that lender repayment options may vary.

> Deferred repayment—Make no payments while enrolled in school. Interest will accumulate and be added to the total principal of your loan. This is generally the most expensive repayment plan.

> Interest-only repayment—Make interest payments but defer payments on the principal amount while enrolled in school. This helps keep your overall loan balance close to the original amount borrowed.

> Immediate repayment—Pay both principal and interest of the loan while enrolled in school. This is generally the most cost-effective option.
Alternative and Federal Parent Loan Options

Alternative loans
Alternative loans help bridge the gap between the actual cost of your education and any other financial resources you may have. Alternative loans are offered by private lenders (banks/credit unions) and are credit-based with variable interest rates.

Berklee will process a loan from any lender, and it is your right to apply for loans through the lender of your choice without penalty. Berklee is in no way affiliated with, nor does it accept benefits from, any lenders. The lenders provided on our ELM Select website are based on student and/or family borrowing choices in the previous two years. To view our loan list, visit elmselect.com, then input “Berklee College of Music” in the “School Search” field and choose “Undergraduate” or “Graduate” in the “Select Program” section.

When applying for alternative loans, there are a couple of things to consider:

> **What kind of interest rate is the lender offering?**
  A fixed interest rate remains the same for the life of the loan. A variable interest rate moves up or down based on market changes.

> **Banks offer two kinds of rates:**
  LIBOR (London Interbank Offered Rate) is the average interest rate.
  Prime is the best lending rate banks charge for their most credit-worthy customers.

What are the borrower’s benefits?
Lenders offer many different borrower benefits that may help reduce the overall cost of your loan. Common benefits can include, but are not limited to:

**Auto-debit payments:**
Borrowers who set up automatic payments can receive an interest rate reduction (usually around 0.25%). The interest rate reduction will not lower the monthly payment amount, but will reduce the interest that accrues, thereby reducing the total amount repaid.

**Graduation incentive:**
The lender may offer a principal or interest reduction if you complete your degree and provide proof of graduation within a specified timeframe.

**Cosigner release option:**
Cosigners can be released from the loan after you’ve made a specified amount (as determined by the lender) of on-time payments.

Federal parent loans
Parents of dependent students can take out loans to supplement their child’s education expenses as long as certain eligibility requirements are met. The Parent Loan for Undergraduate Students (PLUS) is a credit-based federal loan that lets parents borrow money to cover any costs not already covered by the student’s financial aid package, up to the full cost of attendance. There is no cumulative limit. Parents may choose to defer repayment on PLUS loans while their undergraduate student is in school and for a six-month grace period after the student graduates or drops below full-time enrollment.

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Fees</th>
<th>Standard Repayment</th>
<th>How to Apply</th>
</tr>
</thead>
<tbody>
<tr>
<td>7% fixed</td>
<td>4.276%</td>
<td>10 years</td>
<td>Apply online at studentloans.gov</td>
</tr>
</tbody>
</table>

Please note: Interest rates and loan fees are subject to change on July 1, 2018.
Loan Process Final Notes

Once a lender has been chosen, it's time to apply. You can apply for the vast majority of alternative loans online at the lender's website. Once you click “Apply,” you can expect at least a few of the following steps:

> **Loan Application Disclosure**—The lender will provide an overview of the loan product, potential interest rates, associated fees, repayment examples, and so on.

> **Loan Approval Disclosure**—After you’ve completed the initial loan application and have been pre-approved, your lender will provide the loan approval disclosure. This provides details on the actual interest rate and loan specifics for which you were approved. You will have a 30-day acceptance period, during which the private loan terms may not be changed.

> **Self-Certification Form**—Your lender will provide the Private Education Loan Applicant Self-Certification form on its website or request a paper copy to be submitted. This form is submitted to the lender, not Berklee, and asks for the student’s cost of attendance, and estimated financial aid for the period of enrollment covered by the loan.

> **School Certification**—Once you have accepted the Loan Approval Disclosure and completed the Self-Certification form, your lender will send an electronic request to Berklee. We will review the timeframe and amount requested to be sure it fits within your cost of attendance and may reach out to you through email to confirm information about your loan.

> **Final Loan Disclosure**—Once Berklee has completed the School Certification, your lender will provide the Final Loan Disclosure. The final terms and conditions of the loan must be accepted before your lender will notify Berklee of a fully processed loan. Upon acceptance, your lender will schedule a disbursement date (generally the first day of classes). Once your loan is scheduled for disbursement, it will be applied to your account.

For more information about financing options, visit berklee.edu/paying-for-your-education.