

# The Credit Crunch and Student Loans

## *Don't React Before Getting the Facts*

Despite some troubling reports in the media, students **will** be able to borrow federal student loans and receive financial aid this fall. The federal government and student loan companies have assured colleges that they will not allow recent developments in the credit markets to prevent students from getting loans. Below is a list of myths and facts about the availability of student aid for fall 2008.

**✗ MYTH:** Financial aid will not be available to students this fall because troubles in the real estate lending industry have affected student aid.

**✓ FACT:** Financial aid **will** be available to students. The credit crunch caused by troubles in the real estate lending industry has no effect on most financial aid including (but not limited to) Pell Grants, Federal Work Study, and education tax benefits.

**✗ MYTH:** Students won't be able to get **federal** student loans due to the credit crunch.

**✓ FACT:** Students should have no problem getting **federal** student loans.

**✗ MYTH:** Students won't be able to get **private or alternative** student loans due to the credit crunch.

**✓ FACT:** Only a few students (some estimate as few as 5%) will have trouble getting **private or alternative** education loans.

**✗ MYTH:** Students with too much money don't qualify for federal student loans.

**✓ FACT:** Students can borrow federal Stafford Loans no matter how much money they have. Needier students are eligible for additional benefits.

**✗ MYTH:** Students with bad or no credit can't borrow student loans.

**✓ FACT:** Students can borrow **federal** loans even if they have bad credit or no credit.

**✗ MYTH:** If school costs more than federal loans provide, students have to borrow private loans.

**✓ FACT:** Federal, state and local governments offer a wide range of financial aid for students. Professionals in the financial aid office can recommend many options including (but not limited to) Federal Perkins and PLUS Loans. Private loans should only be used as a last resort.

If you have any other questions or concerns about financial aid or student loans you should contact the financial aid office on your campus, which will provide the most accurate and up-to-date information.