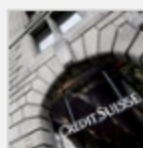


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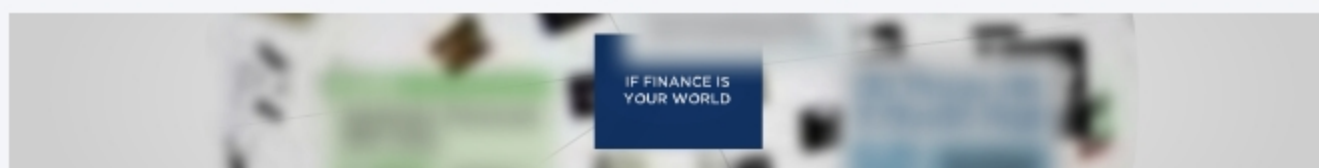
## GETTING PERSONAL: More Credit Unions Offer Student Loans

## Article

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By Jilian Mincer  
A DOW JONES NEWSWIRES COLUMN

NEW YORK (Dow Jones)--Credit unions - long a staple for savings, mortgages and car loans - are moving into the student loan market.

The credit unions say they are responding to consumer demand. Many other private lenders are abandoning the business as their access to credit tightens up. Member-owned and non-profit, most credit unions did not engage in the kinds of speculative financial practices that have hurt many banks, and are in a better position to make loans.

"The banks have exited the student loan market in a big way," says Paul Gentile, president and CEO of the New Jersey Credit Union League, which recently created a network of credit unions making student loans. "The amount of applications we're getting is overwhelming."

New Jersey credit unions recently created a network of pooled capital and uniform loan pricing. Applicants can get better rates for good grades as they progress through college.

Student loan experts and financial advisers still recommend that borrowers exhaust federal loans and grants, which offer the best interest rates and repayment terms, before applying for private loans.

Some credit unions participate in the federal loan program and, in the last six months, a growing number also have started offering private loans because of member interest. In some instances, the credit unions are working in groups or with states to make the loans available, often with better rates than other private lenders.

For example, more than 80 credit unions nationwide are participating in the Credit Union Student Choice, which provides undergraduate loans. The average rate for a variable loan was 5.8%. None had origination fees, which typically range from zero to 6%.

A borrower needs to belong to a credit union to apply for a loan. Unlike many big banks, credit unions often keep the loans on their own books.

Tony Emerson, president and CEO of the Credit Union League of Connecticut, says the response has been "outstanding" to its new program. The state recently agreed to a partial guarantee of the loans made by about 25 credit unions to Connecticut residents and students attending Connecticut colleges.

Emerson says the terms of the loans and lending criteria vary by credit union, but they've agreed not to charge more than 5.75% or 6% for the first five years. Some credit unions are maintaining those rates for 10 years or more.

Mark Kantrowitz, publisher of FinAid, a Website that tracks the college financial aid industry, says the credit union loans are worth considering once government loan options have been exhausted.

He warns that, unlike federal Stafford or PLUS Loans [for parents], private loans almost always offer variable rates - and those rates can change dramatically over the term that could last a decade or even longer. He says consumers also need to understand repayment and deferral terms.

(Jilian Mincer is a Getting Personal columnist who writes about personal finance; she covers topics including pensions, insurance, and college and retirement savings. She can be reached at 212-416-2239 or by email at [jilian.mincer@dowjones.com](mailto:jilian.mincer@dowjones.com).)

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