Hope for Students with Poor Credit

Students with poor credit do not despair. A college education does not have to be a farfetched dream. There are a number of options available to help those with poor credit when paying for their education. One of the most attractive alternatives for students with poor credit is a federal loan. federal loans are designed on the premise that most students planning to enter college are doing so straight from high school, and more than likely do not yet have a credit rating. The Stafford loan, under the US Department of Education, therefore does not even take into account a student's credit rating to qualify for a loan. Bad credit may, however, play a factor in qualifying for these loans if a student has failed to pay a federally granted student loan in the past.

Stafford Loans are offered as either subsidized or unsubsidized. The subsidized Stafford Loan is based on need and the government pays the interest while the student is still in school. The unsubsidized Stafford Loan is available to all students but the borrower is responsible for the interest. A Federal Perkins Loan is a low-interest loan in which the amount of the loan is determined by the college the student will attend. Students with bad credit might also want to explore federal grants such as the Pell Grant and the Supplemental Education Opportunity Grant, which award funding dependent on the student's need.

Students with bad credit can also find loans to "pass the buck" to their parents. For example, the PLUS (Parent Loans for Undergraduate Students) Loan is granted to parents to help cover the amount they would forfeit to pay for college expenses. Parent loans, however, usually need to be repaid sooner than Stafford Loans. On the whole, federal loans are a better option for students with bad credit because their requirements are less stringent than most banks or lending agencies. They also do not require a co-signer and can be used whether or not you have financial need.

Private loans are another route one can take to the gates of higher education. Although these are not guaranteed by the federal government, they can offer higher lending limits. One's credit history is a factor in qualifying for a private loan, so students with no credit history or bad credit may find it difficult to benefit from a private lender. A co-signer with good credit however, can back up the borrower as well as open the doors to more favorable terms. One disadvantage to private loans is that they tend to cost more in the long run, as private lenders usually charge higher fees. Students with bad credit who are planning to pursue a career that has the potential to bring in a high income, such as law and medicine, might be treated more favorably by private lenders.

Students should take heart that they are not limited to choosing between a private or a federal loan. Students can raise enough money to finance college through a combination of both. Once qualifying for a loan package though, students should not rest on their laurels; but instead, take the opportunity to find ways to make the repayment of these loans more favorable to their situation. Even though loans given to students with poor credit have a higher interest rate, they are usually payable after the student graduates and has begun to earn an income. Students should therefore take their loan repayment schedule as a chance to improve their credit rating. One step to a better credit score is to consolidate your student loans. Consolidating loans has many advantages including lower monthly payments, a longer repayment period, and fewer creditors in your credit history.

About the Author

Jeremy Thompson is the editor of Student.LoanBegin.com which is a website dedicated to teaching you about student loans and financial aid for college. Learn more about loans for students with poor credit at http://student.loanbegin.com.