

Many students and families that are seeking additional financing to help cover the costs of attending college will consider a Federal Parent PLUS or a private education loan. The loan program you choose is an individual decision that will depend on your and your family's circumstances and preferences. We highly recommend you research both options and choose the loan program that best meets your needs.

Which loan can I borrow?

- *Dependent* students and families have the option of using Parent PLUS or private student loan.
- *Independent* students have the option of using private student loans only.

You are considered to be an *independent* student (as per the FAFSA) if you are: at least 24 years old; married; have dependents; a graduate student; a veteran; a member of the armed forces; or an orphan, ward of the court or homeless.

Many students will likely need to find a willing, creditworthy individual to co-sign their private education loan application in order to be approved and get the best pricing and terms.

Questions to Ask when Comparing Loans

You should compare three categories when considering your loan options: **eligibility**, **costs** (interest rate and fees) and **repayment**. The weight you and your family place on each of these categories when making a decision will be based on your individual preferences. While the Parent PLUS program terms are standard, private student loan terms will vary based on lender. Use the questions below and the chart on the next page to help you determine which loan is right for you.

Eligibility Questions:

- Who is the borrower for the loan?
- Will I need a cosigner?
- Am I eligible if I am not going to school at least half-time?
- Can I borrow for past due balances?
- Do I need to be pursuing a degree?

Cost Questions:

- What is the interest rate?
- Is it a fixed or variable rate?
- Are there any loan fees?
- Are there any loan discounts?
- What will the monthly payment be upon graduation?

Repayment Questions:

- Is there a grace period after graduation?
- How long is the repayment term?
- Who will service my loans? (Who do I pay the loan back to?)
- What repayment options are available?
- Are there deferment or forbearance options?
- Is loan forgiveness available? If so, under what circumstances?

Federal Direct Parent PLUS Loan vs. Private Education Loans

	Federal Direct Parent PLUS Loan	Private Education Loans
Borrower	Student's natural or adoptive parent or a step-parent who submitted the FAFSA.	Student (and cosigner if required); Cosigner can be a parent, relative or willing sponsor.
Eligibility	At least half-time and degree-seeking.	Full-time, half-time, less than half-time degree, certificate and licensure-seeking depending on lender. Past-due balance option may be available.
Interest Rates	6.31% fixed interest rate.	Fixed and/or variable interest rate depending on lender. Rates depend upon credit of student borrower and/or cosigner. Variable rates generally range from 2.25% to 10%, and fixed rates from 5.25% to 14%.
Loan Fees (deducted from disbursements)	4.276% origination fees deducted from loan amount.	Varies, but most private loans have no upfront fees.
Credit Requirements	Credit Check required. Approval is determined by federal criteria and is not based on credit score. Additional unsubsidized Direct loan may be awarded to a dependent undergraduate student if credit is denied.	Credit check required. Approval determined by lender criteria based on credit score, credit history and income. Dependent undergraduate students will likely need a credit-worthy cosigner.
Lender	US Dept. of Education	Multiple lender options available (banks or credit unions).
Servicer	US Department of Education contracted servicers.	Determined by lender.
Repayment Terms	The standard repayment period is 10 years, but it can be as long as 25 years depending on total borrowing and chosen repayment plan.	Typically 15-25 years, depending on lender. Generally, no payments required while student is in school.
Grace Period	May request deferment of payment while student is in school and for a 6 month grace period.	6 to 9 months grace period after enrollment ends, depending on lender.
Loan Consolidation	Can be consolidated with other federal educational loans (i.e., Perkins and Direct) through the Federal Loan Consolidation Program.	Private Loan Consolidation may be available; check with lenders for availability.
Loan Forgiveness Options	Loan forgiven in the event of permanent disability or death of student. Public Loan Service Forgiveness option available.	Private Loan Consolidation may be available; check with lenders for availability.
Borrower Benefits	0.25% interest rate reduction for Electronic Debit Account Repayment.	Borrower benefits may be offered to reduce interest rates and overall loan costs. Check with lenders for availability and types of benefits offered. Cosigner release option may also be available.
Repayment Options	Various repayment options available, including Standard, Graduated, Extended, and Income-Based. Check with the Department of Education for additional details.	Standard and interest-only options. Forbearance options may be available depending on lender.
Annual Loan Limit	Students may borrow up to the cost of education less than other aid received.	Students may borrow up to the cost of education less than other aid received.
Aggregate Loan Limit	None	Depends on lender.