



# Comparing PLUS and Private Loans

If earnings, savings and financial aid (including federal student loans) are not enough to cover a student’s college costs, families often turn to supplemental loans to fill that need. Supplemental loans can mean federal loans, like a parent PLUS loan, or private education loans such as those offered by banks, credit unions and speciality lenders. Understanding your choices is key when making this important financial decision.

Before Applying		
	Federal Parent PLUS Loan	Private Loans
<b>Borrower</b>	The parent (biological or adoptive) or, in some cases, stepparent of a dependent undergraduate student enrolled at least half time at a participating school is the borrower.	Often, the student attending school is the borrower, although a creditworthy cosigner may be necessary for the student to qualify as the borrower. Many lenders also offer loans for parents who wish to borrow on behalf of their student so that the student is not responsible for the debt.
<b>Cosigner Requirement</b>	There are no cosigners; however, an endorser can help a borrower with an adverse credit history.	Applicants who meet the underwriting and credit criteria generally do not need a cosigner for their loan. Cosigners can often help applicants without a credit history qualify for a loan and possibly receive a lower interest rate.
<b>Interest Rate</b>	6.28% fixed rate for loans first disbursed between July 1, 2021, and June 30, 2022 <ul style="list-style-type: none"> <li>▶ No variable-rate loan option available</li> <li>▶ Rates currently change annually on July 1.</li> </ul>	Lenders may offer both fixed and variable interest rate options. Rates vary by lender, but many lenders currently offer some fixed-rate loans with interest rates below 6.00%, and an Iowa-based provider offers loans with rates starting below 5.00%.
<b>Origination Fee</b> (Fee that is deducted from the loan amount.)	▶ 4.228% for loans first disbursed between Oct. 1, 2020, and Sept. 30, 2022	Fees vary by lender, but many private loans have no origination fees.
<b>Repayment Start Date</b>	Repayment begins when the loan is fully disbursed. An in-school deferment may be requested to postpone payments until after the student graduates, leaves school or drops below half-time enrollment.	The borrower decides when repayment begins based on the loan type and lender selected. Lenders may offer loans that feature immediate repayment once the loan is disbursed to the school, require interest-only payments while the student is in school or offer deferment of payments while the student is enrolled.
<b>Borrower Benefits</b>	0.25% interest rate reduction with automatic payment withdrawal	Many lenders offer an interest rate reduction with automatic payment withdrawal. Other benefits vary by lender and can include principal balance reductions or a cosigner release. Benefits are typically associated with borrower activity or accomplishments.
<b>Repayment Term</b>	10 years (may be extended up to 25 years depending on loan balance)	The repayment term is dependent on the lender and the loan, although 10 to 15 years is common.
<b>Employment and Income Criteria</b>	No employment requirement or income check	Each lender sets its own requirements.

Repayment		
	Federal Parent PLUS Loan	Private Loans
<b>Repayment Plan Flexibility and Assistance</b>	<ul style="list-style-type: none"> <li>▶ Standard, extended and graduated repayment plans</li> <li>▶ Deferment and forbearance options available</li> <li>▶ Dischargeable in bankruptcy if the borrower can meet undue hardship criteria</li> <li>▶ Loan forgiveness granted for death or permanent disability of the borrower or if the student on whose behalf a parent obtained the loan dies.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Each lender offers their own repayment plan options; you can request information on those plans before applying.</li> <li>▶ Deferment is available in some cases and is granted at the sole discretion of the lender.</li> <li>▶ Dischargeable in bankruptcy if the borrower can meet undue hardship criteria.</li> <li>▶ Some lenders offer loan forgiveness if a borrower, or the student on whose behalf the borrower took out the loan, passes away or is permanently disabled. Consider asking prospective lenders what their policy is before applying.</li> </ul>
<b>Payment Late Fees</b>	Up to 6%	Each lender sets its own late fees. Do your research by asking lenders what they charge before applying.



### Consider All Your Options

Before looking at supplemental funds, either a parent PLUS loan or a private student loan in the student’s name, be sure to work with the financial aid office at your college or university to explore and exhaust all sources of student financial aid. Other funding choices, such as income from a part-time job, or looking at way to reduce your costs while on campus may help you reduce your need to borrow.