

PLUS vs PRIVATE Comparison	Parent PLUS Loan	Private Student Loan
Primary Borrower	Parent of a dependent undergraduate student	Parent or Student
Cosigner Required	Only if parent has an adverse credit history	Cosigner often required
Credit Criteria	Parent may not have an adverse credit history (If so, parent must have a creditworthy endorser/cosigner)	Credit scores Debt-to-income ratios No adverse credit history
Impact of Loan Denial	Increased Direct Unsubsidized Loan limits	N/A
Requires School Certification	Yes	Yes
FAFSA Required	Yes	No
Lender	Federal government	Private lenders and financial institutions
Interest Rate Type	Fixed	Fixed and variable options
Interest Rate	5.30% (2020-2021 academic year)	Depends on borrower and cosigner credit
Interest Rate Reduction for Auto Pay	0.25%	Varies by lender
Tax Deductible Interest	Yes	Yes
Subsidized Interest	N/A	N/A
Loan Fees	4.236% (2019-2020 academic year)	Varies by lender (Typically 0% to 5%)
Prepayment Penalties	No	No
Interest Capitalization	Once at repayment	Monthly, quarterly, annually, or once at repayment
Annual Loan Limits	Cost of Attendance (COA) minus other student aid	Cost of Attendance (COA) minus other student aid
Cumulative Loan Limits	No	Varies by lender May vary by degree/major
Funds Disbursed to the School	Yes	Yes
In-School & Grace Period Deferment Options	Immediate repayment Full deferment	Immediate repayment Interest-only payments Fixed in-school payments Full deferment
Forbearance Options	3-year limit (1-year increments)	Varies by lender
Repayment Term	Varies by repayment plan and loan balance (10 to 25 years)	Varies by lender (5 to 25 years)
Repayment Plans	Standard, Extended, Graduated	Varies by lender
Death Discharge	Student or Parent	Varies by lender
Disability Discharge	Parent only	Varies by lender
Public Service Loan Forgiveness	Direct PLUS Loans only	No
Can Be Consolidated?	Yes (Direct Consolidation Loan does not cut interest rate)	Yes (Interest rate based on current credit)

WHEN REPAYMENT BEGINS

Parent PLUS Loans

Parent PLUS Loan borrowers can start making payments right away, or choose between two repayment deferment options.

- **Immediate Repayment:** Full payments start after full disbursement of the loan.
- **Deferment Options:** Defer principal and interest payments until the student graduates or drops below half-time enrollment; OR defer principal and interest payments until **6 months after** the student graduates or drops below half-time enrollment.

Interest continues to add up during deferment, increasing the amount of the loan.

Private Student Loans

Private student loan deferment options vary by lender. Here are some common options:

- **Immediate Repayment:** Full payments of principal and interest begin within 30-60 days after disbursement of the loan.
- **Interest-Only Payments:** Borrowers must make payments of at least the new interest that accrues while the student is enrolled at least half-time and during the 6-month grace period. Then, full payments of principal and interest begin.
- **Fixed In-School Payments:** Borrowers make fixed monthly payments of \$25 per loan per month during the in-school and grace periods. Then, full payments of principal and interest begin. Any interest over the \$25 will continue to add up, increasing the loan balance.
- **Full Deferment:** Borrowers do not make any payments during the in-school and grace periods. Monthly payments of principal and interest begin 6 months after the student graduates or drops below half-time enrollment. Interest continues to add up, increasing the loan balance.

Some private student loan lenders require immediate repayment. Other lenders let the borrower choose, but may offer interest rate discounts for making payments while in school.

IMPORTANT THINGS TO CONSIDER WHEN COMPARING LOANS

The primary borrower and the cosigner (if applicable) are responsible for the loan. It doesn't matter if the parent is the primary borrower (Parent PLUS Loan) or a cosigner (private student loan).

A cosigner is a co-borrower, with equal responsibility to repay the debt. Both types of loans will appear on the borrower's credit history, which could affect eligibility for other types of debt, such as credit cards, auto loans, and home loans (including home loan refinancing).

Even though Parent PLUS Loans are federal loans, they don't come with all of the same advantages of other federal loans. **Parent PLUS Loans are not eligible for:**

- Income-contingent repayment (ICR), unless consolidated into a Direct Consolidation Loan
- Income-based repayment (IBR)
- Pay-as-you-earn repayment (PAYE)
- Revised pay-as-you-earn repayment (REPAYE)
- Public Service Loan Forgiveness, unless consolidated into a Direct Consolidation Loan and repaid under the ICR plan.
- PLUS loans have a higher origination fee and interest rate when compared to a federal Stafford loan