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