



Parent PLUS vs. Alternative Loans

A **PARENT PLUS LOAN** IS THE BEST WAY FOR YOU, AS A PARENT, TO FILL THE GAP BETWEEN FINANCIAL AID AND SCHOOL COSTS FOR YOUR SON OR DAUGHTER. AN ALTERNATIVE LOAN IS A PRIVATE EDUCATION LOAN, WHICH A PARENT OR STUDENT MAY APPLY FOR FROM A LENDING INSTITUTION OR ORGANIZATION. ALTERNATIVE LOANS ARE NOT PART OF FEDERAL AID PROGRAMS.

	Parent PLUS Loan	Alternative Loan
Interest Rate	<ul style="list-style-type: none"> Fixed interest rate of 8.5% as of July 1, 2006. 	<ul style="list-style-type: none"> Variable interest rate determined monthly or quarterly based on Prime or LIBOR rate plus a margin. May be as high as 18% – 21% and is not capped.
Fees	<ul style="list-style-type: none"> A 4% Federal Origination Fee/Federal Default Fee may be deducted from the loan proceeds prior to disbursements. 	<ul style="list-style-type: none"> Fees vary among lenders, and may go up to 9%. Often, fees will be determined in part by measure of creditworthiness.
Credit Requirements	<ul style="list-style-type: none"> Credit check is based upon federal standards. PLUS loans are not dependent on family income or assets, no debt-to-income ratios or credit scoring, and no collateral or cosigner is required. Borrower must meet certain credit criteria. 	<ul style="list-style-type: none"> Terms vary by lender, most of whom use credit scores or debt-to-income ratios to determine creditworthiness, interest rates, and fees. International students usually borrow with a creditworthy U.S. citizen cosigner.
Loan Limits	<ul style="list-style-type: none"> Parents may borrow up to the cost of attendance less other aid. 	<ul style="list-style-type: none"> Student (typically with cosigner) may borrow up to the cost of attendance less other aid. Limits depend on maximums established by lenders, as well as borrower and co-borrower credit scores.
Interest Accrual	<ul style="list-style-type: none"> Accrued interest capitalizes once at final repayment. 	<ul style="list-style-type: none"> Accrued interest may be capitalized monthly, quarterly, or once at repayment.
Cancellation	<ul style="list-style-type: none"> Parent PLUS loans are federally insured and can be discharged upon death or total and permanent disability. 	<ul style="list-style-type: none"> Alternative loans are not insured against death or disability. Insurance may be available at an extra cost to borrowers.
Repayment Terms	<ul style="list-style-type: none"> Repayment typically begins within 60 days after full disbursement of the loan, but can be deferred while the student is enrolled at least half-time. Repayment term is 10 years, and there are no prepayment penalties. Graduated repayment or extended terms may be available if the borrower qualifies. 	<ul style="list-style-type: none"> Repayment varies by lender and may begin immediately or be deferred until six months after student ceases half-time enrollment. Students may select from several repayment plans, and most lenders allow prepayment and early payoff without penalty.
Deferment and/or Forbearance	<ul style="list-style-type: none"> Various deferment and forbearance privileges are available. 	<ul style="list-style-type: none"> Deferment options vary widely and are generally less flexible than Parent PLUS loan deferments.
Consolidation	<ul style="list-style-type: none"> Ability to easily consolidate PLUS loans. Parent PLUS loans may be consolidated at a fixed rate with other FFELP loans. 	<ul style="list-style-type: none"> Many alternative lenders offer consolidation options, but interest rates are variable and scaled to credit.