PLUS vs. Private Loans

If you’re considering whether to finance your child’s education with a Federal Parent PLUS Loan or private student loan, look below for a summary of the features and benefits of each type of loan.

Note: Information service provided by Sallie Mae.

**PLUS Loans for Parents**
1. Parent’s name is on the loan
2. No cosigner required. If parent has adverse credit history, an endorser may be required.
3. No cosigner/parent release option. The parent, and any endorser, is making a commitment to repay the loan for the life of the loan.
4. Fixed rate of 6.84%.
5. Origination/disbursement fee is 4.292%. Fees will change again in October 2015
6. Reduction of interest rate by 0.25% for automatic debit enrollment
7. 10-25 year repayment period.
8. Minimum loan amount of $100 per semester.
9. Maximum loan amount is 100% of the cost of attendance minus other financial aid received.
10. Credit check required. Parent and student must not be in default on a federal loan or 180 days or more delinquent on any debt.
11. Student must attend at least half time.
12. Apply online through the [Department of Education](https://studentaid.ed.gov/).
13. [FAFSA](https://www.fafsa.gov/) is required. In addition, some states/colleges require additional forms or applications for aid.
14. PLUS loan payments can be deferred while in school (interest continues to accrue and is added to the loan’s principal after graduation).
15. Loan may be forgiven if the primary borrower or student beneficiary dies, or if the primary borrower becomes permanently and totally disabled.
16. Parents may consolidate with other federal loans in their name (not the student’s).
17. If parent applies and is denied, the student is eligible for additional unsubsidized Direct loans.
18. PLUS loans are eligible for graduated and extended repayment options, federal consolidation and some public service loan forgiveness options.
19. Interest may be tax deductible for the parent.

**Private Loan**
1. Student and cosigner’s name is on the loan
2. No cosigner required, but having a creditworthy cosigner can help borrower qualify and obtain a better rate.
3. Many lenders provide a cosigner release option where the student can apply to release the cosigner after he or she graduates and makes a specified number of on-time payments.
4. Many lenders offer both variable and fixed rate options. Interest rates range from 2.25% – 13.99%.
5. Origination/disbursement fee varies by lender—0% to 5%.
6. Most lenders offer a 0.25% percentage point interest rate reduction for automatic debit enrollment. Additional benefits vary by lender.
7. Repayment period varies by lender. Typically 5-15 year terms are offered.
8. Minimum loan amount varies by lender, but ranges from $1,000-$1,500.
9. Maximum loan amount is 100% of the cost of attendance minus financial aid. Some lenders may impose limits based on various factors, and can have different loan limits for various loan programs.
10. Credit check required. Loan approval and pricing is generally based on trustworthiness.
11. Enrollment status requirement varies by lender. Some offer loans to borrowers who are attending school less than half time.
12. Enrollment is online with lender.
13. Families are not required to complete the FAFSA unless it is the policy of the school.
14. Payment requirement while student is in school varies by lender. Many lenders allow private loan payments to be deferred while in school (interest accrues during this time). Many lenders offer options to make interest payments while in school.
15. Loan forgiveness varies by lender. Some lenders waive the remaining balance in the event of the primary borrower’s death or permanent and total disability
16. Cannot be consolidated with federal student loans.
17. If denied, student can apply with another private lender or re-apply with a cosigner or a different cosigner.
18. Most lenders have programs available to assist troubled borrowers, but they are discretionary and not part of the loan agreement.
19. Generally, interest is tax deductible.