

# Financing Options for Parents and Students

## A Comparison: PLUS Loans vs. Private/Alternative Loans

For years, parents and students have used PLUS Loans to bridge the gap between their financial aid packages and their costs of attendance. Recently, more and more students are also using private or alternative loans to finance higher education. The following chart will help you compare both loan options.

	PLUS Loans	Private/Alternative Loans
<b>Interest Rate</b>	Fixed at 8.5%. Some lenders may offer borrower benefits that can reduce the interest rate on the principal of the loan. Check with individual lenders regarding their borrower benefits.	Variable, usually no cap. Interest rate varies depending on borrower's credit. Usually based on a consumer index (prime, commercial paper, LIBOR, etc.) plus a margin. Many lenders may raise a loan's interest rate if a borrower is late on a payment.
<b>Borrower</b>	Graduate student or parent of a dependent undergraduate student. However, a creditworthy endorser may be required. Endorser bears a secondary responsibility in loan repayment.	Student or some parents. However, a creditworthy cosigner may be required based on a borrower's credit. Cosigner bears equal responsibility in loan repayment.
<b>Loan Limits</b>	Graduate student or parent may borrow up to cost of attendance minus other financial aid received.	Student may borrow up to cost of attendance minus other financial aid received. Minimum and maximum annual and aggregate borrowing limits may vary depending on lender and credit history.
<b>Credit Requirements</b>	Credit requirement based on set federal standards. Most significant: debt-to-income ratio not considered.	Credit requirements vary from lender to lender, but generally, borrowers with credit scores less than 650 are unlikely to be approved without a creditworthy co-signer. Also, debt-to-income ratio and income verification are often considered in credit decision.
<b>Cancellation</b>	PLUS Loans can be discharged upon permanent disability of borrower or upon death of borrower or student. Can also be forgiven under certain circumstances.	All lenders allow borrowers to cancel their loans before the funds are used; however, the deadlines and means for cancellation vary from lender to lender.  Private/alternative loans may not be insured against death or permanent disability. Insurance may be available at an extra cost to borrower.
<b>Deferment/Forbearance</b>	Deferment and forbearance options are available.	Varies from lender to lender. Check with lender on availability.
<b>Repayment Options</b>	Repayment can begin 60 days after the loan is fully disbursed or 6 months after the student for whom the loan was borrowed drops below half-time enrollment. Standard repayment term is 10 years. Repayment term may be extended to 25 years depending on when the parent borrowed loans and the amount borrowed. Loan can also be deferred if borrower is enrolled in school at least half time.	Varies from lender to lender. Repayment term is typically 10–25 years.  Some lenders require payments while a borrower is in school.
<b>Loan Consolidation</b>	PLUS Loans can be consolidated into a Federal Consolidation Loan.	Private/alternative loans cannot be consolidated into a Federal Consolidation Loan, but borrowers with good credit may be able to lower their interest rate through a private consolidation loan.
<b>Fees</b>	PLUS fees include a 3% origination fee and up to a 1% federal default fee.	Varies from lender to lender. Alternative loan fees can include origination and/or repayment fees. Check with lender regarding its fee structure.
<b>Enrollment Requirements</b>	Student must be enrolled at least half time.	Varies from lender to lender. Enrollment may be less than half time. Check with lender regarding its requirements.
<b>Application Process</b>	Parent does not need to complete the Free Application for Federal Student Aid (FAFSA). Student must complete the FAFSA if applying for other federal aid.	Student are not required to complete the Free Application for Federal Student Aid. However, the student is required to fill out and submit to the lender a Department of Education–created self–certification form when applying for a private/alternative loan.  Borrowers are encouraged to exhaust all federal eligibility before taking out a private/alternative loan. When taking out a private/alternative loan, borrowers should look for the loan with the best benefits. Note that, if occurring within a focused time period (roughly 30 days or less), applying for multiple private/alternative loans will not impact a borrower's FICO score.  If a borrower is denied a private/alternative loan and has unusual circumstances, he/she should ask the lender about its appeal process.
<b>Eligibility Requirements</b>	Parent and student must be eligible to receive federal financial aid.	Varies from lender to lender. Eligibility to receive federal financial aid may not be a requirement.
<b>Tax Benefits</b>	Borrowers may be eligible to deduct accrued interest, capitalized interest, or origination fees paid in a tax year.	Interest on an alternative loan may not be tax deductible.

If you have questions about your repayment options, please contact a student loan specialist at 866.493.5563 or [information@amsa.com](mailto:information@amsa.com). You can also visit [www.amsa.com](http://www.amsa.com) to read more about repaying your student loans.

