

Understanding gap financing options

The Federal Grad PLUS Loan, private student loans, and private parent loans

Many families with graduate students are considering financing their education with either Federal Graduate PLUS Loans or private education loans. This comparison chart will help you understand the features and benefits of each type of loan.

Interest rates and fees for private loans vary from lender to lender, based on the credit of the individual borrower and cosigner. We recommend that you research private loans before deciding which type of loan is best for you. Remember, applying for a private loan does not obligate you to accept it.

| | Federal PLUS Loans for Graduate Students ¹ | School-certified private student loan ² | Private parent loan ² |
|---|--|---|---|
| Primary borrower | Student | Student | Parent or other eligible non-student individual |
| Credit check required | Yes. Applicant or endorser cannot have an adverse credit history. | Yes. Loan approval and pricing is generally based on creditworthiness. | Yes. Loan approval and pricing is generally based on creditworthiness. |
| Cosigner requirement | No. If the student has adverse credit history an endorser may be required. | No, but if you're a student with little or no credit history, it may be difficult for you to qualify for a loan without a creditworthy cosigner. Having a cosigner may help a borrower qualify. | No, but if the primary borrower is not eligible on their own some lenders may offer a cosigner option. |
| Cosigner release option | No, student (and any endorser), is making a commitment to repay the loan for the life of the loan. | Many lenders provide a cosigner release option where the student can apply to release the cosigner after they graduate, make a specified number of on-time payments, and meet underwriting requirements. Number of payments varies by lender but some lenders allow borrowers to apply for a release after as few as 12 on-time payments. | Varies by lender. Check for availability. |
| Interest rate | For loans first disbursed on or after July 1, 2017, and before July 1, 2018, the interest rate is fixed at 7.00%. | Many lenders offer both variable and fixed interest rates. Rates range from 3.38% to 11.87% for variable and 4.75% to 12.99% for fixed. Rates are generally based on the borrower's and cosigner's creditworthiness, so those with good credit may qualify for a lower rate. | Most lenders offer a fixed interest rate which can range from 5.75% to 12.99%. Some lenders may also offer a variable interest rate, which can range from 5.13% to 11.74%. Rates are generally based on applicant's creditworthiness; other factors, such as income and repayment term, may also be considered. |
| Origination/disbursement fees | 4.264% for loans first disbursed on or after October 1, 2017 and before October 1, 2018. | Varies by lender, most offer 0%. | Varies by lender, most offer 0%. |
| Minimum payment amount while the student is enrolled in school | PLUS loan payments are deferred during school and for six months after graduation (interest continues to accrue during this time and is added to the loan's principal amount when the deferment period ends). | Varies by lender. Many lenders allow private loan payments to be deferred while in school (interest accrues during this time and is added to the loan's principal amount when the deferment period ends). Many lenders offer options to make interest payments during the in-school period. | Varies by lender. Some lenders allow interest payments while in school. Others may offer or require immediate principal and interest repayment. |
| Repayment term | 10 – 25 years of principal and interest payments. | Varies by lender; typically terms of 5 – 20 years of principal and interest payments are offered. | Varies by lender; typically terms of 5 – 15 years of principal and interest payments are offered. |
| Payment flexibility | PLUS loans for graduate students are eligible for graduated, income-based, income-contingent and extended repayment options, federal consolidation, pay as you earn, and some public service loan forgiveness options. | Most lenders will work directly with the borrower to assess repayment options. Some lenders offer graduated repayment options. | Most lenders will work directly with the borrower to assess repayment options. |

| | PLUS Loan for Graduate Students ¹ | School-certified private student loan ² | Private parent loan ² |
|---|--|---|--|
| Responsibility to pay | Parent and endorser (if applicable) | Student and cosigner (if applicable) | Parent or other creditworthy adult |
| Loan limits | Up to 100% of the school-certified cost of attendance minus other financial aid received. | Generally, up to 100% of the school-certified cost of attendance minus other financial aid received. Lenders can have different loan limits for different loan programs and may base the limits on various factors. | Varies by lender and may or may not require school certification. Some lenders may have minimum and maximum loan amounts and may base the limits on various factors. |
| Minimum enrollment status | At least half-time. | Varies by lender. Some offer loans to borrowers who are attending school less than half-time. | Varies by lender. Some offer loans to borrowers with students who are attending school less than half-time. |
| Application process | Online with the Department of Education through the FAFSA process. | Online with lender. | Online with lender. |
| Free Application for Federal Student Aid (FAFSA) required | Yes. In addition to the FAFSA, some states/colleges require additional forms or applications for aid. | No. Students are not required to complete the FAFSA unless it is the policy of the school. | No. Students are not required to complete the FAFSA unless it is the policy of the school. |
| Borrower benefits | 0.25 percentage point interest rate reduction for automatic debit enrollment. | Most lenders offer a 0.25 percentage point interest rate reduction for automatic debit enrollment. Additional benefits vary by lender. | Most lenders offer a 0.25 percentage point interest rate reduction for automatic debit enrollment. Additional benefits vary by lender. |
| Death and disability loan forgiveness | Yes. If the primary borrower dies or becomes permanently and totally disabled, then the loan will be discharged if certain conditions are met. | Varies by lender. Some lenders waive the remaining balance in the event of the primary borrower's death or permanent and total disability. | Varies by lender. Some lenders waive the remaining balance in the event of the student's death or permanent and total disability. |
| Ability to consolidate through the Department of Education | Yes. The student can consolidate with other federal loans in their name. | No. Cannot be included with federal student loans. | No. Cannot be included with federal student loans. |
| Options for denied loans | If denied, the student may apply with an endorser (cosigner). | Student can apply with a different cosigner if the cosigner was denied. | Varies by lender. A parent or other creditworthy individual may be able to apply with a cosigner. |
| Tax deduction for interest paid³ | The interest paid on the loan may be deductible subject to IRS guidelines. | The interest paid on the loan may be deductible subject to IRS guidelines. | The interest paid on the loan may be deductible subject to IRS guidelines. |

This information is provided by Sallie Mae for your reference. Information gathered on private loans is based on national private loan programs offered by publicly-traded companies or subsidiaries thereof.



¹ Federal student loan rate and fee information is based on a May 30, 2017 Electronic Announcement and May 31, 2016 Dear Colleague Letter from Federal Student Aid, an office of the U.S. Department of Education. Other federal student loan information was gathered on February 23, 2018 from studentaid.ed.gov. Check this website for the most up-to-date information about federal loan products. Rates, fees and availability of federal loan products are subject to change by the Federal Government.

² Interest rates, fees, terms, and borrower benefits based on a February 22, 2018 review of national private loan programs offered by publicly-traded companies or subsidiaries thereof. Private loans that have variable rates may go up or down based on the changes of an underlying interest rate index.

³ For more information see IRS Publication 970 or consult a tax advisor.

Explore federal loans and compare to ensure you understand the terms and features. Private loans that have variable rates may increase over the life of the loan. Federal student loans are required by law to provide a range of flexible repayment options, including, but not limited to, Income-Based Repayment and Income-Contingent Repayment plans, and loan forgiveness and deferment benefits, which other student loans are not required to provide. Federal loans generally have origination fees, but are available to students regardless of income.

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