

# Understanding gap financing options

## The Federal Direct Graduate PLUS Loan, private student loans, and private parent loans

Many families with graduate students are considering financing their education with either Federal Direct 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 between lenders and are generally based on the credit of the individual borrower and cosigner; however, other factors may also be considered. We recommend that you research private loans before deciding which type of loan is best for you.

	Federal Direct Graduate PLUS Loan <sup>1</sup>	School-certified private student loan <sup>2</sup>	Private parent loan <sup>2</sup>
<b>Primary borrower</b>	Student	Student	Parent or other eligible non-student individual
<b>Credit check required</b>	Yes, a parent with an adverse credit history may obtain an endorser.	Yes. Loan approval and pricing is generally based on creditworthiness. Lenders may also consider other factors.	Yes. Loan approval and pricing is generally based on creditworthiness. Lenders may also consider other factors.
<b>Cosigner requirement</b>	No but they may have the option to obtain an endorser.	No, but a student with little or no credit history, may have a better chance of approval by applying with a creditworthy cosigner.	No, but if the primary borrower is not eligible on their own some lenders may offer a cosigner option.
<b>Cosigner release option</b>	This loan does not require a cosigner.	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.
<b>Interest rate</b>	For loans first disbursed on or after July 1, 2019 and before July 1, 2020, the interest rate is fixed at 7.08%.	Many lenders offer both variable and fixed interest rates. Interest rates for graduate students start from 4.24% to 13.49% for variable and range from 5.35% to 14.29% for fixed. Although lenders may consider multiple factors, 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 5.74% to 12.99%. Some lenders may also offer a variable interest rate, which can range from 5.45% to 12.74%. Rates are generally based on applicant's creditworthiness; other factors, such as income and repayment term, may also be considered.
<b>Origination/ disbursement fees</b>	4.248% for loans first disbursed on or after October 1, 2018 and before October 1, 2019	Varies by lender, most offer 0%	Varies by lender, most offer 0%
<b>Minimum payment amount while the student is enrolled in school</b>	PLUS Loan payments are deferred during school and for six months after graduation leaving school, or dropping below half-time enrollment (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 unpaid interest 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.
<b>Repayment term</b>	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.
<b>Payment flexibility</b>	PLUS Loans for graduate students are eligible for multiple repayment plans including standard, graduated, and extended repayment options, federal consolidation, pay as you earn, and some public service loan forgiveness options. See <a href="http://studentaid.ed.gov">studentaid.ed.gov</a> for more information.	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.

	Federal Direct Graduate PLUS Loan <sup>1</sup>	School-certified private student loan <sup>2</sup>	Private parent loan <sup>2</sup>
<b>Responsibility to pay</b>	Parent and endorser (if applicable)	Student and cosigner (if applicable)	Parent or other creditworthy adult
<b>Loan limits</b>	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.
<b>Minimum enrollment status</b>	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.
<b>Application process</b>	Online with the Department of Education through the FAFSA process.	Online with lender. Other potential application options e.g. applying over the phone.	Online with lender. Other potential application options e.g. applying over the phone.
<b>Free Application for Federal Student Aid (FAFSA) required</b>	Yes, but some schools have different application processes.	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.
<b>Borrower benefits</b>	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.
<b>Death and disability loan forgiveness</b>	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.
<b>Ability to consolidate through the Department of Education</b>	Yes. The student can consolidate with other federal loans in their name.	No.	No.
<b>Options for denied loans</b>	If you have an adverse credit history, you may still be able to receive a PLUS loan if you meet additional requirements. See studentaid.ed.gov for more information.	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.
<b>Tax deduction for interest paid<sup>3</sup></b>	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.



<sup>1</sup> Federal student loan rate information is based on a May 23, 2019 Electronic Announcement from Federal Student Aid, an office of the U.S. Department of Education. Other federal student loan information was gathered on May 28, 2019 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.

<sup>2</sup> Private loan information is based on a April 30, 2019 review of national private loan programs offered by publicly-traded companies or subsidiaries thereof. Interest rates are valid as of April 30, 2019. Private loans that have variable rates may go up or down based on the changes of an underlying interest rate index.

<sup>3</sup> This information is not meant to provide tax advice.

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.