

Options for filling a financial gap

Comparing the Federal Direct Graduate PLUS Loan and private student loans

Many families with graduate students consider paying for 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.

| | Federal Direct Graduate PLUS Loan¹ | School-certified private student loan² |
|---|---|---|
| Borrower | Student | Student |
| Credit check required | Yes, applicants with an adverse credit history may obtain an endorser or meet additional requirements to qualify. | Yes. Loan approval and pricing is generally based on creditworthiness. Lenders may also consider other factors. |
| Cosigner requirement | No, but applicants with an adverse credit history may 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. |
| Cosigner release option | 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. |
| Interest rate | For loans first disbursed on or after July 1, 2023 and before July 1, 2024, the interest rate is fixed at 8.05%. | Varies by lender. Many lenders offer both variable and fixed interest rates. 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. |
| Origination/disbursement fees | 4.228% for loans first disbursed on or after October 1, 2022 and before October 1, 2023 | 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, 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. |
| 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. |

Federal Direct Graduate PLUS Loan¹

School-certified private student loan²

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| Payment flexibility | PLUS loans for graduate students are eligible for multiple repayment plans including standard, graduated, and extended repayment options, federal consolidation, pay as you earn, income-driven repayment, and some public service loan forgiveness options. See studentaid.gov for more information. | Varies by lender. Contact lender for their specific repayment options. |
| Responsibility to pay | Student and endorser (if applicable). | Student and cosigner (if applicable). |
| 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. |
| Minimum enrollment status | Student must be enrolled at least half time. | Varies by lender. Some offer loans to borrowers who are attending school less than half-time. |
| Application process | Online with the Department of Education through the FAFSA [®] process, but some schools have different application processes. | Online with lender; there may be other potential application options, e.g., applying over the phone. |
| Free Application for Federal Student Aid (FAFSA) required | Yes. | No. Families 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. |
| 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. |
| Ability to consolidate through the Department of Education | Yes. The student can consolidate with other federal loans in their name. | No. |
| Options for denied loans | 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 is denied. |
| 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. |

This information is provided by Sallie Mae for your reference.

¹ Federal loan rate and fee information is provided by Federal Student Aid, an Office of the U.S. Department of Education.

² Private loan information is based on a June 20, 2023 review of national private loan programs offered by Sallie Mae and its publicly-traded competitors. Variable rates may increase over the life of the loan.

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Explore federal loans and compare to make sure you understand the terms and features. Private student loans that have variable rates can go up 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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