

# UNDERSTANDING GAP FINANCING OPTIONS

## The Federal Grad PLUS Loan and Private Student Loans

Many families with graduate students are considering financing their education with either Federal Graduate PLUS Loans or private education loans. The comparison chart below 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 and typically shopping for a loan has no impact on the borrower's credit score.

	FEDERAL PLUS LOAN FOR GRADUATE STUDENTS <sup>1</sup>	SCHOOL-CERTIFIED PRIVATE STUDENT LOAN <sup>2</sup>
<b>Primary Borrower</b>	Student	Student
<b>Cosigner requirement</b>	No, the student, and any endorser, is making a commitment to repay the loan for the life of the loan.	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.
<b>Cosigner/parent release option</b>	No, the 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 he or she graduates, makes a specified number of on-time payments and meets 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.
<b>Interest rate</b>	For loans first disbursed on or after July 1, 2015, and before July 1, 2016, the interest rate is 6.84%. <i>Note: AY 2016-17 rates will be announced on or about June 1, 2016.</i>	Many lenders offer both variable and fixed interest rates. Rates range from 2.43% to 10.46% for variable and 4.95% to 12.99% for fixed. Rates are typically based on the borrower and cosigner's credit history so those with good credit may qualify for a lower rate.
<b>Origination/disbursement fees</b>	4.272% for loans first disbursed on or after October 1, 2015 and before October 1, 2016.	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 6 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.
<b>Repayment term</b>	10 – 25 years of principal and interest payments.	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 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.
<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.

	FEDERAL PLUS LOAN FOR GRADUATE STUDENTS <sup>1</sup>	SCHOOL-CERTIFIED PRIVATE STUDENT LOAN <sup>2</sup>
<b>Credit check required</b>	Yes. Applicant or endorser cannot have an adverse credit history.	Yes. Loan approval and pricing is generally based on creditworthiness.
<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.
<b>Application process</b>	Online with the Department of Education through the FAFSA process.	Online with lender.
<b>Free Application for Federal Student Aid (FAFSA) required</b>	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.
<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.
<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.
<b>Ability to consolidate through the Department of Education</b>	Yes. The student can consolidate with other federal loans in their name.	No. Cannot be included with federal student loans.
<b>Options for denied loans</b>	If denied, the student may apply with an endorser (cosigner).	Student could apply with a different cosigner if the cosigner was denied. If you are unable to find an eligible creditworthy cosigner with a lender you may want to consider applying with another private lender.
<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.

1 Federal student loan information was gathered on February 7, 2016 from <http://studentaid.ed.gov>; check this page for the most up-to-date information about federal student loans. Rates, fees, and availability of federal student loans are subject to change by the Federal Government.

2 Interest rates, fees, terms, and borrower benefits based on a January 1, 2016 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 This information is general in nature and may not apply to your specific situation. 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 can go up after consummation. 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.