

GradPLUS Loan vs. Private Loans

Beginning this upcoming academic year, 2006-07, graduate students will now be able to borrow through the federal PLUS loan program. Congress recently passed legislation allowing graduate students to choose between a Private loan and the new Graduate PLUS loan when it comes to bridging the gap between their financial aid package and the remaining cost of education. We have developed the following chart to provide you with a side by side comparison of the two programs. Please consult the chart before deciding between applying for a Private loan or Graduate PLUS loan:

	PLUS	Private/Alternative
Interest Rate	Federal PLUS interest rate is fixed at 8.5% for the 2006-2007 academic year.	Variable interest rate with no cap (depending on state law) and subject to change as often as monthly. May be based on credit of the borrower and/or co-borrower. Current rates can range from 7.25% to 16% or higher.
Interest Accrual	Accrued interest is capped at repayment.	Accrued interest may be capitalized as often as monthly.
Borrower	Loan is made to the graduate/professional student.	Loan is made to the student; however, a creditworthy co-borrower is often required. The co-borrower is also responsible for any outstanding debt. Enrollment may be less than half time.
Loan Limits	Up to the cost of education minus other financial aid received.	Up to the cost of education minus other financial aid received. Limits also depend on maximums established by private lender. Borrower's and co-borrower's credit may also affect the limit.
Credit Requirements	Based on federal standards. No debt to income ratio or credit scoring used.	Most lenders review debt to income ratios and credit scores. A minimum income amount is also usually required.
Death/Disability	PLUS loan can be discharged upon death of borrower. Loan can also be discharged if a borrower becomes permanently disabled.	Private loans are NOT insured against death or disability. Credit type life insurance may be available at an extra cost to the borrower.
Deferment/Forbearance Options	Various flexible options available. Interest-only payments or full deferment of payments are available while student is enrolled at least half time and during periods of unemployment and economic hardship.	Deferment options may be available but vary widely and are generally less flexible than PLUS loan deferments. Consolidation loans are available but at a variable rate.
Repayment Options	Repayment begins within 60 days of final disbursement. Maximum term is 10 to 25 years depending on the amount borrowed.	Repayment often begins within 45 days of disbursement. Most lenders offer interest-only payment options and some offer full payment deferment during enrollment.
Loan Consolidation	Can be consolidated at a fixed rate. Interest rate for consolidation loans is based on the weighted average of those loans.	Most private lenders offer a consolidation option, but the interest rates will be variable and scale to credit. Generally, borrowers should not combine FFELP loans with Private Loan Consolidation.