

## FEDERAL DIRECT PARENT PLUS LOANS VS. PRIVATE EDUCATIONAL LOANS

	FEDERAL DIRECT PARENT PLUS LOAN	PRIVATE EDUCATION LOAN
Who is the borrower?	Student's natural or adoptive parent, or a step-parent who appears on the FAFSA	Student
Who is the lender?	US Department of Education	Multiple lender options are available
Loan limit per year	Student's estimated cost of attendance as determined by the school less other financial aid the student is receiving.	Student's estimated cost of attendance as determined by the school less other financial aid the student is receiving.
Cosigner	Parent borrower can add endorser if borrower credit not sufficient.	Almost always required for undergraduate students; definite benefit to add cosigner - will likely improve interest rate
Can the cosigner ever be "released" from the loan?	No	Varies by lender; if available, student must make a certain number of payments on time and pass a credit check to release the cosigner.
Interest Rate	Fixed at 6.84% for life of the loan, unless consolidated	Both variable and fixed rate loans available; rates depend upon credit of student borrower and/or cosigner; variable rates generally range from 2.25% to 10%, and fixed rates from 5.25% to 14%.
Interest Capitalization	Interest capitalized (calculated and added to principal) upon entering repayment and again after any period of deferment or forbearance	Varies by lender; most capitalize upon entering repayment and again after any period of forbearance
Loan Fee (deducted from disbursements)	4.292% for all borrowers	Varies, but most private loans have no up front fees
Application Process & Timeline	Parent can apply online at <a href="http://www.studentloans.gov">www.studentloans.gov</a> and can disburse in as little as one day if the school has received all of the necessary documentation	Apply online with the lender of your choice; approximately 7 to 10 days with the required cooling off periods
Credit Requirements	No debt to income or credit score is used and the school can run a preliminary credit check to confirm eligibility	Varies based on lender, but most require a minimum of 2 years of positive credit history and at least 3 open credit accounts
Consolidation	Can be consolidated through the US Department of Education at <a href="http://www.loanconsolidation.ed.gov">www.loanconsolidation.ed.gov</a> (a parent's loans cannot be consolidated with his/her child's student loans)	Some lenders offer private consolidation loans to assist borrowers with multiple private loans; these loans cannot be consolidated with Federal loans
Loan Repayment Plans	Multiple repayment plans are available, including some based on income	Traditionally, private loans have repayment periods of 10-25 years, typically spread out in equal monthly payments
Postponement of Payments	Several deferments for school enrollment, unemployment, military service and economic hardship	Most private loans have minimal periods of postponement available for economic hardship; see prom note for details
Loan Forgiveness/Cancellation Availability	Loan is cancelled upon death or total and permanent disability of either the student or parent	Some lenders do forgive loans in the event of borrower's death or total and permanent disability