

Understanding gap financing options

The Federal Direct PLUS Loan for graduate students and private student loans

Many graduate students are considering financing their education with either Federal Graduate PLUS Loans or private student loans. This comparison chart will help you understand the features and benefits of each.

Interest rates and fees for private loans vary from lender to lender 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 is best for you.

	PLUS Loan for graduate students¹	School-certified private student loan²
Whose name is on the loan?	Student and endorser (if applicable)	Student and cosigner (if applicable)
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 getting a loan by applying with a creditworthy cosigner.
Cosigner release option	This loan does not require a cosigner.	Yes, 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.
Interest rate	For loans first disbursed on or after July 1, 2019, and before July 1, 2020, the interest rate is 7.08%	Many lenders offer both variable and fixed interest rates. Interest rates for graduate students start from 4.30% to 13.24% for variable and range from 3.63% to 12.74% 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.
Origination/disbursement fees	4.248% for loans first disbursed on or after October 1, 2018 and before October 1, 2019	Varies by lender; most offer 0%
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.
Repayment period	10 – 25 years of principal and interest payments	Varies by lender; typically terms of 5 – 20 years of principal and interest payments
Loan limits	Up to 100% of school-certified expenses minus other financial aid received	Generally, up to 100% of school-certified expenses, minus financial aid received; lenders may impose limits based on various factors, and can have different loan limits for different loan programs.
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.
Minimum enrollment status	At least half-time	Varies by lender; some offer loans to borrowers who are attending school less than half-time.
Application process	Online through the Department of Education's FAFSA process, but some schools have different application processes.	Online with lender or other potential application options, e.g., applying over the phone

	PLUS Loan for graduate students¹	School-certified private student loan²
Free Application for Federal Student Aid (FAFSA) required	Yes	No, students aren't required to complete the FAFSA unless it's the school's policy.
Minimum payment amount while the student is enrolled in school	Loans will automatically be placed in principal and interest repayment. The borrower can request to defer PLUS loan payments while the student is in school and for six months after graduation, leaving school, or dropping below half-time enrollment (interest continues to accrue during this time and unpaid interest 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). In addition, many lenders offer options to make monthly interest payments while in school.
Death and disability loan forgiveness	Yes, if the parent dies or becomes totally and permanently disabled or if the student beneficiary dies and certain conditions are met, then the loan will be discharged.	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, they cannot be included with federal student loans.
Options for denied loans	If denied, the student may apply with an endorser (cosigner).	The student could apply with a different cosigner if the cosigner was denied, or apply with another private lender.
Repayment plans	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 have programs available to assist troubled borrowers, but they are discretionary and not part of the loan agreement.
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.

Borrow responsibly

We encourage students and families to start with savings, grants, scholarships, and federal student loans to pay for college. Students and families should evaluate all anticipated monthly loan payments, and how much the student expects to earn in the future, before considering a private student loan.

¹ Federal student loan rate and fee information is based on a May 25, 2019 Electronic Announcement from Federal Student Aid, an office of the U.S. Department of Education. Other federal student loan information was gathered on August 31, 2019 from studentaid.ed.gov.

² Interest rates, fees, terms, and borrower benefits based on a August 31, 2019 review of national school-certified 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 not meant to provide tax advice. Consult with a tax advisor for education tax credit and deduction eligibility. For more information, see IRS Publication 970.

EXPLORE FEDERAL LOANS AND COMPARE TO ENSURE YOU UNDERSTAND THE TERMS AND FEATURES. PRIVATE EDUCATION 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.

This information accurate as of September 25, 2019.