

# Comparing Direct PLUS and Private Loans

	Direct PLUS	Private
Who is eligible?	Direct PLUS loans are available for graduate students and the parents of dependent undergraduates.	Private loans are available for undergraduate and graduate students, as well as for parents.
How much can I borrow?	Borrow up to the cost of attendance minus any other financial aid you are awarded.	In most cases, lenders will allow you to borrow up to the cost of attendance minus other financial aid.
What are the interest rates?	The interest rate for Direct PLUS loans first disbursed between July 1, 2020 and June 30, 2021 is fixed at 5.30%.	Private loan interest rates vary widely, depending on the lender. Rates are typically based on your credit score, a co-signer's credit score and other factors.  While some private loans have fixed rates, others may have variable interest rates, meaning that they can change over time, based on changes in financial indices.
Will I need to pay any fees?	Direct PLUS loans first disbursed on or after October 1, 2020 and before October 1, 2021 will have a 1.057% origination and default fee.  This fee is deducted from the amount that you borrow, meaning the actual loan amount you receive is slightly less than the requested amount.	It is not industry standard to see lenders charging origination fees, however look out for lenders that do.
When do I begin repaying the loan?	First payment is usually due within 60 days of full disbursement of the loan. There is no grace period; interest begins to accrue once the first disbursement has been made and is the borrower's responsibility.  However, for Direct Parent PLUS loans first disbursed on or after 7/1/2008, a borrower may request to defer payments while the student is in school, plus receive an additional six-month deferment after the student leaves school. For Direct Graduate PLUS Loans, the deferment is automatically applied. Interest will still accrue for both types of PLUS Loans during the deferment period and is the borrower's responsibility.	Varies according to lender.  Some may begin repayment soon after disbursement; others may offer an in-school deferment with a grace period.  Interest begins accruing at disbursement.
How long do I have to pay off the loan?	Direct PLUS loans come with a 10-year repayment term but may be eligible for an extended repayment term of up to 25 years.  For more information, go to <a href="#">Federal Student Aid</a> or contact your loan servicer.	Repayment terms vary by lender. Typically private loans offer repayment terms of 10 to 15 years.
How do I apply?	First, you must <a href="#">complete the FAFSA</a> . Your school's financial aid office will provide instruction about their process for requesting a Direct PLUS loan.	Contact your lender directly to apply. Private loan applications often require a co-signer. If a co-signer is required, choose a credit-worthy person (such as a parent or other relative) to bolster your application and possibly reduce your interest rate. By co-signing your loan, this person agrees to take full responsibility for the loan if you're unable to pay it back.

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How do I choose a lender?	Direct PLUS loans are available through the Department of Education's Direct Loan program.	Evaluate the loan terms of at least two lenders. Use the questions on the next page to help you compare your options.
Additional Benefits	<ul style="list-style-type: none"> <li>• Loan discharge and cancellation in the event of borrower's disability or death</li> <li>• Various repayment plans</li> <li>• Unemployment deferment</li> <li>• Economic hardship deferment</li> <li>• Eligible for federal loan consolidation</li> </ul>	Benefits vary according to lender. Some may offer: <ul style="list-style-type: none"> <li>• Postponement options such as forbearance</li> <li>• Death benefits</li> <li>• Various repayment options</li> <li>• Incentive/repayment benefits</li> </ul>

### How to Compare Private Loans and Lenders

Think of your private loans as a long-term relationship: you're committing to a repayment term that could last 10 to 15 years. That's why it pays to do your homework and choose wisely.

You can choose any lender you want as long as you're getting the best rates and repayment terms. Use these questions to help you compare lenders and options.

Private Loan Questions	Lender A: _____	Lender B: _____
What is the credit criteria?		
Is a co-signer required? If so, is there an option to release the co-signer at a later date?		
How is the interest rate determined?		
Is the interest rate fixed or variable?		
What is the best and worst case pricing? (e.g. LIBOR +1, LIBOR + 8)		
What kind of fees may be charged? At disbursement and during repayment?		
Are the fees added to the amount borrowed or are they deducted from the loan amount?		
How often is interest capitalized?		

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Private Loan Questions	Lender A: _____	Lender B: _____
What is the repayment term length?		
When do I have to start making payments?		
If I die or become permanently disabled, does my loan still have to be repaid? By whom?		
What options do I have to postpone payments?		
Are repayment benefits offered? What are they?		

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