

A General Comparison of the Federal PLUS and Non-Federal Alternative Loans

Program	Federal PLUS Loan	Alternative Loan
Who is the Borrower?	Parent is the borrower.	Student is the borrower. Most require a credit-worthy co-signer.
Application Process	Easy online process. Pre-approval is almost immediate. Funds delivered to school within a week, in certain cases.	Normally online, allow an hour or more. Supporting documents are usually required (proof of income, co-borrower addendum, etc.). Funds usually delivered to school within four weeks.
Interest Rate	Fixed rate of 7.9%	Quarterly-variable rate, based on lender "scoring".
Interest charged while enrolled?	Yes	Yes
Interest capitalization	Once, at time repayment begins	Monthly, quarterly, annually, or at time repayment begins
Maximum Rate	7.9%	No limit.
Loan Limits	Cost of Attendance minus all financial aid	Cost of Attendance minus all financial aid
Repayment Begins...	60 days after the final disbursement of the academic year. May be deferred until 6 months after the student graduates or ceases half-time enrollment.	Six months after graduating or ceases half-time enrollment.
Enrollment Requirement	Student must be registered "half-time" (two courses) each semester	Some lenders allow students to be enrolled less than half-time.
Satisfactory Progress Required?	Yes	Some lenders allow loans to students who are not making satisfactory progress.
FAFSA Required?	Yes	Not required, but recommended in order to take advantage of federal loans.
Credit Requirements	Parent must pass a credit evaluation, which looks for significant adverse credit (bankruptcy, foreclosure, lien, default, etc). Minor credit blemishes do not normally affect approval. Overall, less stringent than alternative loans.	Overall, more comprehensive than PLUS Loans. Lenders will "score" co-signers based on their own criteria, which are more conservative than the PLUS. Income to debt ratios, multiple late payments, etc, may affect eligibility or the resulting interest rate offered.
Discharged?	Discharged in the event of the death or disability of the borrower, or <i>in the case of a PLUS</i> , the student.	Not discharged for death or disability.
Consolidation	This option is available.	Limited options available.
<p>For more information go to www.finaid.org/loans/loantradeoffs.phtml</p>		