

A General Comparison of the Federal PLUS and (non-federal) Private Loans

Updated November 2019

Program	Federal PLUS Loan	Private Loan
Who is the Borrower?	The parent.	The student. Most require a credit-worthy co-signer.
Application Process	PLUS Loan Application + online promissory note. Pre-approval determination is almost immediate. Funds electronically delivered to school at the beginning of each semester. Turn-around can be as short as a week.	Online process. Additional supporting documents (proof of income, co-borrower addendum, etc.) often required by other means. Funds electronically delivered to school at the beginning of each semester. Turn-around may be several weeks, depending on lender and documentation requirements.
Interest Rate	2020-2021 academic year, 5.3% ; 2019-2020 , 7.08% . The rate remains the same for the life of the loan, but each loan in a new academic year comes with a new rate. So if you borrow each year, for four years, you will have four loans and four different rates.	Varies by lender and credit of the cosignor. May offer both variable-rate and fixed-rate options. A sample of three lenders on June 29, 2020 shows the <i>average range</i> to be 1.93% - 10.74% for the variable option, and an <i>average rate</i> of 4.41% - 11.81% for the fixed option.
Interest charged while enrolled?	Yes	Yes
Interest capitalized?	Yes, once, at time repayment begins	Yes. Varies by lender. May be monthly, quarterly, annually, or at time repayment begins.
Maximum Rate	Current legislation set the maximum rate at 10.5%.	Varies by lender.
Origination Fees	4.248% until 10/2020	Varies by lender, but most do not charge a fee.
Loan Limits	Cost of Attendance minus all financial aid	Cost of Attendance minus all financial aid
Repayment Begins...	Normally 60 days after the final disbursement of the academic year. May be deferred until six months after the student graduates or ceases half-time enrollment.	Varies by lender, but usually six months after the student graduates or ceases half-time enrollment.
Enrollment Requirement	Student must be registered "half-time" (two courses) each semester	Varies by lender. Some allow students to be enrolled less than half-time.
Satisfactory Progress Required?	Yes	Varies by lender. Some 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 (90-days late on account, bankruptcy, foreclosure, lien, default, etc.). Minor credit blemishes do not normally affect approval, nor does amount of personal debt.	Varies by lender. They will "score" co-signers based on their own criteria (income to debt ratios, multiple late payments, etc.) which may affect eligibility or the resulting interest rate offered. More extensive review than what is used for PLUS Loans.
Discharged?	Discharged in the event of the death or total and permanent disability of the borrower or the student.	Not discharged for death or disability.
Can the loan be consolidated?	Yes	Some (but not all) lenders provide this option.

For more information go to www.finaid.org/loans/loantradeoffs.phtml or contact Adriana Rodriguez, Assistant Director of Financial Aid (847-735-5015, rodriguez@lakeforest.edu).