



Grad PLUS vs. Alternative Loans

A **GRAD PLUS LOAN** MAY BE A WAY FOR YOU TO FILL THE GAP BETWEEN FINANCIAL AID AND SCHOOL COSTS. AN **ALTERNATIVE LOAN** IS A PRIVATE EDUCATION LOAN THAT A STUDENT MAY APPLY FOR FROM A LENDING INSTITUTION OR ORGANIZATION. ALTERNATIVE LOANS ARE NOT PART OF FEDERAL AID PROGRAMS.

	Grad PLUS Loan	Alternative Loan
Interest Rate	<ul style="list-style-type: none"> Fixed interest rate of 8.5%. 	<ul style="list-style-type: none"> Variable interest rate determined monthly or quarterly based on Prime or LIBOR rate plus a margin. May be as high as 18% – 21% and is not capped.
Fees	<ul style="list-style-type: none"> A 3% Federal Origination Fee and a 1 % Federal Default Fee may be deducted from the loan proceeds prior to disbursement. 	<ul style="list-style-type: none"> Fees vary among lenders, and may go up to 9%. Often, fees will be determined in part by measure of creditworthiness.
Credit Requirements	<ul style="list-style-type: none"> Credit check is based upon federal standards. 	<ul style="list-style-type: none"> Terms vary by lender, most of whom use credit scores or debt-to-income ratios to determine creditworthiness, interest rates, and fees. International students usually borrow with a creditworthy U.S. citizen cosigner.
Loan Limits	<ul style="list-style-type: none"> Students may borrow up to the cost of attendance less other aid. 	<ul style="list-style-type: none"> Student (typically with cosigner) may borrow up to the cost of attendance less other aid. Limits depend on maximums established by lenders, as well as borrower and co-borrower credit scores.
Cancellation	<ul style="list-style-type: none"> Although Grad PLUS loans must be repaid in full, there are a few situations in which your loan(s) may be discharged and your repayment obligation cancelled including, but not limited to, death or total and permanent disability. 	<ul style="list-style-type: none"> Alternative loans are not insured against death or disability. Insurance may be available at an extra cost to borrowers.
Repayment Terms	<ul style="list-style-type: none"> The first payment is typically due 60 days after full disbursement of the loan. Generally, the repayment term is 10 years, and there are no prepayment penalties. Graduated repayment or extended repayment terms may be available if the borrower qualifies. 	<ul style="list-style-type: none"> Repayment varies by lender and may begin immediately or be deferred until six months after student ceases half-time enrollment. Students may select from several repayment plans, and most lenders allow prepayment and early payoff without penalty.
Deferment and/or Forbearance	<ul style="list-style-type: none"> A wide selection of deferment and forbearance options are available, including in-school deferment while enrolled at least half-time. 	<ul style="list-style-type: none"> Deferment options vary widely and are generally less flexible than Graduate PLUS loan deferments.
Consolidation	<ul style="list-style-type: none"> Grad PLUS loans may be consolidated at a fixed interest rate not to exceed 8.25%. 	<ul style="list-style-type: none"> Many alternative lenders offer consolidation options, but interest rates are variable and scaled to credit.

For more information, visit aesSuccess.org or call [800.692.7392](tel:800.692.7392).

PHEAA/AES is one of many Guarantors participating in the Federal Family Education Loan Program (FFELP). A student or parent borrower may obtain a FFELP loan from a lender that uses PHEAA/AES as the Guarantor or any other participating lender.

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