



# Parent PLUS vs. Alternative Loans

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

	Parent PLUS Loan	Alternative Loan
Interest Rate	<ul style="list-style-type: none"> <li>Fixed interest rate of 8.5% for loans first disbursed on or after July 1, 2006.</li> </ul>	<ul style="list-style-type: none"> <li>Variable interest rate determined monthly or quarterly based on Prime or LIBOR rate plus a margin.</li> <li>May be as high as 18% – 21% and is not capped.</li> </ul>
Fees	<ul style="list-style-type: none"> <li>A 3% Federal Origination Fee and a 1% Federal Default Fee may be deducted from the loan proceeds prior to disbursement.</li> </ul>	<ul style="list-style-type: none"> <li>Fees vary among lenders, and may go up to 9%.</li> <li>Often, fees will be determined in part by measure of creditworthiness.</li> </ul>
Credit Requirements	<ul style="list-style-type: none"> <li>Credit check is based upon federal standards.</li> </ul>	<ul style="list-style-type: none"> <li>Terms vary by lender, most of whom use credit scores or debt-to-income ratios to determine creditworthiness, interest rates, and fees.</li> <li>International students usually borrow with a creditworthy U.S. citizen cosigner.</li> </ul>
Loan Limits	<ul style="list-style-type: none"> <li>Parents may borrow up to the cost of attendance less other aid.</li> </ul>	<ul style="list-style-type: none"> <li>Student (typically with cosigner) may borrow up to the cost of attendance less other aid.</li> <li>Limits depend on maximums established by lenders, as well as borrower and co-borrower credit scores.</li> </ul>
Cancellation	<ul style="list-style-type: none"> <li>Although Parent 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, total and permanent disability, or as a result of your death or the death of the dependent student.</li> </ul>	<ul style="list-style-type: none"> <li>Alternative loans are not insured against death or disability.</li> <li>Insurance may be available at an extra cost to borrowers.</li> </ul>
Repayment Terms	<ul style="list-style-type: none"> <li>For Parent PLUS loans first disbursed on or after July 1, 2008, repayment begins either no later than 60 days after the final disbursement or, at the request of the parent borrower, 6 months after the date that the student – for whom the loan was borrowed – ceases to be enrolled at least half-time. Interest accrues from the date that the loan is disbursed.</li> <li>Generally, the repayment term is 10 years, and there are no prepayment penalties.</li> <li>Graduated repayment or extended repayment terms may be available if the borrower qualifies.</li> </ul>	<ul style="list-style-type: none"> <li>Repayment varies by lender and may begin immediately or be deferred until six months after student ceases half-time enrollment.</li> <li>Students may select from several repayment plans, and most lenders allow prepayment and early payoff without penalty.</li> </ul>
Deferment and/or Forbearance	<ul style="list-style-type: none"> <li>Various deferment and forbearance alternatives are available.</li> </ul>	<ul style="list-style-type: none"> <li>Deferment options vary widely and are generally less flexible than Parent PLUS loan deferments.</li> </ul>
Consolidation	<ul style="list-style-type: none"> <li>Parent PLUS loans may be consolidated at a fixed interest rate not to exceed 8.25%.</li> </ul>	<ul style="list-style-type: none"> <li>Many alternative lenders offer consolidation options, but interest rates are variable and scaled to credit.</li> </ul>

For more information, visit [aesSuccess.org](http://aesSuccess.org) or call **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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