

Which loan is right for you and your family?

2014

Direct PLUS loans vs. Alternative loans

2015

Direct Parent PLUS Loan Program

- ◇ Student must have a valid FAFSA on file and be categorized as a “dependent” student.
- ◇ For new borrowers with loans made on or after July 1, 2013 a fixed rate of 6.41% is applicable.
- ◇ Interest rates are determined by the Department of Education on or after July 1st for loans being made for the upcoming award year; each loan for that award year will have a fixed interest rate for the life of the loan.
- ◇ Interest Rate capped at 7.9%.
- ◇ Origination fees will be determined by the Department of Education on or after July 1, 2014 and deducted from the loan proceeds.
- ◇ Credit check based upon a federal standard regardless of income (easier to qualify); no debt-to-income ratios or credit scoring but is considered a “hard hit” on your credit report.
- ◇ If the parent has adverse credit history they may apply with an endorser or attempt to appeal the credit decision.
- ◇ Borrower must be the parent, step-parent or adoptive parent of the student.
- ◇ Federally insured against death and disability for both parent and student.
- ◇ Parent is responsible for repayment.
- ◇ Repayment typically begins within 60 days of the last disbursement date within the loan period.
- ◇ Variety of deferment and forbearance options available.
- ◇ Delayed payment option available, with application, through forbearance as long as student maintains halftime status .
- ◇ Parent may apply for an additional deferred repayment to begin 6 months after the date the student graduates, drops below half time or leaves school.
- ◇ Interest accruing during a deferment period, based upon your forbearance or deferment type, may be paid monthly or quarterly, or may be capitalized no more frequently than quarterly.
- ◇ Repayment term generally up to 10 years but may be extended depending on your repayment type.
- ◇ Interest is tax deductible for many borrowers.
- ◇ Student must be enrolled at least half-time.
- ◇ Must apply during the period of enrollment.

Alternative Loans

- ◇ A FAFSA is not required to apply for most lenders and is available for dependent and independent students.
- ◇ Variable interest rate (adjusted monthly or quarterly).
- ◇ There is no cap on the interest rate other than maximums imposed by state law.
- ◇ Fees vary by lender and credit score (e.g. 0% – 10% or more).
- ◇ Borrower must pass comprehensive credit check.
- ◇ A cosigner may be required in order to qualify for credit approval; cosigner does not have to be related to the student.
- ◇ Not federally insured against death and disability.
- ◇ Student is responsible for repayment; however, a cosigner is equally liable, and the loan and payment history are listed on a cosigner’s credit report.
- ◇ Not eligible to be included in a federal loan consolidation.
- ◇ Not eligible for federal deferment options, but other options to postpone repayment may be available.
- ◇ Repayment typically begins six months after graduation or dropping below the enrollment requirements of the lender.
- ◇ Repayment terms vary by balance and lender and may often exceed 10 years.
- ◇ Interest may be tax deductible.
- ◇ Some lenders allow students to be enrolled less than half-time.
- ◇ Some lenders allow loans to cover past-due balances from previous semesters.
- ◇ Some lenders allow students to be non-degree.
- ◇ A self certification form must be submitted to the lender prior to disbursement.
- ◇ The student and cosigner must accept the offered loan terms prior to disbursement.
- ◇ After certification loan disbursements may be delayed up to 10 days by the lender in accordance with the Truth in Lending act.

Note: The maximum amount that a student and/or parent can borrow in a Direct PLUS or alternative loan is the student's cost of attendance minus any other financial aid that the student receives.

How to choose and evaluate a Lender

CHOOSING A LENDER

We offer these suggestions to help students and families consider their choices and review the options available to them. We do not offer financial or professional advice on these matters, and it is important to choose carefully as your individual circumstances vary greatly.

We strongly encourage you to carefully evaluate the terms offered by lenders for your alternative loan. Many lenders require that you utilize the Direct Stafford Loan prior to applying for an alternative loan. Review the rates for both the Direct Stafford and Direct Parent PLUS loans where the interest rates are set by the government. It is essential that you educate yourself about the relative terms and benefits offered by lenders to ensure the best possible terms for your personal circumstances.

Families should evaluate the various terms and features associated with each loan. Among the terms and features to consider are the following:

- Loan Requirements
- Repayment terms
- Interest rates
- Loan benefits before and during repayment
- Deferred payments
- Rate reductions
- Principal reductions
- Auto debit rate reductions

Parents may consider borrowing from the Direct Parent PLUS loan program since it is generally a less expensive loan as compared to a private educational loan. However, parents should be clear that PLUS loans obligate the parent, not the student. Private loans, while more expensive, obligate the student for repayment; however in most cases parents may be required to cosign a private student loan, thereby obligating them as well.

EVALUATING A LENDER

Ability to service all your loans	Loan application processes	Repayment	Customer Service
<ul style="list-style-type: none"> ● Does the lender offer combined billing for any prior Federal and Alternative loans? ● Does the lender have a history of selling loans? Do they service their own loans or have life-of-loan servicing? ● If the lender sells your loan at repayment do they provide sufficient notification of the sale so you know where to send your payments? 	<ul style="list-style-type: none"> ● How many credits must I be registered for in order to apply for this loan? ● Can I apply online? ● Is instant loan approval offered? ● Can I electronically sign the promissory note? ● Is there a minimum amount that must be borrowed annually? Is there a maximum amount that may be borrowed annually? ● Is there a maximum limit, or aggregate, that may be borrowed over the course of my undergraduate career? ● Does the loan require school certification? How is the school notified? ● Are the loan funds sent directly to me or to the school? Are the funds sent via paper check or electronic funds transfer? 	<ul style="list-style-type: none"> ● How many years do I have to pay off the loan? ● Does the lender offer flexible repayment options to meet my affordability criteria? ● Under what circumstances may I apply for a deferment or forbearance? ● How many times may I apply for a deferment or forbearance? ● What is the grace period? ● Will I have to repay accrued interest on my loan while I am in school? 	<ul style="list-style-type: none"> ● Can I reach a live operator quickly to check on the status of my loan during hours convenient to me? ● Is the number toll free? ● Are online account and Email access available at all times? ● What is the turnaround time for problem resolution? ● Are there a low number of borrower complaints?
Interest Rates and Fees	Borrower Benefits	Borrower Benefits (cont.)	Additional questions?
<ul style="list-style-type: none"> ● How is the interest rate determined? ● Is the interest rate based on the LIBOR or prime rate? ● If the rate is variable, how often is it adjusted i.e. monthly or quarterly? ● Are there any fees attached to the loan i.e. origination or default fees? ● If there are fees, are they deducted upfront or are they added onto the loan during repayment? ● When does the interest capitalize, quarterly or annually? 	<ul style="list-style-type: none"> ● What incentives are offered at origination, repayment and/or during repayment? ● Do I have to earn incentives or are they automatically given at a certain point? ● Are principal or interest rate reductions offered at origination and/or at repayment? ● Are benefits offered to those who pay on-time? How many on-time payments must be made to gain this benefit? ● Are rate reductions available for making loan payments electronically? ● How do I qualify for these benefits? 	<ul style="list-style-type: none"> ● Can I lose and/or regain those benefits i.e. due to late payment? ● What happens if I miss a payment? ● What happens if I request a deferment? ● How many of the borrowers actually receive the incentive? 	<ul style="list-style-type: none"> ● Can I borrow this loan if I am a non-matriculated student? ● Can I borrow this loan if I registered less than half time?