

Federal Parent PLUS Loans vs. Private/Alternative Loans

Federal loans are made by the government, with terms and conditions set by law, and include benefits not typically offered with private loans, such as fixed interest rates and varied repayment options.

Private/alternative educational loans are made by private organizations such as banks, credit unions, and state-based or state-affiliated organizations, and have terms and conditions set by the lender.

	Federal Parent PLUS Loan	Private/Alternative Loan
Interest Rate	The interest rate is fixed, meaning the interest rate will be the same for the life of the loan. Rates are determined annually each summer. The rate for loans disbursed on or after 7/1/23 is 8.05%.	Can be fixed or variable, which may be higher or lower than the federal loan interest rate, largely dependent on your credit history and individual circumstances.
Fees	Parent loans are assessed an origination fee of 4.228% by the federal processor.	Fees vary by lender, loan type, and/or credit history.
Application and Credit Check	The FAFSA is required. You can apply online through studentaid.gov and must do so annually. A credit check is required, although those with adverse credit history may still be eligible with an endorser.	The FAFSA is not required. Most lenders have an online application process, and they will require an annual application. A credit check is required. Private student loans often require an established credit record or a cosigner.
Repayment	Generally, you are expected to repay the loan within 10-30 years. You can defer payments until your student graduates, leaves school, or changes to less than half-time. Several repayment plans exist, including an option to tie your monthly payment to your income if you consolidate loans. If you are having difficulty with repayment, you may be able to postpone or reduce your payments.	The amount of time by which you are expected to repay the loan varies by lender. Most lenders require repayment to begin while your student is in school, but some may allow you to defer repayment. You will need to check with your lender about repayment options, and if postponing or lowering your loan payments is a possibility.
Consolidation	Can be consolidated into a Direct Consolidation Loan.	Cannot be consolidated into a Direct Consolidation Loan but may be refinanced.
Prepayment penalties	No prepayment penalty fee.	May vary; check with your lender.
Discharge	Discharge is available if the primary borrower or student beneficiary dies, or if the primary borrower becomes permanently and totally disabled.	Varies by lender. Some lenders will waive remaining balance in the event of the primary borrower's death or permanent and total disability.
Website for more information	studentaid.gov	elmselect.com