

Federal Direct PLUS Loans vs. Private Educational Alternative Loans

A Federal Direct PLUS Loan may be a way for you, as a parent, to fill the gap between financial aid and school cost for your son or daughter. A Private Educational Alternative Loan is a private loan that a student/parent may apply for from a lending institution or organization. Private Educational Alternative Loans are not part of federal aid programs.

	Federal Direct PLUS Loan	Private Educational Alternative Loans
Interest Rate	<ul style="list-style-type: none"> Federal Direct PLUS Loans first disbursed on/after July 1, 2024 and prior to July 1, 2025 have a fixed interest rate of 9.08%. 	<ul style="list-style-type: none"> Both fixed and variable interest rates may be available but vary by lender. Check with lender for more information.
Fees	<ul style="list-style-type: none"> Federal Direct PLUS Loans first disbursed on/after October 1, 2023 and prior to October 1, 2024 have a 4.228% origination fee charged. 	<ul style="list-style-type: none"> Fees vary among lenders. 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. A cosigner may be required. Many lenders provide a cosigner release option where the student can apply to release the cosigner after they graduate and make a specified number of on-time payments.
Loan Limits	<ul style="list-style-type: none"> Parents 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 education less other aid. Limits depend on maximums established by lenders, as well as borrower and co-borrower credit score.
Interest Accrual	<ul style="list-style-type: none"> Parent is responsible for paying the interest that accrues from the date of disbursement until the loan is paid in full. 	<ul style="list-style-type: none"> Accrued interest may be capitalized monthly, quarterly or once at repayment.
Cancellation	<ul style="list-style-type: none"> Although Federal Direct 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 for whom the loan was borrowed. 	<ul style="list-style-type: none"> Alternative loans are not insured against death or disability. Some lenders waive the remaining balance in the event of the primary borrower's death or total and permanent disability. Insurance may be available at an extra cost to borrowers.
Repayment Terms	<ul style="list-style-type: none"> For Federal Direct PLUS Loans 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 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. There are no penalties for paying off your loan early. Depending on the amount borrowed and repayment option selected, you may have between 10 to 25 years to repay. 	<ul style="list-style-type: none"> Repayment varies by lender. Many lenders defer payments while the student is enrolled in school (interest accrues during this time). Many lenders offer options to make interest payments while in school. 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"> Various deferment and forbearance options are available. During deferment or forbearance, loan payments are postponed or reduced. 	<ul style="list-style-type: none"> Deferment options vary widely and are generally less flexible than Direct PLUS Loan deferments.
Consolidation	<ul style="list-style-type: none"> Federal education loans may be consolidated into a single federal loan at a fixed interest rate not to exceed 8.25%. 	<ul style="list-style-type: none"> Interest rates are variable and scaled to credit. Alternative loans may not be consolidated into a federal consolidation program.