

Understanding gap financing options

The Federal Parent PLUS Loan, private student loans, and private parent loans

There are many options available to cover the amount that is due after financial aid has been applied. It can be challenging to determine the loan that is best for your family. This comparison chart will help you understand the features and benefits of each type of loan. We hope this information is beneficial in your decision-making process and encourage families to contact the Office of Financial Aid for more information.

| | Federal PLUS Loan for Parents | School-certified private student loan | Private parent loan |
|--|--|---|---|
| Primary borrower | Parent | Student | Parent or other eligible non-student individual. |
| Credit check required | Yes. Applicant or endorser cannot have an adverse credit history. | Yes. Loan approval and pricing are generally based on creditworthiness. Lenders may also consider other factors. | Yes. Loan approval and pricing are generally based on creditworthiness. Lenders may also consider other factors. |
| Cosigner requirement | No, but if a parent has adverse credit history, an endorser may be required. | No, but if you're a student with little or no credit history, it may be difficult for you to qualify for a loan without a creditworthy cosigner. | No, but if the primary borrower is not eligible on their own some lenders may offer a cosigner option. |
| Cosigner/parent release option | No, parent (and any endorser) is making a commitment to repay the loan for the life of the loan. | Many lenders provide a cosigner release option where the student can apply to release the cosigner after they graduate, make a specified number of on-time payments, and meet underwriting requirements. | Varies by lender. Check for availability. |
| Interest rate | For loans first disbursed on or after July 1, 2023, and before July 1, 2024, the interest rate is fixed at 8.05%. | Many lenders offer both fixed and variable interest rates. Although lenders may consider multiple factors, rates are generally based on the borrower's and cosigner's creditworthiness, so those with good credit may qualify for a lower rate. | Many lenders offer both fixed and variable interest rates. Although lenders may consider multiple factors, rates are generally based on the borrower's and cosigner's creditworthiness, so those with good credit may qualify for a lower rate. |
| Origination/disbursement fees | 4.228% for loans first disbursed on or after October 1, 2020 and before October 1, 2023. | Varies by lender, most offer 0%. | Varies by lender, most offer 0%. |
| Application process | FAFSA is required. Apply online with the Department of Education at www.studentaid.gov . | Online with lender. | Online with lender. |
| Repayment term | 10 – 25 years of principal and interest payments. | Varies by lender; typically terms of 5-20 years of principal and interest payments are offered. | Varies by lender; typically terms of 5-15 years of principal and interest payments are offered. |
| Payment flexibility | PLUS loans are eligible for graduated and extended repayment options, federal consolidation, and some public service loan forgiveness options. | Most lenders will work directly with the borrower to assess repayment options. Some lenders offer graduated repayment options. | Most lenders will work directly with the borrower to assess repayment options. |
| Death and disability loan forgiveness | Yes. If the student beneficiary dies, and certain conditions are met, then payments on the loan will be waived. | Varies by lender. Some lenders waive the remaining balance in the event of the primary borrower's death or permanent and total disability. | Varies by lender. Some lenders waive the remaining balance in the event of the primary borrower's death or permanent and total disability. |
| Options for denied loans | If parent applies and is denied, the student is eligible for additional unsubsidized Stafford loans. | Student can apply with a different cosigner if the cosigner is denied. | Varies by lender. Parent or other creditworthy individual may be able to apply with a cosigner. |
| Loan limits | Up to 100% of the school-certified cost of attendance minus other financial aid received. | Generally, up to 100% of the school-certified cost of attendance minus other financial aid received. Lenders can have different loan limits for different loan programs and may base the limits on various factors. | Varies by lender, may or may not require school-certification. Some lenders may have minimum and maximum loan amounts and may base the limits on various factors. |
| Minimum enrollment status | At least half time. | Varies by lender. Some offer loans to students who are attending school less than half-time. | Varies by lender. Some offer loans to borrowers who have students who are attending school less than half-time. |