

Federal Direct (FD) Grad PLUS vs. Private Educational Lenders

Additional loans are available through either the **FD Grad PLUS** program or **private educational lenders**. Lenders may offer borrower benefits to potentially reduce the overall cost of the loan to you. Doing research in advance could save you money both during school and through repayment.

Principal differences between FD Grad PLUS and Private Alternative Loans:

FD Grad PLUS

Interest Rate: interest rate is fixed each year and does not vary based on market conditions or credit scores.

Origination Fee: program requires the student to pay a mandatory origination fee of over 4%.

Credit requirements: less stringent – generally approved as long as you do not have bad credit

Consolidation options: may be consolidated with other federal loans through the Direct Lending Program.

Other loan features: the same death and disability discharge benefits as other Direct Loans, income based repayment provisions may allow for more manageable repayment for students with higher loan debt and lower paying professions, certain people working in a non-profit setting may qualify for Public Service Loan Forgiveness.

Both alternative loan programs and the FD Grad PLUS offer deferment repayment and other forbearance options (in-school, economic hardship, etc.). These options for alternative loan programs vary by lender.

*When should students consider the **FD Grad PLUS**?*

If you prefer a fixed rate loan

If you do not have great credit.

If you like the further financial security of death/disability, discharge benefits for you and/or your estate.

If you think you can take advantage of any of the special repayment or forgiveness features.

If you like the option of consolidating your Federal Direct Grad PLUS Loans with other federal loans.

Private Alternative Loans

Interest Rate: interest rate is generally variable, tied to either LIBOR or Prime, and can either rise or fall depending on interest rates. The interest rate offered is based on your credit history. A credit-worthy co-signer may further reduce the rate. The better your credit, the better the rate.

Origination Fee: do not typically have loan fees.

Credit Requirements: generally more stringent, the stronger the credit score, the more likely you are to receive a lower interest rate.

Consolidation options: generally cannot be consolidated with other loans

Other loan features: special features will vary based on loan product but can include auto-debit/ACH savings or interest rate reductions for consecutive on-time payments.

*When should students consider a **private alternative loan**?*

If you have an excellent credit rating and can thus get a good interest rate on your loan.

If you plan to pay off the loan quickly (lessening the impact of a higher long-term interest rate) while taking advantage of the no-origination fee loan.

If you think you can get a variable alternative loan at a significantly better interest rate than the fixed Direct Grad PLUS.