

Private Loans vs. Grad-PLUS Loan

Beginning in the 2006-07 academic year graduate students will be able to borrow through the federal PLUS loan program. Recently federal legislation now allows graduate students to choose between private loans (like CitiAssist and Access Signature Loans) and the new Graduate PLUS loan when it comes to covering costs beyond those provided by Federal Stafford Loans. Students can borrow up to the full estimated cost of attendance (including their EFC). The following chart compares aspects of both the new Graduate PLUS loan and loans from private companies.

PLUS	Private/Alternative	
Interest Rate	For Direct Lending Schools the Federal PLUS loan interest rate is fixed at 7.9% for the 2006-2007 academic year.	Rates for private loans currently range from 7.25% and as much as 16%. The interest rate is variable and often has no cap. They are also subject to changes, sometimes as often as monthly. However, most set their rates annually. The rates can be based on the borrowers credit rating.
Interest Accrual	Accrued interest is capped at repayment.	Accrued interest may be capitalized as often as monthly.
Borrower	Loan is made directly to the graduate student or a credit worthy endorser	Loan is made to the student. However, a creditworthy co-signer is sometimes required. The co-signer is also responsible for any outstanding debt. Enrollment may be less than half-time.
Loan Limits	Up to the cost of attendance minus other financial aid received.	Up to the cost of attendance minus other financial aid received. Limits also depend on maximums established by private lender. Borrower's and co-signer's credit may also affect the limit.
Credit Requirements	Based on federal standards. No debt to income ratio or credit scoring used.	Most lenders review debt to income ratios and credit scores. A minimum income amount is also usually required.
Death/Disability	PLUS loan can be discharged upon death of borrower. Loan can also be discharged if a borrower becomes permanently disabled.	Private loans are NOT insured against death or disability. Credit type life insurance may be available at an extra cost to the borrower.
Deferment/Forbearance Options	Various flexible options available. Interest-only payments or in school deferment of payments are available while student is enrolled at least half-time and during periods of unemployment and economic hardship.	Deferment options may be available but vary widely and are generally less flexible than PLUS loan deferments. Consolidation loans are available but at a variable rate.
Repayment Options	Repayment begins within 60 days of final disbursement. Maximum term is 10 to 25 years depending on the amount borrowed.	Repayment often begins within 45 days of disbursement. Most lenders offer interest-only payment options and some offer full payment deferment during enrollment.
Loan Consolidation	Can be consolidated at a fixed rate. Interest rate for consolidation loans is based on the weighted average of those loans.	Most private lenders offer a consolidation option, but the interest rates will be variable and scale to credit. Generally, borrowers should not combine federal loans with Private Loan Consolidation.

The application for a Federal Graduate Plus loan will be available online at www.colum.edu/sfs on July 1, 2006 for the 2006-2007 academic year.