



## Financing Options for Graduate and Professional Students

### A Comparison: Grad PLUS Loan vs. Private/Alternative Loan

For years, graduate and professional students have used private or alternative loans to bridge the gap between their financial aid package and their cost of attendance. Starting on July 1, 2006, graduate and professional students will be able to borrow through the Federal PLUS loan program. The following chart will help you compare both loan programs. Please consult the chart before deciding between applying for a Graduate PLUS loan or an Alternative loan.

	<b>Grad PLUS Loan</b>	<b>Private/Alternative Loan</b>
<b>Interest Rate</b>	Fixed at 8.5%.  Some lenders may offer borrower benefits that can reduce the interest rate on the principal of the loan. Check with individual lenders regarding their borrower benefits.	Variable, usually no cap.  Interest rate varies depending on borrower's credit. Usually based on a consumer index (prime, commercial paper, LIBOR, etc) plus a margin.
<b>Borrower</b>	Graduate Student. However, a creditworthy endorser may be required. Endorser bears a secondary responsibility in loan repayment.	Student. However, a creditworthy cosigner may be required based on borrower's credit. Cosigner bears equal responsibility in loan repayment.
<b>Loan Limits</b>	Student may borrow up to cost of attendance minus other financial aid received.	Student may borrow up to cost of attendance minus other financial aid received. Minimum and maximum annual and aggregate borrowing limits may vary depending on lender and credit history.
<b>Credit Requirements</b>	Credit requirement based on set federal standards. Most significant: debt-to-income ratio not considered.	Credit requirements vary from lender to lender, but debt-to-income ratio and income verification often considered in credit decision.
<b>Cancellation</b>	Grad PLUS loan can be discharged upon death or permanent disability of borrower.	Alternative loan not insured against death or permanent disability. Insurance may be available at an extra cost to borrower.
<b>Deferment/Forbearance</b>	Deferment and forbearance options available, including in-school deferment which delays repayment until borrower graduates or drops below half-time enrollment.	Varies from lender to lender. Check with lender on availability.
<b>Repayment Options</b>	Repayment begins within 60 days following the final disbursement. Standard repayment term is 10 years. Repayment term may be extended to 25 years depending on amount borrowed.	Varies from lender to lender. Repayment term is typically 10 – 25 years.
<b>Loan Consolidation</b>	Grad PLUS loan can be consolidated in Federal Consolidation Loan.	Alternative loan cannot be consolidated in Federal Consolidation Loan.
<b>Fees</b>	Grad PLUS fees include a 3% origination fee and up to a 1% federal default fee.	Varies from lender to lender. Alternative loan fees can include origination and/or repayment fees. Check with lender regarding their fee structure.
<b>Enrollment Requirements</b>	Student must be enrolled at least half-time.	Varies from lender to lender. Enrollment may be less than half-time. Check with lender regarding their requirements.
<b>Application Process</b>	Student required to complete the Free Application for Federal Student Aid (FAFSA) and apply for their maximum loan eligibility under the Federal Stafford Loan Program before applying for Grad PLUS loan.	Student not required to complete Free Application for Federal Student Aid (FAFSA) before applying for Alternative loan.
<b>Eligibility Requirements</b>	Student must be eligible to receive federal financial aid.	Varies from lender to lender. Eligibility to receive federal financial aid may not be a requirement.



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