



Federal PLUS and Alternative Comparison Chart

Why Federal PLUS?	Federal PLUS Loan	Private/Alternative Educational Loan																																													
<p>Many students and families find that they need to borrow an educational loan in addition to awarded financial aid to help finance their education. The decision then becomes whether to borrow a Federal PLUS (parent or graduate) Loan or an alternative/private educational loan.</p>	<p>Fixed Interest Rate of 8.5% as of July 1, 2006 throughout repayment of the loan.</p>	<p>Variable interest rate with percentages added based upon borrower or co-signer credit score. Often this interest is higher than PLUS.</p>																																													
<p>Minot State University encourages parents and graduate students to consider borrowing a Federal PLUS <i>first</i> before a private or alternative educational loan.</p>	<p>Maximum Fees are 4%. However, some lenders, such as U.S. Bank, pay the 1% Federal Default Fee for the borrower, resulting in a loan origination fee of only 3%.</p>	<p>Private loan fees often are variable and dependent upon the borrower or co-signer credit score and related credit risk.</p>																																													
<p>PLUS is a Federal Loan Program available for parents of undergraduate or graduate students to borrow the difference between college costs and other awarded financial aid. It is provided by participating lenders, federally insured by a federal guarantee agency, and certified by the school based upon student costs.</p>	<p>Only adverse credit make a parent ineligible to borrow a PLUS, in which case, the dependent student may be eligible for additional Federal Unsubsidized Stafford Loan. A graduate student determined ineligible may seek a co-signer for lenders that provide this option – such as U.S. Bank.</p>	<p>Since these loans are solely dependent upon repayment as unsecured loans, private educational loans require credit, income-to-debt information and employment verification – before determining eligibility, interest rates and loan fees.</p>																																													
<p>The Federal PLUS has a fixed interest rate of 8.5% as of July 1, 2006 throughout repayment.</p>	<p>No Credit Scoring– all approved borrowers get the same fixed interest rate, loan fees and deferment, forbearance and cancellation provisions.</p>	<p>Borrowers and Co-signers must pass a credit review process. The rates assessed and eligibility for the loan are based on excellent, good or average credit scores.</p>																																													
<p>PLUS has federal deferments, consolidation and cancellation provisions.</p>																																															
<p>Participating lenders offer more competitive borrower benefits such as discounts on loan principal and interest that reduce the overall costs of the loan.</p>	<p>Repayment – Parent or Graduate student borrower is responsible for repayment and receives all loan related communication from the lender, school and loan servicer throughout repayment. Standard Federal PLUS repayment is 10 years without penalty for pre-payment. (See the Sample Repayment of a Federal PLUS Loan below.</p>	<p>Repayment – Student and co-signers are responsible for repayment. However, a private loan is in the student's name who will receive all communication from the lender or loan servicer.</p>																																													
<p>In comparison, a private educational alternative loan or standard bank loan is designed to assist students with college costs and is an unsecured loan requiring a borrower to meet credit eligibility and/or income requirements.</p>		<p>Many private educational loan repayment schedules exceed 10 years after enrollment and may go to 25 years. Throughout this time any implications of repayment are reflected on both the borrower's and the co-signer's credit.</p>																																													
<p>In addition, a private educational loan often requires a co-signer for a student borrower to meet minimum eligibility, has variable interest rate based on either prime, 91 day treasury bill or LIBOR monthly or quarterly rates, and often has additional loan fees assessed based upon the credit score of the borrower or co-signer.</p>	<p>PLUS Parent or Graduate borrowers have the opportunity for Federal Loan Consolidation.</p>	<p>Private educational loans may not be consolidated with federal educational loans.</p>																																													
<p>There are limited options for deferment of payments during repayment or borrower discounts on private educational loans.</p>	<p>A Federal Master Promissory Note (MPN) is valid for up to 10 years, therefore reducing the application process throughout enrollment. Credit approval and school certification is required annually.</p>	<p>Application/promissory note and eligibility determination is required annually for most private educational loans.</p>																																													
<p>To Apply for PLUS Access the on-line Credit Pre-Approval and Master Promissory Note at www.minotstateu.edu/financialaids/loans.shtml. In addition, a PLUS request form is required by the financial aid office to certify your eligibility. This is also available at the same site.</p>	<p>Competitive Borrower Discounts and Benefits are offered by participating lenders such as payment of the required Federal Default 1% Fee, reduction of interest upon repayment and/or reduction of principal loan amount throughout repayment, plus auto payment discounts.</p>	<p>Less borrower discounts or benefits are offered in general, many offer auto payment interest rate reductions or co-signer release after a portion of the repayment period following borrower individual credit eligibility determination.</p>																																													
<p>Sample Repayment of a Federal PLUS Loan Based Upon 8.5% Federal Fixed Interest</p>	<p>Delay of Payment – Forbearance of Principal or Deferment of Principal and Interest is generally available from lenders while the student is enrolled at least half time.</p>	<p>Delay of Payment – Forbearance of Principal or Deferment of Principal and Interest is generally available from lenders while the student is enrolled at least half time.</p>																																													
<table border="1"> <thead> <tr> <th rowspan="2">PLUS Loan Amount</th> <th rowspan="2">Standard 120 Payments</th> <th colspan="3">Accelerated</th> <th rowspan="2">Monthly Interest Accrued</th> </tr> <tr> <th>84 Payments</th> <th>60 Payments</th> <th>36 Payments</th> </tr> </thead> <tbody> <tr> <td>\$ 2,500</td> <td>\$ 50 Repaid in 62 months</td> <td>\$ 50 Repaid in 62 months</td> <td>\$ 51</td> <td>\$ 79</td> <td>\$ 17.71</td> </tr> <tr> <td>\$ 4,000</td> <td>\$ 50 Repaid in 119 months</td> <td>\$ 63</td> <td>\$ 82</td> <td>\$ 126</td> <td>\$ 28.33</td> </tr> <tr> <td>\$ 7,500</td> <td>\$ 93</td> <td>\$ 119</td> <td>\$ 154</td> <td>\$ 237</td> <td>\$ 53.13</td> </tr> <tr> <td>\$10,000</td> <td>\$124</td> <td>\$158</td> <td>\$205</td> <td>\$316</td> <td>\$ 70.83</td> </tr> <tr> <td>\$15,000</td> <td>\$186</td> <td>\$238</td> <td>\$308</td> <td>\$474</td> <td>\$106.25</td> </tr> <tr> <td>\$20,000</td> <td>\$248</td> <td>\$317</td> <td>\$410</td> <td>\$631</td> <td>\$131.04</td> </tr> </tbody> </table>	PLUS Loan Amount	Standard 120 Payments	Accelerated			Monthly Interest Accrued	84 Payments	60 Payments	36 Payments	\$ 2,500	\$ 50 Repaid in 62 months	\$ 50 Repaid in 62 months	\$ 51	\$ 79	\$ 17.71	\$ 4,000	\$ 50 Repaid in 119 months	\$ 63	\$ 82	\$ 126	\$ 28.33	\$ 7,500	\$ 93	\$ 119	\$ 154	\$ 237	\$ 53.13	\$10,000	\$124	\$158	\$205	\$316	\$ 70.83	\$15,000	\$186	\$238	\$308	\$474	\$106.25	\$20,000	\$248	\$317	\$410	\$631	\$131.04	<p>Federally insured against death and disability for both the parent and the student.</p>	<p>Not federally insured against death and disability.</p>
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<p>No maximum borrowing limits or aggregate amount and lower minimum amounts allowed.</p>	<p>Student Loan Interest Tax Deduction – for parents and graduate students who meet income qualifications and paid interest on any federal educational loan may be eligible to use this tax benefit.</p>	<p>Most will have a maximum aggregate limit and a minimum of \$500 or \$1000.</p>																																													
		<p>Student Loan Interest Deduction – Private loans may be eligible if the loan was designated for qualified educational costs and the taxpayer meets the income qualifications to use this tax benefit.</p>																																													