

# Weighing your options

Compare this information as you decide how to pay for college.

## Federal Direct PLUS Loan for Parents<sup>1</sup>

## Private student loan<sup>2</sup>

### Who is responsible for repaying the loan?

**The parent**  
*and endorser (if applicable)*

**The student**  
*and a cosigner (if applicable)*

### Are there differences in enrollment requirements?

Student must be enrolled at least half time

Varies by lender; some lenders allow less than half-time enrollment

### Is a credit check required?

Yes, parents with an adverse credit history may obtain an endorser or meet additional requirements to qualify.

Yes, approval for a private loan is generally based on creditworthiness of the borrower and cosigner (if applicable). Other factors may also be considered.

### Are there differences in interest rates?

**Fixed interest rate**  
7.54% for academic year 2022-23 loans

**Fixed or variable interest rates**  
Many lenders offer both variable and fixed interest rates.  
  
Student loan interest rates for undergraduate students can start from 1.84% to 13.00% for variable and range from 3.47% to 13.88% for fixed.

### Are there disbursement fees?

**4.228%**  
for loans first disbursed on or after October 1, 2020 and before October 1, 2022

**0%**  
Offered by most lenders, but can vary.

## Additional financing resources

There are other resources that families might use to pay for college. It's helpful to weigh the pros and cons of these options before tapping into them. You may find that the best choice is using one or more of these, such as payment plans, with a combination of affordable federal and private loans.

**Pros** 

**Cons** 

### Tuition payment plans

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Allows families to spread out the payment of their tuition bill over the full academic year.</li><li>• Can provide an interest-free funding option.</li></ul> | <ul style="list-style-type: none"><li>• Some plans have fees or other charges.</li><li>• You may incur penalties if you fall behind on your payments.</li></ul> |
|---|---|

### Home equity lines of credit

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Easy access if equity is available.</li><li>• May provide a lower interest rate than other financing options.</li></ul> | <ul style="list-style-type: none"><li>• Closing costs may apply.</li><li>• Immediate repayment may be required if selling your home.</li></ul> |
|---|--|

### Long-term investments (*mutual funds, stocks, bonds, etc.*)

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Easy access if available.</li><li>• Do not have to be paid back.</li></ul> | <ul style="list-style-type: none"><li>• Investments could be sold at a loss.</li><li>• Loss of future investment growth.</li></ul> |
|--|--|

### Retirement accounts

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• May have the option to take out a loan or withdraw funds from your 401(k) plan.</li><li>• No credit check and easy access.</li></ul> | <ul style="list-style-type: none"><li>• Early withdrawals may have tax consequences. Consult a tax advisor.</li><li>• Lost investment growth for retirement.</li></ul> |
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<sup>1</sup>Federal loan rate and fee information is provided by Federal Student Aid, an Office of the U.S. Department of Education.

<sup>2</sup>Private loan information is based on a June 7, 2022 review of national private loan programs offered by Sallie Mae and its publicly-traded competitors. Variable rates may increase over the life of the loan.

Explore federal loans and compare to make sure you understand the terms and features. Private student loans that have variable rates can go up over the life of the loan. Federal student loans are required by law to provide a range of flexible repayment options, including, but not limited to, income-based repayment and income-contingent repayment plans, and loan forgiveness and deferment benefits, which other student loans are not required to provide. Federal loans generally have origination fees, but are available to students regardless of income.

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