

## Parent PLUS borrowing tips

Borrow **only** if you need to. Borrow **only** what you need.

### Choose federal before private.

Federal loans, such as the Parent PLUS loan, typically offer more benefits than private education loans do. In addition, Parent PLUS loans generally have more flexible credit criteria than private loans do.

### Consider “fixed” first.

Variable interest rates on some private loans are currently very low because the Federal Reserve has cut interest rates. Many variable rates are reset every three months, can rise very rapidly, and have very high “cap” rates — or none at all. Interest rates on fixed-rate PLUS loans remain constant, making it easier to predict your cost and payment amount.

### Always consider applying for PLUS.

Even if you believe you’ll be denied, consider applying for a Parent PLUS loan.

- Often small credit issues can be resolved with your lender’s help.
- In the event you don’t qualify for a Parent PLUS loan, your son or daughter may be eligible for additional unsubsidized Stafford loan funds.

### Know what it means to “cosign.”

Cosigning for a private loan and borrowing a PLUS loan both affect your credit report; both loans appear on your credit report as debt — debt that you are responsible for repaying.

### Don’t apply too early.

If you apply more than four to six months before your loan can be approved, most lenders (including VSAC) will have to review your credit history again when it’s time to approve your loan. Why does this matter? Requesting a credit review multiple times can negatively affect your credit score.

### Divide your debt.

Consider dividing the amount of PLUS debt evenly between parents; in the event one parent dies or becomes totally and permanently disabled, the parent PLUS loan(s) borrowed by that parent can be discharged (cancelled). If the student dies, PLUS loans for that student are discharged.

### Defer your payments.

Postponement of repayment is available while your son or daughter is in school and for six months after he or she leaves school. Contact your lender to request this option.



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Assistance Corporation**  
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Toll-free **800-642-3177**  
In the Burlington area **655-9602**  
Fax **802-654-3778**

Online at [www.vsac.org](http://www.vsac.org)  
E-mail us at [info@vsac.org](mailto:info@vsac.org)

VSAC



## Share your payments.

Some students, once they graduate, choose to help make payments on their parents' PLUS loan(s). Lenders can facilitate this process. **Important:** Even if your son or daughter helps make payments, the Parent PLUS loan will always remain the parent's financial responsibility.

## Private loans & the credit crunch

Private loans were significantly affected by the current credit crunch. Here are some changes that may result:

### Temporarily low variable rates

The Federal Reserve aggressively cut interest rates to battle the economic downturn, so variable rates on private loans are temporarily very low. These rates seem better than federal fixed-rate loans, but many variable rates are reset every three months, can rise very rapidly, and have very high "cap" rates — or none at all. Think fixed rates first.

### Fewer lenders

It's getting much harder for lenders to find capital to make private loans because investors are wary of making non-guaranteed loans to students. As a result, many lenders will no longer be able to offer private loans.

### Stricter credit

Even students with excellent credit may qualify for a private loan only if they have a cosigner.

### Interest payments during school

Some lenders may require interest payments even while a student is in school. Read and understand the fine print. Shop carefully.

### Higher rates and fees

In order to offset their increased credit costs, many lenders have removed benefits, increased fees, and raised interest-rate formulas. The advertised rates may not reflect all available loan pricing options. Be sure to understand what you'll be charged based on your credit.

## Stay in touch with lenders.

Keep a list of all of your education loan lenders. Stay in touch with them from the time you apply through repayment. As a loan borrower, it is your responsibility to know your loan status.

### Tips review

Borrow **only** if you need to.

Borrow **only** what you need.

Think "federal PLUS loan" first.

Ask what rate you'll get; shop carefully.

Read and understand the fine print.

Know what it means to be a cosigner; you are fully responsible.

Watch out for hidden fees.