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# Parent PLUS loans: What you need to know



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Parent PLUS loans help parents pay for their child's college education costs.

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Going to college is more expensive than ever. According to the [Education Data Initiative](#), a 4-year undergraduate degree averages \$38,270. Students attending private institutions will pay more while those attending in-state public schools tend to pay less.

Regardless of where you go to school, not every student has the cash to pay for the costs. While student loans offer loans for dependent students – or younger students who rely on their parents' financial support – that might not be enough for every college attendee. [A 2023 Sallie Mae study](#)

that the average family spent more than \$28,000 on their child attending college in the 2022-20 school year.

The same study found that the typical family expects parents' income and savings to cover about 70% of college, and another 8% goes to parental borrowing, including Parent PLUS loans. Below, we share what you need to know about Parent PLUS loans, including how they impact paying for your child's education and repayment long after they've left college.

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- Last year, students were 4x more likely to be approved with a cosigner. <sup>4</sup>

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## What is a Parent PLUS loan?

A Parent PLUS loan is a federal student loan taken out by the parents of dependent undergraduate students. Independent or graduate and professional students can borrow Grad PLUS loans.

Since it's a federal loan, parents and dependent students must complete the Free Application fo

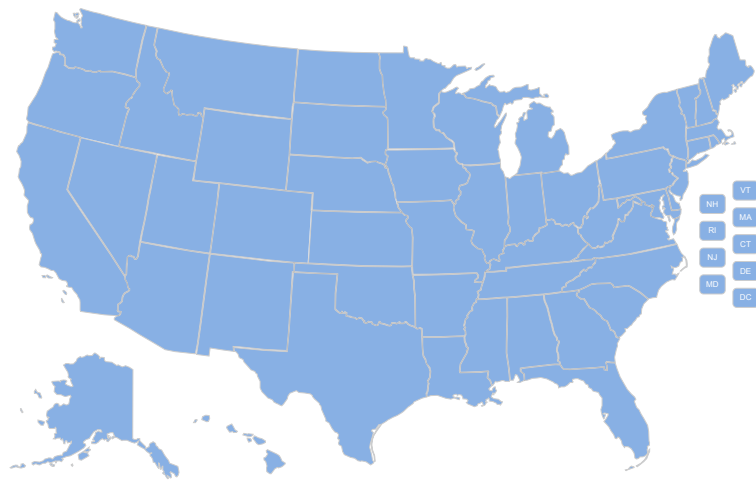
Federal Student Aid (FAFSA) and exhaust all other federal funding options – including scholarships, grants, work-study programs and other loans – before getting a Parent PLUS loan.

"Parent PLUS loans can be a great option once students are already maxed out on their federal aid package after completing the FAFSA," says Alex Cavaliere, a CSLP and financial advisor at Diamond State Financial Group.

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## Who is eligible for a Parent PLUS loan?

Out of all the federal student loans, Parent PLUS loans are the only ones where parents – not students – take out a loan to pay for their child's education costs. Both parents and children need to meet requirements to borrow this loan. Here's how to qualify:

- Parents must be the biological or adoptive parents of a dependent undergraduate student enrolled in an eligible school at least part-time.
- The parent applicant must not have an adverse credit history, including no defaults, foreclosures, wage garnishments, tax liens or bankruptcies in the last five years.
- Students must meet general financial aid eligibility requirements, like enrolling in an eligible school at least part-time.

Out of all the federal student loans, Parent PLUS loans are the only ones that require a credit check. But many parents probably qualify, says Debbie Schwartz, the founder of Road2College, a college planning site.

"Parent PLUS loans require a credit check but the credit criteria to borrow is very loose," she says as long as there is no adverse credit history, a parent can borrow as much money as they need, up to the cost of [college attendance]. This gives parents, who do not have strong credit scores, an option to borrow for college."


## How much can you borrow with a Parent PLUS loan?

Direct loans, including subsidized and unsubsidized loans, come with borrowing limits based on dependency status and school year. But Parent PLUS loans don't have the same restrictions. Sak Kurose, a CFP and associate financial advisor at Omega Wealth Management, says you can borrow as much as you need with these loans.

"Parent PLUS loans are the only type of federal student loan that a parent can take out for their student," she says. "Since there is an annual limit for federal undergraduate loans that can be taken by the students under their names, Parent PLUS loans can be a great tool when their undergraduate students are not able to cover the full cost of their college costs with Direct Subsidized and Unsubsidized undergraduate loans."

It's crucial to avoid overborrowing, however, which could happen since there aren't any limitations on Parent PLUS loans.

"Parents can borrow too much and not realize how much the total cost of the loan really is," Schuchman says.



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## Parent PLUS loans vs private student loans

The 2023 Sallie Mae study found that most families will use less than 30% of scholarships and grants or free money options that don't require repayment after you leave school. Whether you exhaust your free money options or lack time or resources to get scholarships and grants, Parent PLUS loans are a low-cost option to pay for school without taking out private student loans.

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"While the interest rate is a crucial factor, it's also important to assess the overall affordability of a loan," Kurose says. "Federal loans offer benefits like income-driven repayment plans and potential forgiveness, which private loans do not."

Parent PLUS loans might qualify for other federal benefits, like deferment, forbearance and unfixed interest rates. All borrowers pay the same interest rate regardless of credit history, depending on the year you borrow the loan.

"The only borrower of a Parent Plus loan is a parent," Schwartz says. "The student has no legal responsibility to pay back this loan. With private student loans, the student is the borrower and parent is a co-signer, so both share legal responsibility for paying back the loan."

Private student loans, which can be borrowed via credit unions, banks and even online lenders, operate differently. Students borrow these loans with parents, who help them qualify as co-signer since many students don't have the credit standing to borrow alone. Repayment terms and benefits are up to each lender, but many don't offer the same benefits as federal student loans.

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"Private student loans have no leniency in repayment – you can only refinance to a better rate or extend the repayment term for a lower monthly payment," Cavaliere says. There are no income-based repayment plans for private student loans. If you can't afford to make payments, you don't have options for assistance.



## The bottom line

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Before signing out a Parent PLUS loan, make sure you understand who's responsible for repayment and what's at stake for borrowers. After you get all the free money you can, compare all your loan options to see which ones offer the lowest interest rates, are most accessible to qualify for and have the best repayment benefits.



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