



meeting your Expected Family Contribution what is the best education loan option

A COMPREHENSIVE LOOK AT WHICH IS BETTER FOR YOU FEDERAL PLUS VERSUS PRIVATE ALTERNATIVE LOANS

Although college is becoming almost a necessity to finding a rewarding career, paying for it remains a struggle for most. With the rising cost of education, borrowing from a bank continues to be the major source of college financing. But what is the best borrowing option?

The following information is designed to help families, like yours, make the most-informed decision possible.

SOME POPULAR BORROWING OPTIONS

The **Federal Parent Loan for Undergraduate Students (PLUS)** is a loan program guaranteed by the federal government. Parents of a dependent undergraduate student may borrow up to the cost of education less any financial aid annually. There is no maximum limit to the amount you can borrow and the loans are based upon a parent's creditworthiness, not need. PLUS Loans typically go into repayment 60 days after full disbursement, but payments may be delayed under certain conditions.

Through the **PNC Bank Manageable PLUS Program**, parents may delay their principal and interest payments while their dependent student is enrolled in school (for up to four academic years).

Private Alternative Loans are often used for education financing. These low-interest private loans are available to eligible creditworthy student(s) and co-signers attending eligible schools. This loan is similar to other student loans in that there are usually no payments required while in school (although interest is accumulating) or until six months after leaving school.

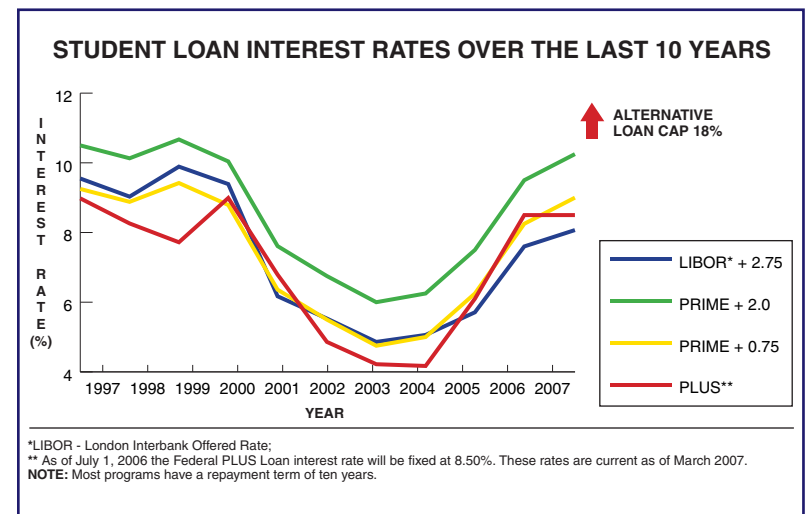
A MATTER OF INTEREST

Interest rates, in general, remain low for the **short-term**. However, financing and repaying a college education is for the **long-term**. Hence, it is important to understand how the rates of these two types of loans have performed in the past. The following graph illustrates the typical interest rates for these loan programs over the last ten years, since most programs have a ten-year repayment term. Depending upon the rate, amount borrowed, and repayment term the amount of interest paid could equal almost 33% of your original loan balance.

for you?

ALTERNATIVE LOAN TIP:

Most lenders commonly add margins to indices, such as those illustrated below, when calculating an alternative loan interest rate.



WHICH OPTION IS BEST FOR YOU?
**THE GREAT DEBATE CONTINUES ON THE
 REVERSE SIDE**

THE GREAT DEBATE: MOST COMMON AND MISUNDERSTOOD REASONS FAMILIES CHOOSE ALTERNATIVE LOANS OVER THE FEDERAL PLUS LOAN PROGRAM —

I want my child to be responsible for this debt, not me. The alternative loan gives me that option. This is true, however, most alternative loan programs require a “co-signer.” As a co-signer that person is **equally** liable to repay the loan obligation. Furthermore, once the loan is disbursed, it is listed on the co-signer’s and the student borrower’s credit report. Any outstanding debt, and delinquencies the borrower makes, directly impacts the co-signer’s credit rating.

I need to be able to delay payments while my child is in school. The alternative loan gives me that option. True, but so does a Manageable PLUS Loan from PNC Bank. PNC Bank has developed a unique program to allow a parent to delay principal and interest payments while their dependent student is enrolled at least half-time for up to four academic years, and still have ten years to repay.

The alternative loan is quicker to get. And I cannot qualify for a PLUS Loan. False, by utilizing the PNC Bank PLUS Loan Pre-Qualification via the web, parents can typically receive a decision much quicker. In addition, the criteria for qualifying for a Federal PLUS Loan is often not as rigorous as that for an alternative loan. In most cases, if the borrower does not qualify for a Federal PLUS Loan they probably will not qualify for an alternative loan.

HOW DOES THE FEDERAL PLUS LOAN PROGRAM COMPARE TO TYPICAL ALTERNATIVE LOANS?

FEDERAL PLUS LOAN PROGRAM

- ✔ Fixed rate of 8.5% beginning July 1, 2006. This rate may change depending on legislative decisions.
- ✔ Accrued interest capitalizes **once** at final repayment
- ✔ May borrow up to the cost of education less other aid
- ✔ Credit check based upon federal standards (easier to qualify); no debt-to-income ratios or credit-scoring
- ✔ Parent is responsible for payment
- ✔ Wide selection of deferment privileges available
- ✔ Federally insured against death and disability for both the parent and student
- ✔ Ability to easily consolidate PLUS Loans (even for multiple students) — *loans are capped at 8.25%*
- ✔ Up to an immediate 1.50% interest rate reduction (PNC Bank’s Manageable PLUS Program)
- ✔ Delayed payment option available through forbearance (PNC Bank’s Manageable PLUS Program)

ALTERNATIVE LOANS

- ✔ Variable interest rate (monthly or quarterly)
- ❑ Interest rate usually will not exceed 18% to 21%
- ✔ Accrued interest may be capitalized **monthly, quarterly, or once** at repayment
- ❑ May borrow up to the cost of education less other aid
- ❑ Borrowers must pass comprehensive credit check
- ❑ Student is responsible for repayment (however, a co-signer is equally liable and the loan — and payment history — are listed on a co-signer’s credit report)
- ❑ Not federally insured against death and disability
- ✔ Limited forbearance and consolidation options available
- ❑ Payments may be deferred while student is enrolled at least half time

BASED UPON THESE STANDARD COMPARISONS

A PLUS Loan is clearly the most cost-effective choice, offering federal protection and more repayment options. The average interest rate over time is far greater for Alternative Loans over that of PLUS Loans. However, the final choice is ultimately yours. We hope the information will help make your decision an informed one.

Here’s how PNC BANK’S MANAGEABLE PLUS program works

When you receive your repayment disclosure, if you feel that immediate repayment may cause temporary hardship, you may call PNC Bank and apply for a temporary hardship forbearance. Forbearance can be granted for no more than twelve months at a time. Therefore, if you wish to extend the forbearance, you must submit a new request each year for a maximum of four academic years. Interest will continue to accrue on the outstanding balance of your loan from the time of disbursement until payment. Interest, which is not paid during any period of deferment or forbearance for which you qualify, will be capitalized (added to the principal balance) when payments are scheduled to begin.

Borrowers will receive an immediate 1% interest rate reduction upon first disbursement. You can retain your 1% interest rate reduction during periods of forbearance and deferment. Furthermore, borrowers will receive an additional 0.50% interest rate reduction for electronic payments (for loans guaranteed on or after January 1, 2007).