

## What does it mean to co-sign a loan?



If you are a parent, consider a Federal Parent Loan for Undergraduate Students (PLUS), before co-signing a private loan. Federal PLUS Loans offer more favorable interest rates and repayment options.

Adding your name to someone else's debt on a private loan is a very serious financial step. Here are some things to consider before you co-sign a loan:

- > When you co-sign a loan, you are signing a legal contract. If the borrower does not repay, it can be reported on your credit record.
- > If the primary borrower gets behind in payments, the lending institution can hold you and the borrower each equally responsible for repaying the entire debt. If it goes to a collection agency, the agency will try to collect from you.
- > Even if the loan is repaid on time each month, another lending institution may consider the amount of debt that you co-signed when determining if you already have too much credit.

For more information on Federal PLUS Loans, please see the other side or contact your school's financial aid office.



1-800-762-1001

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## What is a Federal PLUS Loan?

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).

## 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. Depending upon the rate, amount borrowed, and repayment term the amount of interest paid could equal almost 33% of your original loan balance.

### *The Benefits of a Federal PLUS Loan:*

- > 8.50% Fixed interest rate effective July 1, 2006
- > 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
- > 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)
- > Delayed payment option available through forbearance (PNC Bank's Manageable PLUS Program)



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