The Cost of Postponing Payment

If you choose to postpone payment on your PLUS loan until your student finishes school, it can have a significant impact on the amount you ultimately pay back. The example below approximates interest accrual on one $10,000 PLUS loan taken at the beginning of the first year of attendance. By the end of the fourth year of in-school deferment, the loan balance has grown by more than $3500! By choosing this option, you grant permission to the lender to capitalize (or compound) accrued interest every six months. In other words, all interest accrued every six months is added to the principal balance resulting in paying interest upon interest.

NOTE: The example used above is an approximation and is for the purpose of demonstrating interest accrual only. It is not intended nor recommended that you use these figures to calculate your true costs. For actual cost figures, please contact your lender.