Comparing Federal and Private Student Loans

Need a loan to help pay for college? Consider a federal loan first!

**Federal** vs. **Private**

1. Repayment
   - You will not have to start repaying your federal student loans until you graduate, leave school, or change your enrollment status to less than half-time.
   - Many private student loans require payments while you are still in school.

2. Interest Rates
   - The interest rate is fixed and is often lower than private loans—and much lower than some credit card interest rates.
   - Private student loans can have variable interest rates, some greater than 18%. A variable rate may substantially increase the total amount you repay.

3. Subsidized Loans
   - Undergraduate students with financial need will likely qualify for a subsidized loan where the government pays the interest while you are in school on at least a half-time basis.
   - Private student loans are not subsidized. No one pays the interest on your loan but you.

4. Credit
   - You don’t need to get a credit check for most federal student loans (except for PLUS loans). Federal student loans can help you establish a good credit record.
   - Private student loans may require an established credit record. The cost of a private student loan will depend on your credit score and other factors.

5. Cosigner
   - You won’t need a cosigner to get a federal student loan in most cases.
   - You may need a cosigner.

6. Tax Deduction
   - Interest may be tax deductible.
   - Interest may not be tax deductible.

7. Payment Options
   - If you are having trouble repaying your loan, you may be able to temporarily postpone or lower your payments.
   - Private student loans may not offer forbearance or deferment options.

8. Repayment Plans
   - There are several repayment plans, including options to tie your monthly payment to your income.
   - You should check with your lender to find out about your repayment options.

9. Penalty Fee
   - There is no prepayment penalty fee.
   - You need to make sure there are no prepayment penalty fees.

10. Loan Forgiveness
   - You may be eligible to have some portion of your loans forgiven if you work in public service.
   - It is unlikely that your lender will offer a loan forgiveness program.

11. Assistance
   - Free help is available at 1-800-4-FED-AID and on StudentAid.gov.
   - The Consumer Financial Protection Bureau’s private student loan ombudsman (www.consumerfinance.gov) may be able to assist you if you have concerns about your private student loan.