

Comparing Federal and Private Student Loans

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

Federal	vs.	Private
<p>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.</p> 	<p>1 Repayment</p>	<p>  Many private student loans require payments while you are still in school. </p>
<p>The interest rate is fixed and is often lower than private loans—and much lower than some credit card interest rates.</p> 	<p>2 Interest Rates</p>	<p>  Private student loans can have variable interest rates, some greater than 18%. A variable rate may substantially increase the total amount you repay. </p>
<p>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.</p> 	<p>3 Subsidized Loans</p>	<p>  Private student loans are not subsidized. No one pays the interest on your loan but you. </p>
<p>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.</p> 	<p>4 Credit</p>	<p>  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. </p>
<p>You won't need a cosigner to get a federal student loan in most cases.</p> 	<p>5 Cosigner</p>	<p>  You may need a cosigner. </p>
<p>Interest may be tax deductible.</p> 	<p>6 Tax Deduction</p>	<p>  Interest may not be tax deductible. </p>
<p>If you are having trouble repaying your loan, you may be able to temporarily postpone or lower your payments.</p> 	<p>7 Payment Options</p>	<p>  Private student loans may not offer forbearance or deferment options. </p>
<p>There are several repayment plans, including options to tie your monthly payment to your income.</p> 	<p>8 Repayment Plans</p>	<p>  You should check with your lender to find out about your repayment options. </p>
<p>There is no prepayment penalty fee.</p> 	<p>9 Penalty Fee</p>	<p>  You need to make sure there are no prepayment penalty fees. </p>
<p>You may be eligible to have some portion of your loans forgiven if you work in public service.</p> 	<p>10 Loan Forgiveness</p>	<p>  It is unlikely that your lender will offer a loan forgiveness program. </p>
<p>Free help is available at 1-800-4-FED-AID and on StudentAid.gov.</p> 	<p>11 Assistance</p>	<p>  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. </p>