# Comparing Federal and Private Student Loans

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

## Federal vs. Private

### Repayment

- **Federal**: 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.
- **Private**: Many private student loans require payments while you are still in school.

### Interest Rates

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

### Subsidized Loans

- **Federal**: 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**: Private student loans are not subsidized. No one pays the interest on your loan but you.

### Credit

- **Federal**: You don't need a credit check for most federal student loans (except for PLUS loans). Federal student loans can help you establish a good credit record.
- **Private**: 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.

### Cosigner

- **Federal**: You won't need a cosigner to get a federal student loan in most cases.
- **Private**: You may need a cosigner.

### Tax Deduction

- **Federal**: Interest may be tax deductible.
- **Private**: Interest may not be tax deductible.

### Payment Options

- **Federal**: There are several repayment plans, including options to tie your monthly payment to your income.
- **Private**: Private student loans may not offer forbearance or deferment options. You should check with your lender to find out about your repayment options.

### Penalty Fee

- **Federal**: There is no prepayment penalty fee.
- **Private**: You need to make sure there are no prepayment penalty fees.

### Loan Forgiveness

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

### Assistance

- **Federal**: Free help is available at 1-800-4-FED-AID and on StudentAid.gov.
- **Private**: 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.

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