These loans can come from banks, credit unions, schools or other private institutions.

No matter how you choose to finance your education, fully understand what you are signing and borrow only what you absolutely need.

Many students jump into student loan debt without a real understanding of what lies ahead.

FEDERAL STUDENT LOANS

These loans are government-funded.

PRIVATE STUDENT LOANS

These loans can come from banks, credit unions, schools or other private institutions.

A LOOK AT THE DIFFERENCES

FEDERAL VERSUS PRIVATE STUDENT LOANS

How is interest charged?

The interest rate for Federal student loans is set by Congress. It’s a fixed rate that’s often lower than private loan rates.

The interest rate for private student loans varies from lender to lender. Unlike Federal loans, private loans do not accrue interest during grace periods.

Are the loans subsidized?

Certain federal student loans, such as the Perkins Loan, are government-subsidized. This means that the government pays the interest on your loan while you’re in school and for a grace period—usually six months—after graduation.

Private student loans are not government-subsidized. Interest starts accumulating from day one and you’re responsible for paying it—even while you’re a student.

What are the eligibility requirements?

There is a range of Federal student loans available, and they all have their own eligibility requirements. Some of the criteria are very basic, like being a full-time student and maintaining good grades. Other loans are only available based on financial need.

Although private lenders don’t typically consider financial need when offering loans, they may have other requirements similar to those associated with regular personal loans. You may need to have a good credit score, for instance, or have a parent co-sign.

What are the repayment options?

Federal student loans generally provide more flexible repayment options than private student loans.

Private loans tend to be more rigid when it comes to repayment, and private student loans can be trickier to consolidate.

In addition, be sure to compare other factors including loan fees, tax deductions, spending restrictions, prepayment penalties and borrowing limits.

Submit a Free Application for Federal Student Aid (FAFSA) to find out if you qualify for financial aid (fafsa.ed.gov).

FEDERAL STUDENT LOANS FRAN #15010P 4/12

PRIVATE STUDENT LOANS

FRAN #15010P 4/12

Sources: Federal Student Aid, Forbes.com, Investopedia, Vice.com

It’s a Money Thing is a registered trademark of Currency Marketing

Pay for School

STUDENT LOANS 101

BROUGHT TO YOU BY

It’s a Money Thing is a registered trademark of Currency Marketing

Sources: Federal Student Aid, Forbes.com, Investopedia, Vice.com

Pay for School

STUDENT LOANS 101

BROUGHT TO YOU BY

It’s a Money Thing is a registered trademark of Currency Marketing

Sources: Federal Student Aid, Forbes.com, Investopedia, Vice.com

In a sharing economy, you’re the audience of American Capitalism.