

Understanding the Differences between Federal and Private Education Loans



With so many borrowing options available to parents and students, it's easy to be confused about the best way to finance college education. Among the more commonly used options are Federal Education Loans (Stafford and PLUS Loans) and Private Education Loans. The chart below is designed to help you understand the differences that exist between these two loan options. SunTrust recommends students consider all aid alternatives including grants, scholarships, and federal loans prior to applying for private loans.

	FEDERAL EDUCATION LOANS		PRIVATE EDUCATION LOANS
	Stafford Loans	PLUS Loans	
Interest Rate	Subsidized undergraduate: Fixed at 5.6% ¹ Subsidized graduate: Fixed at 6.8% ² Unsubsidized undergraduate and graduate: Fixed at 6.8% ²	Fixed at 8.50% ¹	Maximum APR varies by lender
Borrower	Student responsible for repayment	Parent or Graduate/Professional student responsible for repayment	Student and cosigner, if applicable, are responsible for repayment
Credit Review	No debt-to-income or credit check performed	No debt-to-income performed, but a credit report is reviewed	Credit approval process more comprehensive
Loan Limit	Annual and aggregate limits set by the Federal government are based on grade level and dependency status	May borrow up to the total Cost of Education minus financial aid received	Borrowing limits vary by lender and by the total Cost of Attendance
Repayment	Begins 6 months after graduation, withdrawal from school, or dropping below half-time; deferments available ³	Begins within 60 days of final disbursement; in-school deferment available ³	Deferment options vary by lender ³
Deferment	Longer deferment and forbearance privileges available	Longer deferment and forbearance privileges available	Limited deferment and forbearance options
Insured	Federally insured against death and disability	Federally insured against death and disability	Not federally insured against death and disability

¹ Effective for new loans disbursed on or after 7/1/09. Actual APRs will exceed the above interest rate.

² Effective for loans disbursed on or after 7/1/06. Actual APRs will exceed the above interest rates. Stafford loans disbursed previous to 7/01/06 will continue with a variable, annually-adjusted rate, capped at 8.25%. PLUS loans disbursed previous to 7/01/06 will continue with a variable, annually-adjusted rate, capped at 9%.

³ Interest will accrue and be capitalized (added to the loan balance) at the end of each deferment or forbearance period. Effective 7/1/08, Parent PLUS borrowers may choose to defer payments until six months after student graduates, withdraws, or drops below half-time status.