

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 the loan types. SunTrust recommends students exhaust all aid alternatives including grants, scholarships and federal loans prior to applying for private loans.

	FEDERAL EDUCATION LOANS (DIRECT LOANS) ¹		PRIVATE EDUCATION LOANS
	Stafford Loans	PLUS Loans	
Interest Rate	<ul style="list-style-type: none"> Subsidized undergraduate: Fixed at 4.5%² Subsidized graduate: Fixed at 6.8%² Unsubsidized undergraduate and graduate: Fixed at 6.8%² 	Fixed at 7.90% ²	<ul style="list-style-type: none"> Maximum APR varies by lender and loan program Based on credit history
Borrower	Student is responsible for repayment	<ul style="list-style-type: none"> Parent is responsible for Parent PLUS repayment Graduate or professional student is responsible for Grad PLUS 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	Comprehensive credit approval process
Loan Limits	Annual and aggregate limits set by the Federal government are based on grade level and dependency status	May borrow up to the Cost of Attendance minus financial aid received	Borrowing limits vary by lender, loan program and by Cost of Attendance
Repayment	<ul style="list-style-type: none"> Begins 6 months after graduation, withdrawal from school, or dropping below half-time Up to 10 years to repay 	<ul style="list-style-type: none"> Begins within 60 days of final disbursement Up to 10 years to repay 	Options vary by lender and loan program
Deferment	Multiple deferment and forbearance options available ³	Multiple deferment and forbearance options available ³	Deferment and forbearance options vary by lender and loan program ⁴
Insured	Federally insured against death and disability	Federally insured against death and disability	Not federally insured

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¹Effective July 1, 2010, Federal Education Loans are only available directly from the U.S. Department of Education.

²Effective for new loans first disbursed between 7/1/10 and 6/30/11. Actual APRs will exceed the above interest rate.

³Interest will continue to accrue during periods of deferment or forbearance, and it will be capitalized (added to the principal loan balance) at the end of each deferment or forbearance period.

⁴Interest will continue to accrue during periods of deferment or forbearance. Interest capitalization policies may vary by lender.