



Understanding the Differences between Federal and Private Student Loans

With so many borrowing options available to parents and students, it's easy to be confused about the best way to finance a college education. Among the more commonly used options are Federal student loans and Private student loans.

The chart below is designed to help you understand the differences that exist between student loan types. SunTrust recommends students exhaust all aid alternatives including grants, scholarships and federal loans prior to applying for private loans.

	FEDERAL STUDENT LOANS (DIRECT LOANS) ¹		PRIVATE STUDENT LOANS
	Direct Loans (Subsidized/Unsubsidized)	Direct PLUS Loans	
Interest Rate	<ul style="list-style-type: none"> Rates are typically fixed and are set annually by the U.S. Department of Education² Rates may be lower than interest rates for private student loans 	<ul style="list-style-type: none"> Rates are typically fixed and are set annually by the U.S. Department of Education² Rates may be lower than interest rates for private student loans 	<ul style="list-style-type: none"> Rates may be variable or fixed, are based on credit history and vary by lender/loan program Based on an applicant's credit, rates may be lower than interest rates for federal student loans
Borrower	Student is the primary borrower and 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 analysis or credit check performed	No debt-to-income analysis 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"> Generally, you are not required to make payments while in school Begins 6 months after graduation, withdrawal from school, or dropping below half-time Generally, from 10 to 25 years to repay, depending on the repayment plan chosen 	<ul style="list-style-type: none"> Generally, you are not required to make payments while in school Begins within 60 days of final disbursement Generally, from 10 to 25 years to repay, depending on the repayment plan chosen 	<ul style="list-style-type: none"> Generally, you are not required to make payments while in school but can choose to do so Generally begins 6 months after graduation, withdrawal from school, or dropping below half-time Repayment terms vary by lender
Deferment	Multiple deferment options available ³	Multiple deferment options available ³	Deferment options vary by lender and loan program ⁴
Forbearance	Multiple forbearance options available ³ , but federal student loans typically offer forbearance intervals of up to 12 months at a time for up to a total of three years	Multiple forbearance options available ³ , but federal student loans typically offer forbearance intervals of up to 12 months at a time for up to a total of three years	Forbearance options vary by lender and loan program ⁴
Death/Disability Forgiveness	Loan forgiveness in the event of death or disability	Loan forgiveness in the event of death or disability	Several lenders offer loan forgiveness in the case of student death or disability

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

²For current federal loan interest rates, visit federalstudentaid.ed.gov or contact your school's financial aid office.

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.

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