

Student Loan Types Comparison Chart

Chapter 7.5: Understanding Student Loans

Federal vs. Private Student Loans

Feature	Federal Student Loans	Private Student Loans
Lender	U.S. Department of Education	Banks, credit unions, online lenders, schools
Credit Check Required	No (except for PLUS loans)	Yes (credit score and history affect approval and rates)
Cosigner Required	No (except for PLUS loans if parent has adverse credit)	Usually yes for students with limited credit history
Interest Rate Type	Fixed (set by federal law annually)	Fixed or variable (determined by lender)
Current Interest Rates (2024-2025)	Undergraduate: 5.50% Graduate/Professional: 7.05% PLUS Loans: 8.05%	Variable: 4.00% - 14.99% Fixed: 5.25% - 16.99% (depending on credit score and market conditions)
Interest Subsidy Available	Yes (on Direct Subsidized Loans for undergraduates with financial need)	No
Loan Fees	Approximately 1.057% for Direct Loans 4.228% for PLUS Loans	Varies by lender (0-5% origination fees)
Repayment Start	6 months after graduation, leaving school, or dropping below half-time enrollment	Varies by lender (may require payments while in school)

Repayment Plans	<p>Multiple options including:</p> <ul style="list-style-type: none"> - Standard (10 years) - Graduated - Extended (up to 25 years) - Income-Driven Plans (IDR, PAYE, REPAYE, IBR) 	<p>Limited options (typically 5-20 year terms)</p> <p>Income-driven plans rarely available</p>
Loan Forgiveness Options	<p>Yes</p> <ul style="list-style-type: none"> - Public Service Loan Forgiveness (10 years) - Teacher Loan Forgiveness - Income-driven repayment forgiveness (20-25 years) - Disability discharge 	<p>No (rarely available)</p>
Deferment/Forbearance	<p>Yes (multiple options for economic hardship, unemployment, etc.)</p>	<p>Limited (varies by lender, usually shorter terms)</p>
Consolidation Options	<p>Yes (Federal Direct Consolidation Loan)</p>	<p>Refinancing only (requires credit check)</p>
Death/Disability Discharge	<p>Yes</p>	<p>Rare (varies by lender)</p>

Note: Interest rates and loan terms are subject to change. Federal student loan interest rates are adjusted annually on July 1 and are fixed for the life of the loan. Private loan rates vary by lender, credit score, and market conditions.

Types of Federal Student Loans

Loan Type	Eligibility	Features	Annual Limits (2024-2025)
Direct Subsidized Loans	Undergraduate students with demonstrated financial need	<ul style="list-style-type: none">• Government pays interest while in school, during grace period, and deferment• 5.50% fixed interest rate• 1.057% loan fee	\$3,500 to \$5,500 per year depending on year in school and dependency status
Direct Unsubsidized Loans	Undergraduate and graduate students (no financial need requirement)	<ul style="list-style-type: none">• Student responsible for all interest• 5.50% fixed rate for undergraduates• 7.05% fixed rate for graduate students• 1.057% loan fee	Dependent undergrads: \$5,500-\$7,500 per year Independent undergrads: \$9,500-\$12,500 per year Graduate students: \$20,500 per year
Direct PLUS Loans (Parent PLUS & Grad PLUS)	<ul style="list-style-type: none">• Parents of dependent undergraduate students• Graduate/professional students	<ul style="list-style-type: none">• Credit check required• 8.05% fixed interest rate• 4.228% loan fee	Up to the total cost of attendance minus any other financial aid received

Direct Consolidation Loans	Borrowers with eligible federal student loans	<ul style="list-style-type: none"> Combines multiple federal loans into one Weighted average interest rate rounded up to nearest 1/8th percent No loan fee May extend repayment period 	No limit (can consolidate all eligible federal loans)
----------------------------	---	--	---

Income-Driven Repayment (IDR) Plans Comparison

Plan Name	Payment Amount	Repayment Period	Key Features
Income-Based Repayment (IBR)	10-15% of discretionary income	20-25 years	<ul style="list-style-type: none"> 15% for older borrowers 10% for new borrowers after July 1, 2014 Must demonstrate partial financial hardship
Pay As You Earn (PAYE)	10% of discretionary income	20 years	<ul style="list-style-type: none"> Monthly payment never higher than standard 10-year plan Must be a new borrower as of Oct. 1, 2007
Revised Pay As You Earn (REPAYE)	10% of discretionary income	20 years (undergraduate) 25 years (graduate)	<ul style="list-style-type: none"> Available to all Direct Loan borrowers No income eligibility requirements 50% interest subsidy benefit
SAVE Plan (Saving on a Valuable Education)	5-10% of discretionary income	20-25 years	<ul style="list-style-type: none"> Newest plan (2023) Most generous terms for undergraduate borrowers Higher income exemption threshold

Discretionary Income: Generally defined as the difference between your annual income and 150% of the poverty guideline for your family size and state of residence. The SAVE plan uses a higher threshold of 225% of the poverty guideline.