

Federal Direct Student Loans vs. Private Educational Alternative Loans

A Federal Direct Student Loan is one of the best ways for you, as a student, to pay for college after exploring your options for scholarships and grants. A Private Educational Alternative Loan is a private loan that a student may apply for from a lending institution or organization. Private Educational Alternative Loans are not part of federal aid programs.

	Federal Direct Student Loan	Private Educational Alternative Loans
Interest Rate	<ul style="list-style-type: none"> Federal Direct Student Loans first disbursed on/after July 1, 2024 and prior to July 1, 2025 have a fixed interest rate of 6.53% (Undergraduate) and 8.08% (Graduate). 	<ul style="list-style-type: none"> Both fixed and variable interest rates may be available but vary by lender. Check with lender for more information.
Fees	<ul style="list-style-type: none"> Federal Direct Student Loans first disbursed on/after October 1, 2023 and prior to October 1, 2024 have a 1.057% origination fee charged. 	<ul style="list-style-type: none"> Fees vary among lenders. Often, fees will be determined in part by measure of creditworthiness.
Credit Requirements	<ul style="list-style-type: none"> No credit check required. No cosigner required. 	<ul style="list-style-type: none"> Terms vary by lender, most of whom use credit scores or debt-to-income ratios to determine creditworthiness, interest rates, and fees. A cosigner may be required. Many lenders provide a cosigner release option where the student can apply to release the cosigner after they graduate and make a specified number of on-time payments.
Loan Limits	<ul style="list-style-type: none"> Please visit https://studentaid.gov for more information on loan limits. 	<ul style="list-style-type: none"> Student (typically with cosigner) may borrow up to the cost of education less other aid. Limits depend on maximums established by lenders, as well as borrower and co-borrower credit score.
Interest Accrual	<ul style="list-style-type: none"> Subsidized Loans – The federal government pays the interest during in-school, grace and authorized deferment periods. Unsubsidized Loans – You are responsible for paying the interest that accrues from the date of disbursement until the loan is paid in full. Accrued and unpaid interest may be capitalized according to federal regulation. 	<ul style="list-style-type: none"> Accrued interest may be capitalized monthly, quarterly or once at repayment.
Cancellation	<ul style="list-style-type: none"> Although Federal Direct Student Loans must be repaid in full, there are a few situations in which your loan(s) may be discharged and your repayment obligation cancelled including, but not limited to, total and permanent disability and death. 	<ul style="list-style-type: none"> Alternative loans are not insured against death or disability. Some lenders waive the remaining balance in the event of the primary borrower's death or total and permanent disability. Insurance may be available at an extra cost to borrowers.
Repayment Terms	<ul style="list-style-type: none"> No principal payments are due during in-school, grace and deferment periods. The six-month grace period begins the day after you cease to be enrolled at least half-time. There are no penalties for paying off your loan early. Depending on the amount borrowed and repayment option selected, you may have between 10 to 25 years to repay. 	<ul style="list-style-type: none"> Repayment varies by lender. Many lenders defer payments while the student is enrolled in school (interest accrues during this time). Many lenders offer options to make interest payments while in school. Students may select from several repayment plans, and most lenders allow prepayment and early payoff without penalty.
Deferment and/or Forbearance	<ul style="list-style-type: none"> Various deferment and forbearance options are available. During deferment or forbearance, loan payments are postponed or reduced. 	<ul style="list-style-type: none"> Deferment options vary widely and are generally less flexible than Direct Student Loan deferments.
Consolidation	<ul style="list-style-type: none"> Federal education loans may be consolidated into a single federal loan at a fixed interest rate not to exceed 8.25%. 	<ul style="list-style-type: none"> Interest rates are variable and scaled to credit. Alternative loans may not be consolidated into a federal consolidation program.