

Why Get a Federal Student Loan?

If you apply for financial aid, your school is likely to include student loans as part of your financial aid package—possibly both federal student loans and private loans. Before you agree to take out a loan, research all your loan options and then make sure you understand the type of loan you are receiving and the terms and conditions of the loan. If you don't, you may find that you have multiple types of loans requiring separate monthly payments.

Federal student loans come from the federal government, while private student loans are made by private sources, such as banks or financial institutions. They are an excellent resource to help you pay any education expenses you may have remaining after you've used all other sources of income, including grants, scholarships, savings, and income from employment.

Federal Student Loan Programs

The U.S. Department of Education (ED) has two federal student loan programs:

- The William D. Ford Federal Direct Loan (Direct Loan) Program is ED's main federal student loan program.
- The Federal Perkins Loan Program is a school-based loan program for undergraduate and graduate students with exceptional financial need. Under this program, the school is the lender. *Note: Some schools do not offer this program.*

Learn more about federal student loans at [StudentAid.gov/loans](https://studentaid.gov/loans).

Benefits of Federal Student Loans

Delayed repayment. Repayment doesn't start immediately. For some federal student loans you have several months after you leave school or change your enrollment status to less than half-time before your first payment is due. If you were to get a private loan or use a credit card, it's likely that you would have to begin making payments immediately.

Low interest rates. The interest rate on a federal student loan is fixed and is often lower than the interest rate on a private loan—and usually much lower than rates for most credit cards.

No interest charges. The federal government does not charge interest on some federal student loans while you are still in school and enrolled at least half-time and during certain other periods.

No credit check. You don't need a credit check (except for a PLUS loan), but one is usually required for private loans and credit cards. Private student loans may require an established credit record. The cost of a private student loan may depend on your credit score and other factors.

No cosigner is needed. You won't need a cosigner to get a federal student loan, but you may need one for most private loans.

Multiple repayment plans. Federal student loans offer a variety of repayment plans, including income-driven plans that allow your payment amount to be based on your income. Get detailed information about each repayment plan at [StudentAid.gov/repay](https://studentaid.gov/repay) and watch *Repayment: What to Expect*, a video that provides an overview of the repayment plans available at [StudentAid.gov/resources#repayment-expect-video](https://studentaid.gov/resources#repayment-expect-video).

You can consolidate your federal student loans into a Direct Consolidation Loan. Loan consolidation can greatly simplify loan repayment by centralizing your loans to one bill and can lower monthly payments by giving you up to 30 years to repay your loans. And, while private student loans cannot be consolidated into a Direct Consolidation Loan, the extended period of time you to have to repay your Direct Consolidation Loan is based on the amount of your total student loan debt, including how much you owe in private student loans. Learn about your consolidation options at [StudentAid.gov/consolidation](https://studentaid.gov/consolidation).

Forgiveness programs. Certain circumstances might lead to your loan being forgiven. There are forgiveness programs for teachers, government employees, and employees of many not-for-profit organizations. Learn more at [StudentAid.gov/forgiveness](https://studentaid.gov/forgiveness).

Get Answers to Your Questions About Federal Student Loans

Contact the Federal Student Aid Information Center:

- 1-800-4-FED-AID (1-800-433-3243) or 1-800-730-8913 (TTY for the hearing impaired)
- studentaid@ed.gov

Find this fact sheet at [StudentAid.gov/resources#why-federal-loan](https://studentaid.gov/resources#why-federal-loan).

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