

## Federal Student Loans vs. Credit Cards

Have you been offered “free” incentives, like a nice pair of sunglasses or a gift certificate just for simply taking out a credit card to cover part of your education? Unfortunately, that pair of sunglasses or gift certificate may be the only benefit you ever receive for applying for that credit card – and the interest that you pay on the credit card will hardly make the sunglasses a free gift!

### Advantages to Federal Student Loans

As a graduate student, you have a much better option to fund your education – **federal student loans**. The most evident differences between federal student loans and credit cards are the interest rates and monthly payments. Interest rates on federal student loans can be as low as 5%, where as some credit cards can be around 20%, if not more! The difference between the two will be a significant amount of money! Putting this into perspective, for every percentage point of interest on every \$1,000 owed, expect to pay at least \$12 more a month. Also, discounted interest rates can be raised to the maximum by the credit card company under their terms and conditions. Often, the maximum rates are double the discounted rates!

The federal loan rate is the lowest rate, and if you choose credit cards, you lose all of the other benefits associated with federal student loans too. You have available to you a host of other benefits to federal student loans over credit cards, as reflected in the following comparison chart:

Benefits	Federal Student Loan	Credit Card
Low, interest rates	x	
Free loan origination – no fees	x	
No credit checks	x	
Backed by federal government	x	
Forgiven upon death	x	
Deferment available	x	
Forbearance available	x	
Forgiveness available	x	

Available to all graduate school/graduate borrowers with **Graduate Student Loans** (based on total amount of eligible federal student loans)

### Federal Student Loan Consolidation

With **federal student loans** the benefits continue. As a graduate student, you can **consolidate** all of your graduate and undergraduate federal loans into a single monthly payment.

When you consolidate with an industry expert, like **Graduate School Loans**, you can **save thousands of dollars** over the life of your loan with benefits like low, fixed interest rates and interest rate reductions. **Graduate School Loans** also offers a full range of repayment plans for federal student loans, which are:

- **Equal Payments**  
This is the standard option in which both the interest and principal will be paid equally over the life of the loan. Your monthly payment amounts will not change over the life of the loan.
- **Select2/Graduated Payments**  
With this option, you will be allowed to make interest-only payments for the first two years of repayment. After two years, the payments will increase to include equal installments of both the interest and principal for the remaining term of the loan.
- **Select 5/Graduated Payments**  
This option allows you to make interest-only payments for the first two years of repayment. During the third through fifth years of the loan, the payments will increase to include only a portion of the principal with the interest. Upon the sixth year, your payments will once again increase to include both the principal and interest equally throughout the remainder of the loan.
- **Income-Sensitive Payments**  
This option provides for payments to be adjusted annually, based on your expected total monthly gross income from employment and all other sources.
- **Extended Equal Payments**  
This option allows up to a 25-year repayment term for loan balances between \$30,000 and \$40,000 of equal payments.
- **Extended Select 2/ Payments**  
This option allows up to a 25-year repayment term for loan balances between \$30,000 and \$40,000 with the Select 2/Graduated Payment Plan.
- **Extended Select 5/ Payments**  
This option allows up to a 25-year repayment term for loan balances between \$30,000 and \$40,000 with the Select 5/Graduated Payment Plan.

For more information on federal student loans, read more articles on **Graduate School Loans'** website or visit the following websites:

[studentaid.ed.gov/PORTALSWebApp/students/english/index.jsp](http://studentaid.ed.gov/PORTALSWebApp/students/english/index.jsp)

[www.ed.gov/offices/OSFAP/DirectLoan/index.html](http://www.ed.gov/offices/OSFAP/DirectLoan/index.html)

[www.fafsa.ed.gov](http://www.fafsa.ed.gov)