



Student Loan Tips

Federal vs. Private Student Loans: Which Is Right for You?

Understand the key differences between federal and private student loans — including how they're funded, who qualifies, and when to consider each option.

By **Lisa Kaplan** / June 6, 2025

5 min read

When it comes to paying for college, most students rely on a combination **of federal aid, scholarships, and private student loans**. But understanding the **differences between federal and private loans** is essential to making smart financial decisions — both now and after graduation.

Here's what you need to know.

What Are Federal Student Loans?

Federal student loans are offered by the U.S. Department of Education and are typically the first option students should explore when seeking college funding. They're part of the government's financial aid system, which also includes grants and work-study.

Key Features:

- **Fixed interest rates** set by the government
- No credit check required for most undergraduates
- **Flexible repayment options** including income-driven plans
- Potential eligibility for **loan forgiveness programs**
- Subsidized loans available for students with financial need (the government covers interest while you're in school)

Best For:

- Students who qualify for aid through the **FAFSA®**, especially those with limited credit history or demonstrated financial need.

What Are Private Student Loans?

Private student loans are offered by banks, credit unions, and financial institutions like GradBridge. They help cover the gap when federal aid doesn't fully meet the cost of attendance — which is common for many students.

Key Features:

- Based on **creditworthiness** — most students need a **cosigner**
- **Offer fixed or variable interest rates**, depending on the lender
- Fewer built-in protections like deferment or income-based repayment
- Can be customized with different loan terms and repayment plans
- Used to pay for **school-certified costs** like tuition, housing, books, and more

Best For:

- Students who've exhausted federal options and still have a funding gap — or who want flexible options tailored to their financial situation.

How GradBridge Fits In

GradBridge offers a **second-look private student loan** for students who just miss approval with traditional lenders. If you've already applied for a private loan and were declined, we offer a second chance — with responsible lending and a strong support system to help you stay enrolled and on track to graduate.

Which One Should You Choose?

Start with federal loans — they're typically more affordable and flexible in the long term. But if there's a gap between your financial aid and the total cost of attendance, **private student loans can help fill in the rest.**

Still not sure what's best for you? Talk to your school's financial aid office — and if you've been declined for a private loan, GradBridge may be able to help.