

Money 101

5.21 Student Loans

BELOW is a reprint of an article from a government website.

SLIGHTLY edited for brevity.

<https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized>



This article covers:

- What’s the difference between Direct Subsidized Loans and Direct Unsubsidized Loans?
- How much can I borrow?
- Am I eligible for a Direct Subsidized Loan or a Direct Unsubsidized Loan?
- How do I apply for a loan?
- What are the current interest rates?
- Other than interest, is there a charge for this loan?
- What additional steps must I take to receive my loan?
- How will I receive my loan?
- Who will contact me after I receive my loan?
- When do I have to pay back my loan?
- What types of loan repayment plans are available?
- What if I have trouble repaying my loan?
- Can I cancel a loan if I decide that I don’t need it or if I need less than the amount offered?
- Can my loan ever be forgiven or discharged?
- **Where can I find information about the student loans I’ve received?**

Direct Subsidized Loans and Direct Unsubsidized Loans are federal student loans offered by the U.S. Department of Education (ED) to help eligible students cover the cost of higher education at a four-year college or university, community college, or trade, career, or technical school. (You might see Direct Subsidized Loans and Direct Unsubsidized Loans referred to as Stafford Loans or Direct Stafford Loans, but these aren’t the official loan names.)

What’s the difference between Direct Subsidized Loans and Direct Unsubsidized Loans?

In short, Direct Subsidized Loans have slightly better terms (Interest rates) to help out students with [financial need](#).

DIRECT SUBSIDIZED LOANS

Who can get Direct Subsidized Loans?

Direct Subsidized Loans are available to undergraduate students with financial need.

How much can you borrow?

The school determines the amount you can borrow, based on financial need.

Who will pay the interest?

The U.S. Department of Education pays the interest on a Direct Subsidized Loan

- while you're in school at least half-time,
- for the first six months after you leave school (referred to as a [grace period*](#)), and
- during a period of [deferment](#) (a postponement of loan payments).

DIRECT UNSUBSIDIZED LOANS

Who can get Direct Unsubsidized Loans?

Direct Unsubsidized Loans are available to undergraduate and graduate students; there is no requirement to demonstrate financial need.

How much can you borrow?

The school determines the amount a student can borrow based on your cost of attendance and other financial aid you receive.

Who will pay the interest?

You are responsible for paying the interest on a Direct Unsubsidized Loan during all periods.

CAUTION>>>>>

If you choose not to pay the interest while you are in school and during grace periods and deferment or forbearance periods, your interest will accrue (accumulate) and be capitalized (that is, your interest will be added to the principal amount of your loan).

How much can I borrow?

Your school determines the loan type(s), if any, and the actual [loan](#) amount you are eligible to receive each [academic year](#). However, there are limits on the amount in subsidized and unsubsidized loans that you may be eligible to receive each academic year (annual loan limits) and the total amounts that you may borrow for undergraduate and graduate study (aggregate loan limits). The actual loan amount you are eligible to receive each academic year may be less than the annual loan limit. These limits vary depending on

- what year you are in school and
- whether you are a dependent or [independent student](#).

If you are a [dependent student](#) whose parents are not eligible for a [Direct PLUS Loan](#), you may be able to receive additional Direct Unsubsidized Loan funds.

Money 101

5.21 - Student Loans – subsidized and unsubsidized

The following chart shows the CURRENT annual and aggregate limits for subsidized and unsubsidized loans.

Year	Dependent Students (except students whose parents are unable to obtain PLUS Loans)	Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)
First-Year Undergraduate Annual Loan Limit	\$5,500-No more than \$3,500 of this amount may be in subsidized loans.	\$9,500-No more than \$3,500 of this amount may be in subsidized loans.
Second-Year Undergraduate Annual Loan Limit	\$6,500-No more than \$4,500 of this amount may be in subsidized loans.	\$10,500-No more than \$4,500 of this amount may be in subsidized loans.
Third Year and Beyond Undergraduate Annual Loan Limit	\$7,500 per year-No more than \$5,500 of this amount may be in subsidized loans.	\$12,500-No more than \$5,500 of this amount may be in subsidized loans.
Graduate or Professional Student Annual Loan Limit	Not Applicable (all graduate and professional degree students are considered independent).	
Subsidized and Unsubsidized Aggregate Loan Limit	\$31,000-No more than \$23,000 of this amount may be in subsidized loans.	\$57,500 for undergraduates-No more than \$23,000 of this amount may be in subsidized loans. \$138,500 for graduate or professional students-No more than \$65,500 of this amount may be in subsidized loans. The graduate aggregate limit includes all federal loans received for undergraduate study.

Notes:

- The graduate aggregate limit includes all federal loans received for undergraduate study.
- The aggregate loan limits include any Subsidized Federal Stafford Loans or Unsubsidized Federal Stafford Loans you may have previously received under the [Federal Family Education Loan \(FFEL\) Program](#). As a result of legislation that took effect July 1, 2010, no further loans are being made under the [FFEL Program](#).
- Effective for periods of enrollment beginning on or after July 1, 2012, graduate and professional students are no longer eligible to receive Direct Subsidized Loans. The \$65,500 subsidized aggregate loan limit for graduate or professional students includes subsidized loans that a graduate or professional student may have received for periods of enrollment that began before July 1, 2012, or for prior undergraduate study.

If the total loan amount you receive over the course of your education reaches the aggregate loan limit, you are not eligible to receive additional loans. However, if you repay some of your loans to bring

5.21 - Student Loans – subsidized and unsubsidized

your outstanding loan debt below the aggregate loan limit, you could then borrow again, up to the amount of your remaining eligibility under the aggregate loan limit.

Graduate and professional students enrolled in certain health profession programs may receive additional Direct Unsubsidized Loan amounts each academic year beyond those shown above. For these students, there is also a higher aggregate limit on Direct Unsubsidized Loans. If you are enrolled in a health profession program, talk to the [financial aid office](#) at your school for information about annual and aggregate limits.

Am I eligible for a Direct Subsidized Loan or a Direct Unsubsidized Loan?

To receive either type of loan, you must be enrolled at least half-time at a school that participates in the [Direct Loan](#) Program. Generally, you must also be enrolled in a program that leads to a degree or certificate awarded by the school. Direct Subsidized Loans are available only to undergraduate students who have financial need. Direct Unsubsidized Loans are available to both undergraduates and graduate or professional degree students. You are not required to show financial need to receive a Direct Unsubsidized Loan.

How do I apply for a loan?

To apply for a Direct Loan, you must first complete and submit the [Free Application for Federal Student Aid \(FAFSA®\) form](#). Your school will use the information from your [FAFSA form](#) to determine how much student aid you are eligible to receive. Direct Loans are generally included as part of your [financial aid package](#).

What are the current interest rates?

The interest rates for Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed on or after July 1, 2022 and before July 1, 2023 are shown in the chart below.

Undergraduate Borrowers	Graduate or Professional Borrowers
4.99%	6.54%
Direct Subsidized Loans and Direct Unsubsidized Loans	Direct Unsubsidized Loans

Note: The interest rates shown above are fixed rates for the life of the loan.

Got other questions about interest?

- [Understanding interest rates and fees](#)—Find out how interest is calculated.
- [Information for military members](#)—If you are a member of the military, you may be eligible for special interest benefits relating to your federal student loans.

Other than interest, is there a charge for this loan?

Yes, there is a loan fee on all Direct Subsidized Loans and Direct Unsubsidized Loans. The loan fee is a percentage of the loan amount and is proportionately deducted from each loan [disbursement](#). The percentage varies depending on when the loan is first disbursed, as shown in the chart below.

Loan Fees for Direct Subsidized Loans and Direct Unsubsidized Loans

First Disbursement Date	Loan Fee
On or after Oct. 1, 2019, and before Oct. 1, 2020	1.059%
On or after Oct. 1, 2020, and before Oct. 1, 2023	1.057%

Loans first disbursed prior to Oct. 1, 2019, have different loan fees.

What additional steps must I take to receive my loan?

If your financial aid package includes federal student loans, your school will tell you how to accept the loan. If it is your first time receiving a Direct Loan, you will be required to

- complete [entrance counseling](#), a tool to ensure you understand your obligation to repay the loan; and
- sign a loan contract called a [Master Promissory Note](#), agreeing to the terms of the loan.

Contact the financial aid office at the school you are planning to attend for details regarding the process for receiving a loan at your school.

How will I receive my loan?

The school will first apply your loan funds to your school account to pay for tuition, fees, [room and board](#), and other school charges. If any additional loan funds remain, they will be returned to you. All loan funds must be used for your education expenses. [Learn more about the process of receiving federal student aid](#).

Who will contact me after I receive my loan?

When you receive your Direct Loan, you will be contacted by your [loan servicer](#) (you repay your loan to the loan servicer). Your loan servicer will provide regular updates on the status of your Direct Loan, and any additional Direct Loans that you receive.

When do I have to pay back my loan?

After you graduate, leave school, or drop below half-time enrollment, you will have a six-month grace period before you are required to begin repayment. During this period, you'll receive repayment information from your loan servicer, and you'll be notified of your first payment due date. Payments are usually due monthly. [Learn more about repaying your loan](#).

What types of loan repayment plans are available?

There are several repayment options available that are designed to meet the individual needs of borrowers. Your loan servicer can help you understand which repayment options are available to you. Generally, you'll have 10 to 25 years to repay your loan, depending on the repayment plan that you choose. [Learn more about your repayment options](#).

What if I have trouble repaying my loan?

Money 101

5.21 - Student Loans – subsidized and unsubsidized

If you are unable to make your scheduled loan payments, contact your loan servicer immediately. Your loan servicer can help you understand your options for keeping your loan in good standing. For example, you may wish to change your repayment plan to lower your monthly payment or request a deferment or forbearance that allows you to temporarily stop or lower the payments on your loan. [Learn more about deferment or forbearance options.](#)

Can I cancel a loan if I decide that I don't need it or if I need less than the amount offered?

Yes. Before your loan money is disbursed, you may cancel all or part of your loan at any time by notifying your school. After your loan is disbursed, you may cancel all or part of the loan within certain time frames. Your promissory note and additional information you receive from your school will explain the procedures and time frames for canceling your loan.

Can my loan ever be forgiven or discharged?

Under certain conditions, you may be eligible to have all or part of your loan discharged or forgiven (canceled). [Find out about loan cancellation, discharge, or forgiveness.](#)

Where can I find information about the student loans I've received?

Visit "[My Aid](#)" to view information about all of the federal student loans and other financial aid you have received and to find contact information for the loan servicer for your loans.

ADDITIONAL RESOURCES

[Federal Student Loans: Basics for Students](#)—Provides students with information on Direct Loans. Includes an overview of eligibility, the application process, and repayment.

[Federal Student Loan Programs](#) —Lists federal student loan programs with loan details and award limits.

TERMS and concepts to understand

- Subsidized Loan
- Unsubsidized loan
- Interest and Compound Interest
- Amortization period
- Grace Period
- Deferment or Forbearance
- Promissory Note
- Loan Fees
- Discharge, Forgiveness, Loan Cancellation