



**Subsidized vs. unsubsidized: What's the difference?**

*With subsidized loans, the federal government pays the interest that accrues while the borrower is in school, during the six-month grace period after graduation, and during any loan deferment periods. With unsubsidized loans, the borrower is responsible for paying the interest during these periods. Only undergraduate students are eligible for subsidized loans, and eligibility is based on demonstrated financial need.*

## Federal Student Loan Interest Rates Set to Increase for 2021-2022

After two years of decreases, interest rates on federal student loans are set to increase almost a full percentage point for the 2021-2022 school year.<sup>1</sup> The interest rates on federal student loans are reset each year after the May auction of the 10-year Treasury note.

The rates apply to new federal student loans issued on or after July 1, 2021, through June 30, 2022. The interest rate is fixed for the life of the loan.

	New rate 2021-2022	Old rate 2020-2021	Available to	Borrowing limits <sup>2</sup>
<b>Direct Loans: Undergraduate Students (Subsidized and Unsubsidized)</b>	3.73%	2.75%	Undergraduate students only Subsidized loans are based on financial need as determined by the Free Application for Federal Student Aid (FAFSA); unsubsidized loans are available to anyone and are not based on financial need	For dependent undergraduates: 1st year: \$5,500 (max \$3,500 subsidized) 2nd year: \$6,500 (max \$4,500 subsidized) 3rd, 4th, 5th year: \$7,500 (max \$5,500 subsidized) Max: \$31,000 (max \$23,000 subsidized)
<b>Direct Loans: Graduate and Professional Students (Unsubsidized only)</b>	5.28%	4.30%	Graduate or professional students only All students are eligible regardless of financial need	\$20,500 per year; max \$138,500
<b>Direct PLUS Loans: Parents and Graduate Students (Unsubsidized only)</b>	6.28%	5.30%	Parents of dependent undergraduate students and graduate or professional students	Total cost of education, minus any other aid received by student or parent

- 1) The New York Times, May 28, 2021
- 2) U.S. Department of Education, 2021

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