Subsidized and Unsubsidized Stafford Loans

To pay for your postsecondary education, you probably will borrow or have borrowed Federal student loans.

How do I know what type(s) of loan(s) I have?

1. Check your student loan types at the National Student Loan Data System (or NSLDS) website, found here. (To log onto NSLDS, you will need to get/use your Personal Identification Number or PIN.)

2. If you are a current student, you can also call your school’s Financial Aid Office.

3. If you are no longer in school, call your loan holder/servicer(s) found on your bills. (You may have more than one loan holder/servicer.)

Subsidized loans

✓ Federal loans
✓ Based on financial need
✓ For undergraduate students
✓ Government sometimes pays interest on your behalf (find more info here).
✓ Interest continues to accrue during forbearance and repayment
✓ Will be capitalized if unpaid, which will increase the outstanding principal balance (OPB)

Unsubsidized loans

✓ Federal loans
✓ Not based on financial need
✓ For undergraduate or graduate students
✓ Interest continues to accrue during deferment, forbearance, and repayment
✓ Will be capitalized if unpaid, which will increase the OPB

Differences Between Unsubsidized loans and Subsidized Loans

- Unsubsidized loans not based on financial need
- Subsidized Loans are for undergraduate students
- Unsubsidized Loans continues to accrue interest during deferment, forbearance, and repayment
- Government sometimes pays interest for Subsidized Loans during authorized deferments, grace period
- Interest rates are sometimes different
Questions and Answers

Q: Are the interest rates different for subsidized and unsubsidized loans?

- Currently, no, the interest rates are the same for both types of loans first disbursed on or after July 1, 2013.
- In the past, interest rates have been different between both types of loans.
- For historical federal student loan interest rates, check here.

Q: I would like to see an example of how interest is calculated for subsidized and unsubsidized loans.

A student receives a Subsidized and Unsubsidized student loan each for $1,000.00.

The loans are disbursed on 1-1-12, the borrower withdraws or graduates from school on 6-30-12 and the grace period expires 12-30-12.

The Subsidized loan has a Fixed interest rate of 3.4% and the Unsubsidized loan a Fixed rate of 6.8%

- The Subsidized loan will have a balance of $1,000.00 on 12-30-12
- The Unsubsidized loan will have a balance of $1,067.95 on 12-30-12.

- This is because the loan began accruing interest on the date it was disbursed 1-1-12 through the grace period end date of 12-30-12 which is 365 days of interest.

- Formula for daily interest:
  \[ \text{interest accrued} = \left( \frac{\text{principal balance} \times ((\text{interest rate}) / 365.25) \times 365 \times \text{# of days}}{365.25} \right) \]

  \[ \$1,000.00 \times \frac{0.068}{365.25} \times 365 = \$67.95 \text{ interest} \]

  Add $67.95 interest to $1,000.00 principal = $1,067.95 New Balance