

Student Loan Ombudsman Caucus

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:
{(principal balance) * ((interest rate) / 365.25) * 365 (# of days)} = (interest accrued)

$$\mathbf{\$1,000.00} \quad * \quad \frac{\mathbf{0.068}}{\mathbf{365.25}} \quad * \quad \mathbf{365} \quad = \mathbf{\$67.95 \text{ interest}}$$

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