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

\*\*All of this information can be found on the student loans website: [www.studentloans.gov](http://www.studentloans.gov)

In short, Direct Subsidized Loans have slightly better terms to help out students with ***financial need***.

Here’s a quick overview of Direct Subsidized Loans:

* Direct Subsidized Loans are available to undergraduate students with financial need.
* Your school determines the amount you can borrow, and the amount may not exceed your financial need.
* **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).**

\*Note: If you received a Direct Subsidized Loan that was first disbursed between July 1, 2012, and July 1, 2014, you will be responsible for paying any interest that accrues during your grace period. If you choose not to pay the interest that accrues during your grace period, the interest will be added to your ***principal*** balance.

Here’s a quick overview of Direct Unsubsidized Loans:

* Direct Unsubsidized Loans are available to undergraduate and graduate students; there is no requirement to demonstrate financial need.
* Your school determines the amount you can borrow based on your cost of attendance and other financial aid you receive.
* **You are responsible for paying the interest on a Direct Unsubsidized Loan during all periods.**
* 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).**

Is there a time limit on how long I can receive loans?

If you are a first-time borrower on or after July 1, 2013, there is a limit on the maximum period of time (measured in academic years) that you can receive Direct Subsidized Loans. This time limit does not apply to Direct Unsubsidized Loans or Direct PLUS Loans. If this limit applies to you, **you may not receive Direct Subsidized Loans for more than 150 percent of the published length of your program. This is called your “maximum eligibility period.”** Your maximum eligibility period is generally based on the published length of your current program. You can usually find the published length of any program of study in your school’s catalog.

For example, if you are enrolled in a four-year bachelor’s degree program, the maximum period for which you can receive Direct Subsidized Loans is six years (150 percent of 4 years = 6 years). If you are enrolled in a two-year ***associate degree*** program, the maximum period for which you can receive Direct Subsidized Loans is three years (150 percent of 2 years = 3 years).

Because your maximum eligibility period is based on the length of your current program of study, your maximum eligibility period can change if you change to a program that has a different length. Also, if you receive Direct Subsidized Loans for one program and then change to another program, the Direct Subsidized Loans you received for the earlier program will generally count toward your new maximum eligibility period.

Certain types of enrollment may cause you to become responsible for the interest that accrues on your Direct Subsidized Loans when the U.S. Department of Education usually would have paid it. These enrollment patterns are described below.

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| **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—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 Students Annual Loan Limit | Not Applicable (all graduate and professional students are considered independent) | $20,500 (unsubsidized only) |
| 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. |

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| **Loan Type** | **Borrower Type** | **Loans first disbursed on or after 7/1/15 and before 7/1/16** |
| **Direct Subsidized Loans** | **Undergraduate** | **4.29%** |
| **Direct Unsubsidized Loans** | **Undergraduate** | **4.29%** |

Parent Plus Interest rate: 4.272%

|  |  |
| --- | --- |
| **First Disbursement Date** | **Loan Fee** |
| **On or after Oct. 1, 2014, and before Oct. 1, 2015** | **1.073%** |
| **On or after Oct. 1, 2015, and before Oct. 1, 2016** | **1.068%** |

Any questions? Please email me at [Nichole.hood@utoledo.edu](mailto:Nichole.hood@utoledo.edu)

I am here to make your college search valuable and stress-free!!!