Interest Rates

Interest is a charge for using borrowed money. Everyone has to pay interest no matter what type of loan they have; education loans are no different.

Subsidized loans: The federal government pays the interest on subsidized loans while you are enrolled in school on at least a half-time basis, during your grace period, and certain other periods. You become responsible for the interest once you enter the repayment period.

Unsubsidized loans and PLUS loans:
If you borrowed an unsubsidized loan or a PLUS loan, you are responsible for paying the interest during all periods, starting from the date of the first loan disbursement. You can chose to either pay it as it accrues (for example, while you are in school or during your grace period), or let it accrue and be added to the principal balance of your loan. This is called "capitalization."

Capitalization increases your loan principal balance and you will then have to pay interest on the increased loan principal amount. If you allow interest to be capitalized, the total amount you repay over the life of your loan will be greater than if you paid the interest as it accrued. To access information on your federal loans including interest rates, go to www.nslds.ed.gov

For additional details on Direct Loan and FFEL interest rates effective July 1, 2010, click here:
http://studentaid.ed.gov/types/loans/interest-rates

Why does the amount of interest I pay vary from month to month?
Interest accrues on a daily basis on your loans. Factors such as the number of days between your last payment, the interest rate, and the amount of your loan balance determine the amount of interest that accrues each month. You can calculate the monthly interest on your loan by using the Simple Daily Interest Formula: http://studentaid.ed.gov/types/loans/interest-rates