

# Interest Rates Fall Again on New Federal Student Loans for 2016/2017

Every year, thousands of students and their parents take out federal student loans to help pay for college or graduate school. The interest rates on federal student loans are fixed for the life of the loan but reset each year on July 1 for new loans. Again this year, there's good news for students and parents.

Rates on new federal student loans issued during the academic year July 1, 2016, through June 30, 2017 have decreased from 2015/2016 rates. Here are the details:



## Subsidized vs. unsubsidized

*What's the difference? The federal government pays the interest on subsidized loans while the student is in school, during the six-month grace period after graduation, and during any loan deferment periods. By contrast, with unsubsidized loans, the borrower pays the interest during these periods. Eligibility for subsidized loans is based on financial need. Only undergraduate students are eligible for subsidized loans.*

	Old rate: 2015/2016	New rate: 2016/2017	Available to	Borrowing limits
<b>Direct Loan: undergraduate students</b>	4.29%	3.76%	Undergraduate students only Loans can be subsidized or unsubsidized; subsidized loans based on financial need as determined by federal aid application (FAFSA)	For dependent undergraduates: 1st year: \$5,500 (\$3,500 subsidized) 2nd year: \$6,500 (\$4,500 subsidized) 3rd, 4th, 5th year: \$7,500 (\$5,500 subsidized) Max: \$31,000 (\$23,000 subsidized)
<b>Direct Loan: graduate students</b>	5.84%	5.31%	Graduate/professional students only Unsubsidized loans only	\$20,500 per year (unsubsidized only); max \$138,500 (\$224,000 for health professionals)
<b>Direct PLUS Loan</b>	6.84%	6.31%	Graduate/professional students and parents of dependent undergraduate students Unsubsidized loans only	Total cost of education, minus any other aid received by student or parent

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