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Interest Rates on Federal Student Loans Decrease to Record Lows for 2020-2021

For the second year in a row, interest rates on federal student loans will decrease for the 2020-2021 academic year. This year's decrease brings rates to record lows. The rates apply to new federal student loans made on or after July 1, 2020, through June 30, 2021. The interest rate is fixed for the life of the loan.



Subsidized vs. unsubsidized

What's the difference? With subsidized loans, the federal government pays the interest that accrues while the student is in school, during the six-month grace period after graduation, and during any loan deferment periods. With unsubsidized loans, the borrower is responsible for paying the interest during these periods. Only undergraduate students are eligible for subsidized loans, and eligibility is based on demonstrated financial need.

	New rate 2020-2021	Old rate 2019-2020	Available to	Borrowing limits
Direct Loans: Undergraduates (Subsidized)	2.75%	4.53%	Undergraduate students only Subsidized loans are based on financial need as determined by the federal aid application (FAFSA)	For dependent undergraduates: 1st year: \$5,500 (max \$3,500 subsidized) 2nd year: \$6,500 (max \$4,500 subsidized) 3rd, 4th, 5th year: \$7,500 (max \$5,500 subsidized) Max: \$31,000 (max \$23,000 subsidized)
Direct Loans: Undergraduates (Unsubsidized)	2.75%	4.53%	Undergraduate students only; all students are eligible regardless of financial need	For dependent undergraduates: 1st year: \$5,500 (max \$3,500 subsidized) 2nd year: \$6,500 (max \$4,500 subsidized) 3rd, 4th, 5th year: \$7,500 (max \$5,500 subsidized) Max: \$31,000 (max \$23,000 subsidized)
Direct Loans: Graduate or Professional Students	4.30%	6.08%	Graduate or professional students only; all students are eligible regardless of financial need Unsubsidized loans only	\$20,500 per year; max \$138,500
Direct PLUS Loans: Parents and Graduate Students	5.30%	7.08%	Parents of dependent undergraduate students and graduate or professional students Unsubsidized loans only	Total cost of education, minus any other aid received by student or parent