Understand how interest is calculated and what fees are associated with your federal student loan.

Remember that interest rates and fees are generally lower for federal student loans than private student loans.

What are the interest rates for federal student loans?

If you receive a federal student loan, you will be required to repay that loan with interest. It is important that you understand how interest is calculated and the fees associated with your loan. Both of these factors will impact the amount you will be required to repay.

Temporary 0% Interest: Final Extension of COVID-19 Benefits Until Jan. 31, 2022

On Aug. 6, 2021, the U.S. Department of Education announced a final extension of COVID-19 emergency relief for student loans until Jan. 31, 2022. The emergency relief includes the following measures for eligible loans:

- a suspension of loan payments
- a 0% interest rate
- stopped collections on defaulted loans

Have questions? Find out what loans qualify and get additional information about the COVID-19 emergency relief for student loans.

What are the interest rates for federal student loans?

The interest rate varies depending on the loan type and (for most types of federal student loans) the first disbursement date of the loan. The table below provides interest rates for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after July 1, 2021, and before July 1, 2022.

Perkins Loans (regardless of the first disbursement date) have a fixed interest rate of 5%.

Interest Rates for Direct Loans First Disbursed on or After July 1, 2021, and Before July 1, 2022

Loan Type	Borrower Type	Fixed Interest Rate
Direct Subsidized Loans and Direct Unsubsidized Loans	Undergraduate	3.73%
Direct Unsubsidized Loans	Graduate or Professional	
Direct PLUS Loans	Parents and Graduate or Professional Studer	

All interest rates shown in the chart above are fixed rates that will not change for the

View the interest rates on federal student loans first disbursed before July 1, 2021.

What is interest?

Interest is paid to a lender as a cost of borrowing money. Interest is calculated as a pe
Unlike other forms of debt, such as credit cards and mortgages, Direct Loans are daily
accrues (accumulates) daily. Depending on whether your loans are subsidized or unsubsidized, you may or may not be responsible for paying the interest that accrues during all periods. Learn about the differences between subsidized loans and unsubsidiz ans.

If you choose not to pay the interest that accrues on your loans during certain periods when you are responsible for paying the interest (for example, during a period of deferment on an unsubsidized loan), the unpaid interest may be capitalized (that is, added to the principal amount of your loan). Learn more about capitalization.

Try This Resource

Federal Student Loan Programs—Lists federal student loan programs with loan details and award limits.

How is interest calculated?

The amount of interest that accrues (accumulates) on your loan between your monthly payments is determined by a daily interest formula. This formula consists of multiplying your outstanding principal balance by the interest rate factor and multiplying that result by the number of days since you made your last payment.

Simple daily interest formula:
Interest Amount = (Outstanding Principal Balance × Interest Rate Factor) × Number of Days Since Last Payment

What is the interest rate factor?

The interest rate factor is used to calculate the amount of interest that accrues on your loan. It is determined by dividing your loan's interest rate by the number of days in the year.

What is capitalization and how does it relate to interest?

Capitalization is the addition of unpaid interest to the principal balance of a loan. Generally, during periods when you are making payments on your federal student loans, your monthly loan payment will cover all of the interest that accrues (accumulates) between monthly payments, and you won't have any unpaid interest. However, unpaid interest can accrue under certain circumstances. For example, you are not required to make monthly payments during a period of deferment, but if you have an unsubsidized loan, interest continues to accrue during the deferment period, and you are responsible for paying the interest. Unpaid interest may also accrue if you are repaying your loans under an income-driven repayment plan, and your required monthly loan payment is less than the amount of interest that accrues between payments.

When the interest on your federal student loan is not paid as it accrues during periods when you are responsible for paying the interest, your lender may capitalize the unpaid interest. This increases the outstanding principal amount due on the loan. Interest is then charged on that higher principal balance, increasing the overall cost of the loan. Depending on your repayment plan, capitalization may also cause your monthly payment amount to increase.

Unpaid interest is generally capitalized

- following periods of
  - deferment on an unsubsidized loan and/or
  - forbearance on any types of loans find out more about the differences between deferment and forbearance
- following the grace period on an unsubsidized loan;
- if you voluntarily leave the Revised Pay as You Earn, Pay as You Earn (PAYE) or Income-Based Repayment (IBR) plans (learn more about income-driven repayment);
- if you fail to annually update your income for some of the income-driven plans (
- if you are repaying your loans under the PAYE or IBR plans and no longer qualif

For example, on a $10,000 Direct Unsubsidized Loan with a 6.8% interest rate, the am ; (find out how interest is calculated). If you are in a deferment for six months and you loan will accrue interest totaling $340. At the end of the deferment, the accrued intere n be charged interest on the increased outstanding principal balance of $10,340. This will r day to increase to $1.93. Capitalization of the unpaid interest may also increase your ur repayment plan.

Interest is never capitalized on Federal Perkins Loans.

Who sets interest rates for federal student loans?

Interest rates on federal student loans are set by federal law, not the U.S. Department of Education.

How can I determine how much of my payment will go toward my outstanding principal balance?

First, understand that no payment you make will satisfy any loan principal until all outstanding interest has been paid. Using the interest calculation formula explained above, you can determine how much interest has accrued (accumulated) since your last payment. By subtracting the amount of accrued interest from your monthly payment and any other outstanding interest, you can figure out how much of your payment will be applied to your outstanding principal balance.

For example, on a $10,000 Direct Unsubsidized Loan with a 6.8% interest rate, the amount of interest that accrues per day is $1.86. Assuming you are repaying your loan under the Standard Repayment Plan, your monthly payment would be $115. If it has been 30 days since your last payment and there was no other interest outstanding when you made your last payment, $55.80 in interest will have accrued. Subtracting this amount from $115 results in a total of $59.20, which is the amount of your payment that would be applied to your outstanding principal balance of $10,000.

> Under all of the income-driven repayment plans, your monthly payment amount may sometimes be less than the amount of interest that accrues on your loans. This is called negative amortization. Find out what happens to the interest that isn't covered by your payment.

Contact your loan servicer if you have further questions about how your payment is applied to your principal balance.

Are there any fees for federal student loans?

Most federal student loans have loan fees that are a percentage of the total loan amount. The loan fee is deducted proportionately from each loan disbursement you receive while enrolled in school. This means the money you receive will be less than the amount you actually borrow. You're responsible for repaying the entire amount you borrowed and not just the amount you received.

The chart below shows the loan fees for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after Oct. 1, 2019.

Loan Fees for Direct Subsidized Loans and Direct Unsubsidized Loans

First Disbursement Date	Loan Fee
On or after 10/1/20 and before 10/1/22	1.057%
On or after 10/1/19 and before 10/1/20	1.059%

Loan Fees for Direct PLUS Loans

First Disbursement Date	Loan Fee
On or after 10/1/20 and before 10/1/22	4.228%
On or after 10/1/19 and before 10/1/20	4.236%

Loans first disbursed prior to Oct. 1, 2019, have different loan fees.

What are the interest rates on federal student loans first disburs

The following table provides interest rates for Direct Loans and Federal Family Educa rsed on or after July 1, 2006, and before July 1, 2021.

Perkins Loans (regardless of the first disbursement date) have a fixed interest rate of

Fixed Interest Rates for Direct Subsidized Loans and Subsidized Federal Stafford Loans* - Undergraduate Borrowers

First Disbursement Date	Fixed Interest Rate

7/1/20-6/30/21	2.75%
7/1/19–6/30/20	4.53%
7/1/18–6/30/19	5.05%
7/1/17–6/30/18	4.45%
7/1/16–6/30/17	3.76%
7/1/15–6/30/16	4.29%
7/1/14–6/30/15	4.66%
7/1/13–6/30/14	3.86%
7/1/11–6/30/13	3.4%
7/1/10–6/30/11	4.5%
7/1/09–6/30/10	5.6%
7/1/08–6/30/09	6.0%
7/1/06–6/30/08	6.8%

Fixed Interest Rates for Direct Subsidized Loans and Subsidized Federal Stafford Loans* - Graduate or Professional Borrowers**

First Disbursement Date	Fixed Interest Rate
7/1/06–6/30/12	6.8%

Fixed Interest Rates for Direct Unsubsidized Loans and Unsubsidized Federal Stafford Loans* - Undergraduate Borrowers

First Disbursement Date	Fixed Interest Rate
7/1/20-6/30/21	2.75%
7/1/19–6/30/20	4.53%
7/1/18–6/30/19	5.05%
7/1/17–6/30/18	4.45%
7/1/16–6/30/17	3.76%
7/1/15–6/30/16	4.29%
7/1/14–6/30/15	4.66%
7/1/13–6/30/14	3.86%
7/1/06–6/30/13	6.8%

Fixed Interest Rates for Direct Unsubsidized Loans and Unsubsidized Federal Stafford Loans* - Graduate or Professional Borrowers

First Disbursement Date	Fixed Interest Rate

7/1/20-6/30/21	4.30%
7/1/19–6/30/20	6.08%
7/1/18–6/30/19	6.6%
7/1/17–6/30/18	6%
7/1/16–6/30/17	5.31%
7/1/15–6/30/16	5.84%
7/1/14–6/30/15	6.21%
7/1/13–6/30/14	5.41%
7/1/06–6/30/13	6.8%

Fixed Interest Rates for Direct PLUS Loans - Parents and Graduate or Professional Borrowers

First Disbursement Date	Fixed Interest Rate
7/1/20-6/30/21	5.30%
7/1/19–6/30/20	7.08%
7/1/18–6/30/19	7.6%
7/1/17–6/30/18	7%
7/1/16–6/30/17	6.31%
7/1/15–6/30/16	6.84%
7/1/14–6/30/15	7.21%
7/1/13–6/30/14	6.41%
7/1/06–6/30/13	7.9%

Fixed Interest Rates for Federal PLUS Loans* - Parents and Graduate or Professional Borrowers

First Disbursement Date	Fixed Interest Rate
7/1/06–6/30/10	8.5%

*These loans were made under the Federal Family Education Loan (FFEL) Program. N … e since July 1, 2010.

**As of July 1, 2012, graduate or professional students are no longer eligible to receive …

Most loans (excluding Perkins Loans) first disbursed prior to July 1, 2006, have variab … 1 of one year through June 30 of the following year. Interest rates for these loans are not c … any variable-rate loans you may have, contact your loan servicer.

Additional Links

- Subsidized and Unsubsidized Loans
- PLUS Loans
- Perkins Loans