

Schmidt Wealth Mgmt Group Raymond James

Bernice Murff

Asst. Vice President, Financial Advisor

3951 Westerre Parkway

Suite 260

Richmond, VA 23233

804-418-7263

bernice.murff@raymondjames.com

<http://raymondjames.com/schmidt/>

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Interest Rates Rise on Federal Student Loans for 2017/2018

After falling for two consecutive years, interest rates on federal student loans are now rising. The following table shows the interest rates for new Direct Loans first disbursed on or after July 1, 2017, and before July 1, 2018. The 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. 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.

	New rate 2017/2018	Old rate 2016/2017	Available to	Borrowing limits
Direct Subsidized Loans: Undergraduate Students	4.45%	3.76%	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 (\$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)
Direct Unsubsidized Loans: Undergraduate Students	4.45%	3.76%	Undergraduate students only	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)
Direct Unsubsidized Loans: Graduate or Professional Students	6%	5.31%	Graduate or professional students only Unsubsidized loans only	\$20,500 per year (unsubsidized only); max \$138,500 (\$65,500 subsidized)
Direct PLUS Loans: Parents and Graduate or Professional Students	7%	6.31%	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

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