

# Concerned About Your Subsidy?

Some borrowers are eligible for subsidized loans based on financial need. However, a new legislative change now limits a borrower's access to Direct Subsidized Loans and could remove the subsidy from existing subsidized loans. This could cost you money. See if you're impacted and learn how to retain your subsidy.

## Who Is Affected?

First-time borrowers in an undergraduate program who take out a new loan are subject to the **150% Subsidy Limit**. A first-time borrower is defined as a borrower with no outstanding balance of principal or interest on a federal Direct loan or Federal Family Education Loan Program (FFELP) loan on July 1, 2013 or on the date they first borrow a Direct Loan after July 1, 2013.

For example, each of these students is considered a first-time borrower.



- A new student starting college for the first time on or after July 1, 2013.
- A third-year student who did not borrow any Direct loans for the first two years, taking out their first loan on or after July 1, 2013.
- A student who returns to school on or after July 1, 2013, and paid off their previously received Direct loans in full before the start date of their new program.

## Which Loans Are Affected?

Only Direct Subsidized Loans are affected by the subsidy limit.

There is a big difference between subsidized and unsubsidized loans. Unsure what type of loan you have? Log into [studentaid.ed.gov](http://studentaid.ed.gov) to view your loan history.

Direct loans accrue (i.e. build up) interest. Interest is the cost of borrowing money, and is charged as a percentage of the outstanding balance of the loan. At certain times, the government pays the interest for you on subsidized loans.

### INTEREST ACCRUES



**SUBSIDIZED LOANS:**  
The government may pay your interest during certain periods, such as when you're in school or in deferment. This benefit is called your **interest subsidy**.



**UNSUBSIDIZED LOANS:**  
You, the student loan borrower, are responsible for interest that accrues at all times, including while you're in school.

## When Is the Limit Reached?

Once you have borrowed your first subsidized loan, you may continue to borrow subsidized loans for 150% of your published program length. This means that your actual time limit on your borrowing of subsidized loans varies based on the length of your program. If you don't know how long your program is, talk to your school for more information.

### ELIGIBILITY EXAMPLES

Common program lengths and their subsidy limits:

4 YEAR BACHELOR'S	6 YEAR LIMIT
2 YEAR ASSOCIATE	3 YEAR LIMIT
1 YEAR CERTIFICATE	1.5 YEAR LIMIT

### ONE YEAR OF ELIGIBILITY



**FULL-TIME STUDENT:**  
A full-time student taking out a subsidized loan for a full academic year has used one year of eligibility.



**HALF-TIME STUDENT:**  
A half-time student taking out a subsidized loan for a full academic year has used half a year of eligibility.

## In what situations do I lose the subsidy on my existing Direct Subsidized Loans?

- YES** I reach the subsidy limit and stay enrolled in my program.
- YES** I reach the subsidy limit, didn't graduate, and transfer to an undergraduate program that's the same length or shorter than my prior program.
- YES** I transfer into a shorter program and lose eligibility for additional Direct subsidized loans because I already received them for a period that is equal to or more than my new, lower, maximum eligibility period. Note: Graduates will not lose subsidy on pre-existing Direct subsidized loans.
- NO** I reach the subsidy limit, didn't graduate from my prior program, and transfer to a longer program.
- NO** I graduate from my program before or at the time I reached the subsidy limit, and enroll in another undergraduate program.

Keep in mind that if you change your major or transfer to a new school, your limit may change as well. If this happens, the subsidized loans you received in your previous program usually count against your new maximum eligibility period.

## What Happens If I Reach the Subsidy Limit?

If you reach the subsidy limit and lose the interest subsidy, you become responsible for interest on your subsidized loans in your current program in certain situations.

### WHO PAYS THE INTEREST?

	BEFORE losing the interest subsidy	AFTER losing the interest subsidy
While enrolled in school at least half time	Department of Education	Borrower
During deferment periods	Department of Education	Borrower
During certain periods of repayment under Income-Based Repayment or Pay As You Earn repayment plans	Department of Education	Borrower
During forbearance periods	Borrower	Borrower
During all other periods of repayment	Borrower	Borrower

Note that if you enroll in a longer program after previously losing your subsidy, you may become eligible for additional subsidized loans up to your new, longer, subsidy limit. However, you are still responsible for interest that is accruing on your previous loans that lost the subsidy.