

Loan Changes: Borrower Impacts

Effective July 1, 2012



Grace Period Interest Subsidy

Description of Change: Current subsidized Stafford loan borrowers receive an interest subsidy during their grace period; the **Consolidated Appropriations Act of 2012** temporarily eliminates the subsidy. If left unpaid by the borrower, the interest accrued during the grace period will be added to the loan's principal balance.

Effective Date: Loans first disbursed July 1, 2012, through June 30, 2014

Interest Subsidies for Graduate and Professional Students

Description of Change: Under the **Budget Control Act of 2011**, graduate and professional students are no longer eligible for subsidized Stafford loans. They are, however, able to borrow an additional amount in unsubsidized loans, equal to the amount in subsidized loans they would have received.

Effective Date: Loan periods beginning on or after July 1, 2012

Interest Rate Rebates

Description of Change: Beginning July 1, 2012, per the **Budget Control Act of 2011**, upfront interest rate rebates will no longer be given to borrowers. Until June 30, 2012, Direct Stafford loan borrowers will receive a 0.5 percent interest rate rebate upfront, and Direct PLUS loan borrowers will receive a 1.5 percent rebate. Direct PLUS borrowers get to retain their rebate only if they make their first 12 monthly payments on time.

Effective Date: Loans first disbursed on or after July 1, 2012

Interest Rate for Subsidized Stafford Loans

Description of Change: New subsidized Stafford loans for undergraduate students will revert back to 6.8 percent. Currently at 3.4 percent, the interest rate was reduced over a four-year period by the **College Cost Reduction and Access Act of 2007**, but no provision was made for loans originated after June 30, 2012. Loans made at a reduced rate will remain at that rate until paid in full.

Effective Date: On or after July 1, 2012