

Subsidized vs. unsubsidized loans

If you are awarded a loan as part of your financial aid package, you may be eligible for either subsidized or unsubsidized funds, or a combination of both. The big difference between the two is when the interest begins to accrue.

- **Subsidized loans** are awarded on the basis of financial need. You won't be charged any interest before you begin repaying the loan because the federal government subsidizes the interest during this time.
- **Unsubsidized loans** charge interest from the time the money is first disbursed until it is paid in full. The interest is capitalized, meaning that you pay interest on any interest that has already accrued. One way to minimize how much interest accrues is to pay the interest as it accumulates.

A good source to find out more about the specific student loan programs that are available is to get a free copy of "[The Student Guide](#)" which is published by the U.S. Department of Education.

http://www.csus.edu/sfsc-ymm/03_student_loans/sub_and_unsub.html