

# What is Federal Direct Loan interest?

Interest is additional money that you pay to a lender as a cost of borrowing money. Interest is calculated as a percentage of the unpaid principal amount that you borrowed.

Direct Loans are “daily interest” loans. On daily interest loans, interest accrues (adds up) every day.

If your loans are subsidized, you are not responsible for paying the interest that accrues while you’re in school. If your loans are unsubsidized, you’re responsible for all the interest that accrues, even while you’re in school. Learn about the [differences between subsidized and unsubsidized loans](#).

## How Interest Is Calculated

A daily interest formula determines the amount of interest that accrues (adds up) on your loan each day. This formula consists of multiplying your loan balance by the number of days since you made your last payment and multiplying that result by the interest rate factor.

## Current Federal Interest Rates

The interest rate for a federal student loan varies depending on

- the loan type and
- the first disbursement date of the loan (for most types of federal student loans).

### Interest Rates for Direct Loans First Disbursed on or After July 1, 2024, and Before July 1, 2025

| <b>Loan Type</b>                                      | <b>Borrower Type</b>                          | <b>Fixed Interest Rate</b> |
|---|---|----------------------------|
| Direct Subsidized Loans and Direct Unsubsidized Loans | Undergraduate                                 | <b>6.53%</b>               |
| Direct Unsubsidized Loans                             | Graduate or Professional                      | <b>8.08%</b>               |
| Direct PLUS Loans                                     | Parents and Graduate or Professional Students | <b>9.08%</b>               |

All interest rates shown in the chart above are fixed rates. A fixed rate will not change for the life of the loan.

If your loan was disbursed before July 1, 2024, you likely have a different interest rate.