

# What is the difference between subsidized and unsubsidized loans?

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Subsidized student loans are a need based loan in which the government pays the interest while you meet one of the following criteria:

- You're enrolled in at least half-time status in school
- You're in a period of deferment (deferment can be six-months after you leave school or drop below half-time status while earning your degree which also known as your grace period)

Unsubsidized loans are a non-need based loan offered to all students and immediately start accruing interest on disbursements that are released to your student. If you choose not to pay off the accrued interest during your enrollment, any interest will be capitalized back into the principal balance (added to the principal amount of your loan).

You can read more about both of these at: [Direct Subsidized and Unsubsidized Loans](#)

Related Articles: [Federal Loan Interest Rates and Fees](#)

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