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**Wealth Management &
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Interest Rates on Federal Student Loans to Increase for 2022-2023

Every May, interest rates on federal student loans are recalculated for the upcoming school year. The rates are calculated by combining the yield on the 10-year U.S. Treasury note with an extra fixed amount set by Congress.

Based on this calculation, interest rates on federal student loans are set to increase for the 2022-2023 school year by more than 1%, the second straight year of increases.¹ The rates apply to new federal student loans issued July 1, 2021, through June 30, 2022 (the interest rate is fixed for the life of the loan).

Unfortunately, soaring inflation has played a part in the higher rates. The Federal Reserve raised the federal funds rate by 25 basis points (0.25%) in March and by 50 basis points (0.50%) in May in an attempt to rein in rapid inflation. This had the effect of increasing the yield on the 10-year Treasury note, which in turn has led to higher student loan interest rates. The higher rates also come during a period of heightened public awareness about student debt, political pressure to cancel federal student debt, and six student loan payment pauses since the start of the pandemic; the current pause is scheduled to end on August 31, 2022.



Subsidized vs. Unsubsidized

With subsidized loans, the federal government pays the interest that accrues while the borrower is in school, during the grace period after graduation, and during any loan deferment periods. With unsubsidized loans, the borrower is responsible for paying the interest during these periods. Subsidized loans are available only to undergraduate students, and eligibility is based on demonstrated financial need.

	New rate 2022-2023	Old rate 2021-2022	Available to	Borrowing limits²
Direct Loans: Undergraduate Students (Subsidized and Unsubsidized)	4.99%	3.73%	Undergraduate students only Subsidized loans require financial need as determined by the Free Application for Federal Student Aid (FAFSA); unsubsidized loans are available to any student	For dependent undergraduates: 1st year: \$5,500 (max \$3,500 subsidized) 2nd year: \$6,500 (max \$4,500 subsidized) 3rd, 4th, 5th year: \$7,500 (max \$5,500 subsidized) Max: \$31,000 (max \$23,000 subsidized)
Direct Loans: Graduate Students (Unsubsidized)	6.54%	5.28%	Graduate and professional students All students are eligible regardless of financial need	\$20,500 per year; max \$138,500
PLUS Loans: Parents and Graduate Students (Unsubsidized)	7.54%	6.28%	Parents of dependent undergraduate students and graduate and professional students	Total cost of education, minus any other aid received by student or parent

1) Bankrate.com, May 11, 2022

2) U.S. Department of Education, 2022

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