If you’re heading to graduate school, you’ve likely done the math on how much it costs. If you’re planning to take out student loans, you might be thinking you can draw from your experience with undergraduate student loans. Unfortunately it’s not that simple, the student loan rules are much different for graduate students.

Federal Student Loan Interest Rates Are Higher

There have been many changes to student loan costs lately, and several more featured in the news with pending changes. But one thing’s for certain: graduate students pay higher interest rates than undergraduates do.

Student Loan rates are set by Congress and as of the 2013-2014 school year, they are tied to Federal Treasury notes. Currently interest rates are 4.66% for undergraduate student loans and 6.21% for graduate students. It’s possible these rates could change next year. The good news is that the current rate is lower than that from previous years, it was most recently 6.8%.

No Subsidized Student Loans

As an undergraduate with subsidized student loans, you won’t be charged interest on your loans while you’re still a full-time student. This isn’t the case for graduate students, instead, your student loans start accruing interest charges right away whether you’re a full-time student or not.

The longer you take to finish graduate school, the more interest will be added on to your principal balance of your graduate school loans. For example, if you borrow $10,000 when you start school, the balance will increase to about $11,300 two years later. That’s $1,300 more you owe than if you were an undergrad with a subsidized loan.

You Can Borrow More

As you’ve likely heard, both undergraduate and graduate student loan balances can add up to a whole lot. But it can be easier to rack up student loan debt for graduate school because of higher maximum loan limits. Current limits are $20,500 per year and $138,500 total for graduate or professional students. The total ($138,500) includes any loans for undergraduate you already have, which cannot be exceeded.

Students can borrow even more for medical school. The student loan limit is capped at $40,500 per year and $224,000 for these medical school students.

While borrowing more seems like good news as it gives students more opportunity, it can translate to trouble. It’s tempting for students to take out more than they need to because graduate school student loans can be used for living expenses. Student loan money isn’t tracked or monitored, so it’s easy for students to abuse this and use the money for nonessential expenses. Too much student debt can lead to a debt nightmare.
**PARENTS NOT REQUIRED**

One change that makes the process easier is you don’t need to include your parents’ financial info on the FAFSA form. You’re considered an independent for graduate school, which means you fill out the form for yourself to gain access to the necessary student loans. FAFSA says it should take you less than an hour to fill out the online form, so don’t procrastinate!

**LESS NEED-BASED AID AVAILABLE**

Even though you don’t have to count your parents’ income and assets, there likely isn’t as much need-based aid available. According to the U.S. Department of Education, Pell Grants are typically only available to undergraduate students. Even if you were eligible for your bachelor’s, you likely won’t be eligible for graduate school unless you meet some very limited exceptions.

Other need-based grants and aid may also be more difficult to find. Instead, you may have more luck with scholarships. Yes, finding scholarships can be difficult and competitive but if you’re creative and systematic in your approach, you could dig up more free money than you imagined.

**DEFER UNDERGRADUATE LOANS**

As a full-time graduate student, you’re allowed to defer payments on your undergraduate student loans. This doesn’t happen automatically (like it does while you’re an undergrad), but it’s a fairly simple request.

Just beware: interest will continue to accrue during deferment, too. If possible, you may want to continue to pay off interest on graduate student loans while you’re in school if you work. If not, your bill will continue to grow.

There is some good news: if you have subsidized student loans from undergrad, you won’t be charged more interest while they’re in deferment. You can find out how much interest will accrue using our student loan deferment calculator.

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For more information, visit the Office for Student Money Management.
115 Neff Hall | Monday - Friday | 8 a.m. to 5 p.m. | wichita.edu/OSMM

This article originally appeared on the Student Loan Hero blog.