

## Example: Capitalizing Interest

This chart compares the costs of paying (not capitalizing) the interest and not paying (capitalizing) the interest on a \$2,625 Direct Unsubsidized Loan at 8.25 percent interest, under the Standard Repayment Plan. The borrower attended school for 9 months and then had a 6-month grace period.

Type of Interest	Loan Amount	Interest Charged	Interest Paid	Principal to Be Repaid	Monthly Payment	Number of Payments	Total Repayment
Not Capitalized	\$2,625	\$230	\$230	\$2,625	\$50	65	\$3,498*
Capitalized**	\$2,625	\$230	\$0	\$2,855	\$50	73	\$3,638

\*Total repayment includes the \$230 in interest paid before the loan went into repayment.

\*\*Interest was capitalized once, when the borrower entered repayment (15 months after the loan was made).