

# Direct Loan Periods and Amounts

## CHAPTER 5

*The rules for awarding Direct Loans are different than for Pell Grants and other FSA programs. For Direct Subsidized/Unsubsidized Loans, there are annual loan limits that vary by grade level, and there are aggregate limits on the total (cumulative) loan amount that may be outstanding at one time. The loan period, payment period, and disbursements within that period may not always correspond to the payment periods you use for Pell Grants. The requirement to prorate Direct Subsidized/Unsubsidized Loan limits under certain circumstances is different than the requirements for calculating Pell Grants.*

To request Direct Subsidized or Direct Unsubsidized Loan funds for a student, a school must certify that the borrower is eligible for the loan award, and must provide specific amounts and dates for each disbursement of the loan award.

A borrower's eligibility for a Direct Loan is calculated differently than for a Pell Grant. There are no fixed tables such as the Pell Grant Payment and Disbursement Schedules that determine award amounts.

Direct Subsidized/Unsubsidized Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, you may not originate a loan for more than the:

- amount the borrower requests;
- borrower's cost of attendance (see *Chapter 2*);
- borrower's annual or aggregate limit, as described in this chapter); or
- borrower's unmet financial need (as determined using the rules in *Chapter 7* of this volume).

In Direct Loans, the loan certification is part of the loan origination record sent electronically to the Common Origination and Disbursement (COD) system.

You must provide this certification each time you make a loan under a Master Promissory Note (MPN). The school's origination includes the borrower's grade level, loan period, anticipated disbursement dates, the amounts of the disbursements (using the rules described in this chapter), and other information.

### Chapter 5 Highlights:

#### ■ Measurements of academic and loan periods

- Loan periods, academic terms, & program length
- Scheduled Academic Year (SAY) may be used for credit-hour programs with standard terms and certain nonstandard term programs
- Borrower-Based Academic Year (BBAY) may be used as an alternative to an SAY for programs also offered in an SAY
- BBAY must be used for clock-hour, non-term, and nonstandard-term programs, and for standard-term credit-hour programs without an SAY
- "SE9W" (a program with terms substantially equal in length, with each term comprised of 9 or more weeks of instructional time)

#### ■ Annual Loan Limits

- Direct Subsidized/Unsubsidized Loan limits
- Undergraduate limits based on grade level
- Undergraduate limits must be prorated for a program or remaining portion of a program less than an academic year
- Increased Direct Unsubsidized Loan limits for certain health professions students
- Direct Loan limits for transfer students, teacher certification coursework, and coursework necessary for enrollment in an eligible program

#### ■ Aggregate Loan Limits

- Direct Subsidized/Unsubsidized Loan limits
- Loan information provided through "Financial Aid History" on SAR, ISIR, and on NSLDS website
- Enhanced Aggregate Information displays on the NSLDS website

### Period of enrollment (loan period) 34 CFR 685.102(b)

The period of enrollment for which a Direct Loan is intended must coincide with an academic period established by the school for which institutional charges are generally assessed (e.g., semester, trimester, quarter, length of the student's program, or academic year). The period of enrollment is also referred to as the loan period.

### Minimum and maximum loan periods

34 CFR 685.301(a)(10)

→ Maximum: Generally the school's academic year. Greater than an academic year if the loan is for the length of a program that is longer than an academic year, and you apply the annual loan limit to that longer period.

→ Minimum in standard-term programs and SE9W programs: one academic term.

→ Minimum in all other programs; i.e., clock-hour, non-term, and non-SE9W nonstandard term: Except for certain transfer students, the lesser of the program length (or remainder of the program, if less than full program remaining) or the academic year. For transfer students whose period of enrollment overlaps a period of enrollment for which the student received a loan at a prior school, the remaining portion of the program or academic year.

### FSA Assessments

For a guide to reviewing and evaluating your procedures regarding Direct Loans, see the Direct Loans module of FSA Assessments: <http://ifap.ed.gov/qahome/fsaassessment.html>.

## LOAN PERIODS, ACADEMIC TERMS, & PROGRAM LENGTH

It's important to define the loan period (sometimes referred to as the *period of enrollment*) at the beginning of the loan awarding process, because the length of the loan period will determine the timing and amount of disbursements. This discussion assumes that your school has already established its academic measurements. If you have not already done so, see *Chapter 1* of this volume for a discussion of eligible programs, academic years, payment periods, and conversion of clock-hours/credit-hours.

With the passage of the subsidized loan eligibility time limit (commonly referred to as the 150% subsidized loan limit), it is more important than ever that you accurately report academic year dates and loan period dates for all types of Direct Loans to COD. You must also update a loan's previously reported loan period dates or academic year dates if the borrower's actual attendance is different from the anticipated dates that were the basis for an initial reporting to COD. Some examples of when you must update loan data in COD include:

- If the borrower requests that a loan, or a disbursement of a loan be cancelled;
- When the borrower does not begin attendance, or does not begin attendance on at least a half-time basis, in a payment period that was included in the originally reported loan period and you did not make any disbursements for that payment period;
- When you determine that the borrower is not eligible to receive a Direct Loan for a payment period that was part of the originally reported loan period (for example, failure to meet Satisfactory Academic Progress standards, the borrower has an overpayment, or a change in circumstances makes the borrower ineligible for a subsidized loan);
- When the borrower withdraws during a payment period that was included in the originally reported loan period, and as a result, the entire amount of the loan that was intended for that payment period is returned under the Return of Title IV Aid (R2T4) calculation;
- For clock-hour programs, non-term credit-hour programs, and certain types of nonstandard term credit-hour program, the borrower fails to progress to the next payment period or academic year as scheduled.

For more detail on the requirements of the 150% subsidized loan limit, see the *Subsidized Loan Eligibility Time Limitation* section later in this chapter. For details on submitting date and academic year data to COD, see Dear Colleague Letter GEN-13-13 and the 150% FAQs on the topic, available on IFAP.

A credit-hour program uses standard terms (semesters, trimesters, or quarters), or has nonstandard terms that are substantially equal in length, with each term at least 9 weeks in length (see “Nonstandard SE9W terms” sidebar later in this chapter). The *minimum* loan period is a single academic term (e.g., a semester).

As an example, if a student will be enrolled in the fall semester only and will skip the spring semester, you may originate a loan for that term alone. (Remember, however, that the loan amount must be based on the reduced costs and EFC for that term, rather than for the full academic year.) For all other programs, including clock-hour and non-term credit-hour programs, the minimum loan period is the lesser of:

- the academic year as defined by the school (see *Chapter 1*);
- the length of the student’s program (if the program is shorter than an academic year); or
- the remaining portion of the program (if the remaining portion of the student’s program is less than an academic year).

For these other programs, there are exceptions to the minimum loan period rule describe above, if:

- a student transfers into the school, and the prior school originated a loan for an academic year that overlaps the academic year at the new school; or
- a student completes a program at a school, where the student’s last loan to complete that program had been for less than an academic year, and the student then begins a new program at the same school.

In these circumstances, you may originate an initial loan for a loan period that ends on the ending date of the academic year at the first school from which the student transferred, or on the ending date of the academic year associated with the prior program completed at your school. In either of these cases, the loan amount must not exceed the remaining balance of the student’s annual loan limit at the loan level associated with the new program.

For all programs, the **maximum** loan period for annual loan limits is generally the school’s academic year. However, the loan period may exceed the school’s academic year if the annual loan limit is applied to a longer period of time (e.g., if the academic year is defined as 900 clock-hour, but a school applies the annual loan limit to the entire length of an 1100 clock-hour program).

### Requirement to offer both subsidized and unsubsidized loans

DCL GEN-11-07

Direct Subsidized and Direct Unsubsidized Loans are two components of a single loan program. A school may not choose to make only Direct Subsidized Loans or only Direct Unsubsidized Loans available to its eligible students.

### Direct Loans at multiple schools

Unlike Pell Grants, it is possible for a student who is separately enrolled and eligible at multiple schools to get a Direct Subsidized/Unsubsidized Loan (and for a graduate/professional student or parent to receive a Direct PLUS Loan) at more than one school for the same period. The schools that the student is attending are responsible for coordinating to make sure that the total amount of the loans the student receives does not exceed the applicable annual loan limit. In addition, the schools must ensure that there is no duplication of non-institutional costs when determining the student’s cost of attendance. (Note that in this case, which is different than the consortium arrangements discussed in *Volume 2*, loan funds awarded at one school are not to be included as estimated financial assistance by any other school the student is attending when determining the student’s loan eligibility for the same period.)

### DL Tools for Windows



<https://www.fsadownload.ed.gov>

Direct Loan Tools for Windows is Volume IV of the COD Technical Reference. It covers external import record layouts and other information for systems administrators and is available for download at the fsadownload website.

## Originating a loan

A financial aid administrator should be aware of the responsibility incurred in originating and disbursing a loan. The school, not the Department, determines the borrower's eligibility for a Direct Loan. Schools that originate and disburse loans for ineligible borrowers, or for loan amounts that exceed loan limits or the borrowers' need, are subject to administrative actions such as a fine, limitation, suspension, and termination, as well as liabilities such as repayment to the government of interest and costs it has paid on the ineligible loans. A school may not originate a loan for a period that includes hours in an academic year in which the student is no longer enrolled (regardless of whether a student has ceased attendance or advanced to the next academic year). Similarly, you may not condition the disbursement of a loan on anything other than the eligibility criteria.

## Refusing to originate a loan or originating for less than maximum eligibility

HEA Sec. 479(A)(c), 34 CFR 685.301(a)(8), DCL GEN-11-07

On a case-by-case basis, you may refuse to originate the loan for an individual borrower, or you may originate a loan for an amount less than the borrower's maximum eligibility. If you choose to exercise this discretion, you must ensure that your decisions are made on a case-by-case basis and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, or handicapped status. When you make a decision not to originate a loan or to reduce the amount of the loan, you must document the reasons and provide the explanation to the student in writing. Also note that your school may not have a policy of limiting Direct Loan borrowing on an across-the-board or categorical basis. For example, you may not have a policy of limiting borrowing to the amount needed to cover the school charges, or not allowing otherwise eligible students to receive the "additional" Direct Unsubsidized Loan amounts that are available under the annual loan limits.

## Checklist for loan origination

For all Direct Loans, you must document the student's cost of attendance, expected family contribution (EFC), and estimated financial assistance (EFA) in the student's file. This information must be made available to the Department upon request.

### ***The school must confirm that the borrower meets the definition of eligible borrower by doing the following:***

- For parents receiving a Direct PLUS Loan, ensure the **student** has completed a FAFSA (review student's SAR/ISIR);
- Determine that the student is enrolled at least half-time and making satisfactory academic progress (see *Volume 1*);
- Review the NSLDS information on the ISIR to ensure that the student is not in default, does not owe an overpayment on a Title IV grant or loan (see *Volume 1*), and will not exceed the annual or aggregate loan limits (as described in this chapter);
- Ensure that the amount of the loan, in combination with other aid, will not exceed the student's financial need (see *Chapter 7* of this volume); and
- Ensure that the loan disbursement dates meet cash management and disbursement requirements.

### ***For a Direct Subsidized/Unsubsidized Loan, the school must also:***

- Determine the student's Pell Grant eligibility and, if eligible, include the grant in the student's aid package;
- For a Direct Unsubsidized Loan, first determine the student's eligibility for a Direct Subsidized Loan;
- Ensure that the amount of the loan will not exceed the student's annual or aggregate loan limit; and
- Prorate the annual loan limit for an undergraduate enrolled in a program or remaining period of study that is shorter than an academic year (as described in this chapter).

## ANNUAL LOAN LIMITS

Direct Subsidized and Unsubsidized Loans have annual loan limits, based on the student's dependency status and grade level. There are higher Direct Unsubsidized annual loan limits for borrowers enrolled in certain health professions programs, and special loan limits for certain students who are not enrolled in a degree or certificate program. In some cases, for undergraduate students, the annual loan limits must be prorated (reduced). The annual loan limits are the maximum amounts that a student may receive for an academic year. The actual loan amount that a borrower is eligible to receive may be less than the annual loan limit.

Depending on the academic calendar of the program, a student who has reached the annual loan limit cannot receive another Direct Subsidized or Unsubsidized Loan until he or she either begins another academic year, or, in some cases, progresses within an academic year to a grade level with a higher annual loan limit.

### Direct Loan limits

Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) (Dear Colleague Letter GEN-08-08)

HEA Sec. 425(a)(1)(A)

HEA Sec. 428(b)(1)(A)

HEA Sec. 428H(d)

34 CFR 685.203

### Minimum Direct Loan amount

When originating Direct Loans in the COD system, there is no minimum loan amount.

## Annual loan limits: Basic principles

### Annual loan limits

- Direct Subsidized and Unsubsidized Loans have annual loan limits.
- There is an overall annual loan limit for Direct Subsidized and Unsubsidized Loans, of which not more than a specified amount may be comprised of subsidized loans.
- An undergraduate student who is ineligible for Direct Subsidized Loans may receive up to the total subsidized/unsubsidized annual loan limit in Direct Unsubsidized Loans.
- The Direct Subsidized Loan annual loan limits are the same for both dependent and independent undergraduates.
- Dependent students have lower total subsidized/unsubsidized annual loan limits than independent students; if a dependent student's parent(s) cannot borrow a Direct PLUS Loan, the student becomes eligible for the higher total subsidized/unsubsidized annual loan limits that apply to an independent student, allowing the dependent student to receive additional Direct Unsubsidized Loan funds.
- The annual loan limits apply to the academic year (that is, the annual loan limit is the maximum loan amount that a student may receive for one academic year).
- The student's maximum annual loan limit increases as the student progresses to higher grade levels.
- For undergraduate students, the loan limit must be prorated if the student is attending a program (or remaining portion of a program) that is less than an academic year.
- Graduate/professional students are no longer eligible to receive Direct Subsidized Loans.

### Annual loan limit progression: SAY/BBAY

- For Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans, a school must use either a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY) to determine when a student is eligible for a new annual loan limit.
- An SAY generally begins/ends at the same time each year; a BBAY "floats" with the student's enrollment.
- A traditional calendar program or an SE9W program with a comparable calendar may use an SAY.
- A clock-hour or non-term program, or a program that does not have an SAY, must use a BBAY.
- In a clock-hour or non-term credit-hour program, or a program with nonstandard terms that are not SE9W, the borrower must successfully complete the credit/clock-hours and weeks of instructional time in the Title IV academic year before the borrower is eligible for a new annual loan limit.
- In a standard-term or SE9W program, it is possible for a student to advance a grade level and become eligible for a higher loan amount within an academic year.



## Subsidized and Unsubsidized Direct Loans

DCL GEN 12-01

The federal government does not charge interest on a Direct Subsidized student loan during: in-school status, deferment periods, and (except for Direct Subsidized Loans first disbursed on or after July 1, 2012 and before July 1, 2014) the grace period.

The student is responsible for paying the interest on a Direct Unsubsidized student loan during all periods.

## Increased Direct Unsubsidized limits for independent undergraduate students and dependent undergraduate students whose parents can't get Direct PLUS Loans

34 CFR 685.203(c)(1)(ii)

DCL GEN 11-07

## Increasing the loan amount when student changes dependency status during the academic year

For any type of educational program (whether term-based or non-term, credit-hour or clock-hour), a dependent student who has already borrowed up to the annual loan limit within an academic year may be eligible to receive additional loan funds if his or her dependency status changes to independent during that same academic year.

## Using school's definition of academic year if longer than the Title IV minimum

A school may choose to define its academic year as longer in weeks or hours than the minimum statutory requirements. If so, then it's the school's standard – not the statutory minimum – that applies when determining whether a program or a final period of study is shorter than an academic year.

## Direct Loans for students whose parents have ended financial support and refuse to file a FAFSA

Schools may offer a dependent student a Direct Unsubsidized loan if the student's parents have ended financial support and refuse to file a FAFSA. For more detail, see *Chapter 5 of the Application and Verification Guide* and DCL GEN-08-12.

## Direct Subsidized and Unsubsidized Loan limits for a dependent undergraduate student

Dependent undergraduate students (excluding dependent undergraduates whose parents are unable to obtain Direct PLUS Loans) are eligible for an additional \$2,000 in Direct Unsubsidized Loan funds each academic year.

For these students, the annual loan limits are:

- \$3,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent first-year undergraduates;
- \$4,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent second-year undergraduates; and
- \$5,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$2,000 additional Direct Unsubsidized for dependent third-, fourth-, or fifth-year undergraduates.

These loan limits represent the total of all Direct Subsidized and Unsubsidized Loans a dependent undergraduate student may borrow at each level of study for a single academic year. For example, a dependent first-year undergraduate may receive up to \$5,500 in Direct Subsidized and Unsubsidized Loans for a single academic year, but no more than \$3,500 of this amount may be subsidized. A dependent first-year undergraduate who has no subsidized loan eligibility could receive up to the full \$5,500 in Direct Unsubsidized Loans.

## Increased Direct Unsubsidized limits for independent undergraduate students and dependent undergraduate students whose parents can't get Direct PLUS Loans

There are higher additional unsubsidized annual loan limits for independent undergraduate students. These higher additional Direct Unsubsidized Loan limits also apply to dependent undergraduate students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other documented exceptional circumstances.

- \$3,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$6,000 additional Direct Unsubsidized for independent first-year undergraduates;
- \$4,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$6,000 additional Direct Unsubsidized for independent second-year undergraduates; and
- \$5,500 combined Direct Subsidized and/or Direct Unsubsidized plus \$7,000 additional unsubsidized for independent third-, fourth-, or fifth-year undergraduates.

As with the loan limits for dependent undergraduates, these loan limits represent the total of all Direct Subsidized and Unsubsidized Loans that an independent undergraduate student (or a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan) may borrow at each level of study, for a single academic year. For example, an independent, first-year undergraduate may receive up to \$9,500 in Direct Subsidized/Unsubsidized Loans for a single academic year, but no more than \$3,500 of this amount may be subsidized.

Note that a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan is not eligible to receive both the \$2,000 in additional Direct Unsubsidized Loan funds described here, and the additional \$6,000 or \$7,000 in Direct Unsubsidized Loan funds that are available to independent undergraduates and dependent undergraduates whose parents are unable to obtain Direct PLUS Loans.

### *Direct Subsidized/Unsubsidized Loan limits for graduate and professional students*

The annual loan limit for graduate or professional students is \$20,500 in Direct Unsubsidized Loans per academic year. The regulations define a graduate/professional student as a student who is enrolled in a program or course above the baccalaureate level or in a professional program and has completed the equivalent of 3 academic years of full-time study either prior to entering the program or as part of the program itself. Also, a student who is receiving Title IV aid as an undergraduate student can't be considered a graduate/professional student for that same period of enrollment.

To satisfy the requirement that a graduate student has completed 3 academic years of full-time study, a student must have completed a minimum of at least 72 credit/semester hours, or the equivalent number of quarter hours (at least 108), or clock-hours (at least 2700). You may also assign a higher number of credits required to satisfy the credit requirement component to be considered a graduate student at your school, for example, 90 credit/semester hours (which may match your school's grade level progression standard for Direct Loans). Note that these three academic year's worth of credits may be taken over a longer or shorter period of time than three calendar years in the program.

Note that a student in an undergraduate program can't get the graduate loan limits based on taking graduate coursework as a part of the undergraduate program. In contrast, a graduate student who is taking some undergraduate coursework is eligible for the graduate loan limits if the student is enrolled at least half-time in courses (either graduate or undergraduate) that can be applied to the graduate program requirements. However, the student must already be admitted into the graduate program. A borrower with a bachelor's degree who is taking preparatory work for graduate school (or whose full admission to the graduate program is contingent upon completion of certain undergraduate courses) is not eligible for graduate loan limits.

### **Entrance counseling requirements for Graduate/Professional PLUS borrowers**

For entrance counseling requirements for Graduate/Professional PLUS—see *Volume 2, Chapter 6, Providing Consumer Information*.

### **Example: Additional unsubsidized for independent undergraduate**

Dottie is a first-year independent undergraduate student at Russell's Institute. Her COA is \$14,500, her EFC is 1800, and she is receiving a \$2,981 Pell Grant. Dottie qualifies for a Direct Subsidized Loan of \$3,500. She may also receive the maximum additional Direct Unsubsidized Loan amount of \$6,000 to cover most of her unmet need. Her total loan amount in Direct Subsidized and Unsubsidized Loans is \$9,500. (Note that Dottie's loan eligibility would be the same if she were a dependent undergraduate whose parent was unable to obtain a Direct PLUS Loan.)

### **Graduate student criteria**

34 CFR 668.2(b)

### **Direct PLUS Loans for graduate/professional students**

DCL GEN-06-02

DCL GEN-11-07

Direct PLUS Loans for graduate/professional students were authorized by the Higher Education Reconciliation Act of 2005, effective July 1, 2006. Previously, Direct PLUS Loans were only available to parents of dependent undergraduates.

**Annual Limits for Sub/Unsub Loans****Subsidized****Total (subsidized & unsubsidized)****Dependent undergraduates (excluding dependent students whose parents can't get PLUS)**

First Year .....	\$ 3,500 .....	\$ 5,500
Second Year .....	\$ 4,500 .....	\$ 6,500
Third Year and Beyond.....	\$ 5,500 .....	\$ 7,500

**Independent undergraduates & dependent students whose parents can't get PLUS**

First Year .....	\$ 3,500 .....	\$ 9,500
Second Year .....	\$ 4,500 .....	\$ 10,500
Third Year and Beyond.....	\$ 5,500 .....	\$ 12,500

**Graduate & Professional Students (all years).....**\$ 0.....\$20,500

*Note: All undergraduate annual loan amounts are subject to proration.*

**Aggregate Limits for Sub/Unsub Loans****Subsidized****Total (subsidized & unsubsidized)**

<b>Dependent undergraduates (excluding those whose parents can't borrow PLUS) .....</b>	<b>\$ 23,000 .....</b>	<b>\$31,000</b>
<b>Independent undergrads &amp; dependent students whose parents can't get PLUS.....</b>	<b>\$ 23,000 .....</b>	<b>\$ 57,500</b>
<b>Graduate &amp; Professional students.....</b>	<b>\$ 65,500** .....</b>	<b>\$ 138,500*</b>

*See guidance later in this chapter on additional unsubsidized eligibility for students in certain health professions programs, special loan limits for preparatory & teacher certification coursework, and the 150% subsidized eligibility limitation.*

*Graduate and professional students are no longer eligible for Direct Subsidized Loans.*

\* Note that graduate and professional students are no longer eligible for Direct Subsidized Loans, but may have existing balances on such loans, which count toward the student's aggregate loan limit.

\*\*Aggregate loan limits for graduate and professional students include loans received for undergraduate study. The \$65,500 subsidized aggregate loan limit shown here for graduate and professional students includes subsidized loans received before subsidized loan eligibility was eliminated for those students and prior subsidized loans received for undergraduate study.



***Direct PLUS Loan amounts for parents & graduate/professional students***

There are no fixed annual or aggregate loan limits for Direct PLUS Loans. A graduate or professional student may be awarded a Direct PLUS Loan for up to the student's COA minus other EFA (see *Chapter 7* for packaging rules). Therefore, a graduate/professional student may have additional PLUS eligibility beyond the maximum unsubsidized loan limits. Similarly, the total Direct PLUS Loan amount borrowed by one parent or borrowed separately by more than one parent on behalf of a dependent student (including a non-custodial parent) may not exceed the student's estimated cost of attendance minus other financial aid awarded for the period of enrollment. This is the only borrowing limit for Direct PLUS Loans. For more on borrower eligibility, see *Volume 1, Chapter 6*.

***Increased unsubsidized eligibility for health professions students***

Certain health professions students may borrow increased Direct Unsubsidized Loan amounts. Schools may award the increased unsubsidized amounts to students who are enrolled at least half-time in certain health professions programs. The program must be accredited by specific accrediting agencies (see chart). The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular annual loan limits.

The disciplines that are eligible for the increased Direct Unsubsidized Loan amounts and the approved accrediting agencies for these disciplines are shown in the loan limit chart for the increased unsubsidized amounts at the end of this section.

A chart at the end of this section shows the annual loan limits for the increased unsubsidized loan amounts, which vary by discipline and academic year length. The combined subsidized/unsubsidized aggregate loan limit for graduate and professional health professions students who are eligible to receive the increased unsubsidized amounts is \$224,000. Not more than \$65,500 of this amount may be in subsidized loans, for those students who may have received subsidized loans for graduate/professional study prior to July 1, 2012, or for undergraduate study. If a student receives the additional Direct Loan amounts on the basis of study in a health profession program but then leaves that program and enters a program in a different non-health professions field, the student is no longer eligible for the increased Direct Loan limits. However, the additional loan amounts received on the basis of health professions study are not counted toward the normal aggregate loan limit for that student.

**Requirement to offer Direct PLUS Loans to both parent and student borrowers**

DCL GEN-11-07

If your school chooses to participate in the Direct PLUS Loan Program and has both undergraduate and graduate/professional students, you must make Direct PLUS Loans available to both the parents of your dependent undergraduate students and to your graduate/professional students. You may not limit Direct PLUS Loan borrowing only to parents or only to graduate/professional students.

**Same-sex parent Direct PLUS Loan eligibility**

DCL GEN-14-14

A same-sex married parent may apply for a Direct PLUS loan if the parent was legally married in a location which recognizes the marriage as valid, regardless of where the couple resides.

**Foreign schools and increased Direct Unsub Loan amounts**

Foreign schools may not award the increased Direct Unsubsidized Loan amounts to health profession students.

**Programs Eligible for**  
**Additional \$20,000 in Unsubsidized Loans for an Academic Year Covering 9 months**  
**Additional \$26,667 in Unsubsidized Loans for an Academic Year Covering 12 months**

(Note that students in these programs are also eligible for a higher aggregate limit for combined subsidized/unsubsidized loans: \$224,000.)

Program	Approved Accrediting Agency
Doctor of Allopathic Medicine	Liaison Committee on Medical Education
Doctor of Osteopathic Medicine	American Osteopathic Association, Bureau of Professional Education
Doctor of Dentistry	American Dental Association, Commission on Dental Accreditation
Doctor of Veterinary Medicine	American Veterinary Medical Association, Council on Education
Doctor of Optometry	American Optometric Association, Council on Optometric Education
Doctor of Podiatric Medicine	American Podiatric Medical Association, Council on Podiatric Medical Education
Doctor of Naturopathic Medicine, Doctor of Naturopathy	Council on Naturopathic Medical Education

**Programs Eligible for**  
**Additional \$12,500 in Unsubsidized Loans for an Academic Year Covering 9 months**  
**Additional \$16,667 in Unsubsidized Loans for an Academic Year Covering 12 months**

Doctor of Pharmacy	Accreditation: Accreditation Council for Pharmacy Education
Graduate in Public Health	Accreditation: Council on Education for Public Health
Doctor of Chiropractic	Accreditation: Council on Chiropractic Education, Commission on Accreditation
Doctoral Degree in Clinical Psychology	Accreditation: American Psychological Association, Committee on Accreditation
Masters or Doctoral Degree in Health Administration	Accreditation: Commission on Accreditation of Healthcare Management Education

**Proration of annual loan limit for academic year covering 10 or 11 months:** For programs with an academic year covering 10 or 11 months, the annual additional unsubsidized loan limit must be prorated. If the academic year covers 10 or 11 months, the prorated annual loan limit is determined by dividing the applicable loan limit for an academic year covering 9 months by 9, and then multiplying the result by 10 or 11.

**Example of annual loan limit:** The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular Direct Unsubsidized annual loan limits. For example, a student enrolled in a 9-month Doctor of Dentistry program is eligible for the regular Direct Unsubsidized annual loan maximum for a graduate/professional student (\$20,500 in unsubsidized), plus the maximum increased unsubsidized amount of \$20,000, for a total Direct Unsubsidized Loan maximum of \$40,500.

## ANNUAL LOAN LIMIT PROGRESSION

### *Academic Year & loan limits*

The academic year is used as the basis for the student's annual loan limits. (The award year concept for Pell and the Campus-Based Programs is not a factor for Direct Subsidized/Unsubsidized Loans.) The loan period is often equivalent to an academic year, but there are also many situations where this is not the case. In this section, we'll discuss how you can match the student's loan periods to his/her enrollment and your school's academic calendar. (If you are not familiar with the definition of an academic year, see *Chapter 1* of this volume.)

### *Two types of academic years for monitoring annual loan limits: Scheduled Academic Year (SAY) and Borrower Based Academic Year (BBAY)*

There are two types of academic years that may be used to monitor annual loan limits for Direct Subsidized/Unsubsidized Loans: a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY). (Note that although there is no annual loan limit for Direct PLUS Loans, Direct PLUS Loans are awarded for the same SAY or BBAY period that is used for Direct Subsidized/Unsubsidized Loans.)

An SAY corresponds to a traditional academic year calendar that is published in a school's catalogue or other materials, and is a fixed period of time that begins and ends at the same time each year. Examples of SAYs for a standard term program are fall and spring semesters, or fall, winter, and spring quarters. For a nonstandard SE9W program, an SAY could consist of two or more SE9W nonstandard terms running from fall through spring. For both standard term and SE9W nonstandard term programs, the number of credit hours and weeks of instructional time in the fall through spring SAY period must meet the regulatory requirements for an academic year.

A BBAY does not have fixed beginning and ending dates. Instead, it "floats" with a student's (or group of students') attendance and progression in a program of study. There are 3 types of BBAY, described below.

If a program is offered in an SAY calendar, you have the option of using either an SAY or BBAY 1 to monitor the annual loan limits for students in that program. You **must** use a Borrower Based Academic Year (BBAY) to monitor the annual loan limits for any academic program that does not meet the definition of a program allowed to use an SAY. However, there are significant differences between the different types of BBAY:

- BBAY 1, for credit-hour programs using an SAY with standard terms or nonstandard SE9W terms.
- BBAY 2, for credit-hour programs not using an SAY, with standard terms or nonstandard SE9W terms.
- BBAY 3, for clock-hour programs, non-term programs, programs with nonstandard terms that are not SE9W, or programs with standard and nonstandard terms not described above.

### Academic Year

See *Volume 3, Chapter 1* for a discussion of academic year requirements.

### Standard terms

Standard terms are semesters, trimesters, or quarters. See *Chapter 3* of this volume for more detail on standard terms.

A standard-term program may use an SAY if it has a traditional academic calendar (i.e., has terms that start at about the same time each year, where, for example, the fall and spring semesters or the fall, winter, and spring quarters normally make up the academic year).

### Nonstandard "SE9W" terms

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to throughout this chapter as "SE9W."

The length of terms is measured in weeks of instructional time, as defined in *Chapter 1*. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period.

A nonstandard program with SE9W terms may use an SAY if all of the following requirements are met:

- it has a fixed academic calendar comparable to a traditional academic calendar (i.e., terms that start at about the same time each year, where 2 or more nonstandard terms normally make up the academic year in the fall through spring);
- all of the nonstandard terms, including any summer term, are SE9W; and
- the number of credit hours and weeks of instructional time in the comparable fall-spring academic calendar meet the regulatory requirements for an academic year.

### SE9W SAY Example

Baez Business College has programs with an academic calendar using semester hours with three quarters, each 12 weeks of instructional time in length, offered over the fall through spring (comparable to a traditional academic year calendar) and a 10 week term offered in the summer. Baez defines its academic year as 36 weeks of instructional time and 24 semester hours. As “quarters” using semester hours, the terms are nonstandard terms.

Because these terms are nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W), and are offered in a fixed schedule that encompasses the Title IV academic year (plus the summer term), with an academic calendar comparable to a traditional calendar, Baez may use an SAY (with the summer term treated as a trailer or header) or BBAY 1 (consisting of any three consecutive terms) for these programs.

### Treatment of summer minisessions

Summer minisessions must be grouped together as a single trailer or header term if the program is to have a BBAY, or they can be treated separately and assigned to different SAYs. If the summer minisessions are grouped and treated as a single term, the summer COA cannot include costs for a minisession for which the student is not expected to be enrolled.

We will describe the differences between the SAY, BBAY 1, BBAY 2, and BBAY 3 in more detail in the following pages.

### *Credit-hour programs with traditional calendar using standard terms or nonstandard SE9W terms with a comparable calendar: may use SAY*

As noted previously, an SAY corresponds to a traditional academic year calendar, and usually begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of the spring semester). An SAY must meet the FSA requirements for an academic year (as defined in *Chapter 1*). An SAY may include one or more terms that a student does not attend.

Summer terms are generally not considered to be part of the SAY, but for loan limit purposes they may be treated as a “trailer” to the preceding SAY or as a “header” to the following SAY. Your school has the option to establish a policy that designates its summer term as either a trailer or header to the SAY for all students. You can also choose to make different designations for different educational programs, or for different students, as long as you ensure that there is no overlap in academic years. Note that a fixed designation of the summer term can limit a student’s eligibility. For instance, if you always treat your summer term as a trailer to a preceding fall-spring SAY, a student who receives the full annual loan limit for fall-spring would have no remaining loan eligibility for summer.

The annual loan limit applies to the SAY, plus the summer trailer or header. Once the calendar period associated with all of the terms in the SAY and the summer header or trailer (if any) has elapsed, a student regains eligibility for a new annual loan limit.

### *Credit-hour programs with an SAY: may use BBAY 1*

If a program is offered in a SAY, you have the option of using a BBAY as an alternative to the SAY for monitoring annual loan limit progression. Unlike an SAY, a BBAY is not a fixed period that begins and ends at the same time each year. Instead, a BBAY’s beginning and ending dates depend on the individual student’s enrollment.

For programs with an SAY, a BBAY must include the same number of terms as the SAY that would otherwise be used (not including any summer “trailer” or “header”). For example, if the SAY includes three quarters (fall, winter, spring), a BBAY would consist of any three consecutive terms. A BBAY may include terms the student does not attend if the student could have enrolled **at least half-time** in those terms, but (unlike an SAY) it must begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-half-time for the first term and not eligible for a loan for that term). Also, any minisessions (summer or otherwise) that run consecutively within a term **must** be combined and treated as a single term.

Like an SAY, a BBAY must meet the minimum FSA requirements for an academic year. However, a BBAY that includes a summer term may include fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for an SAY. This is because a summer term may be shorter than a standard term in an SAY, but is recognized as academically

equivalent to a standard term when used as one of the terms in a BBAY. (Note: This exception applies only to a BBAY used as an alternative for a program with an SAY.)

You may use BBAYs for all students, only for students in certain programs, or on a student-by-student basis. For example, you could use a BBAY for students enrolled in a program that begins in a term other than the first term of the SAY. You can even alternate BBAYs and SAYs for a student, provided the academic years don't overlap. This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard.

As with an SAY, the annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a student regains eligibility for a new annual loan limit.

### *Standard-term programs and nonstandard term SE9W programs without an SAY: BBAY 2*

If a program with standard terms or nonstandard SE9W terms is not offered in a traditional academic year calendar (SAY), a BBAY **must** be used. If the program uses semesters or trimesters, a BBAY generally consists of any two consecutive terms (similarly, with quarters, any three consecutive terms). If the program uses SE9W nonstandard terms, a BBAY consists of the number of consecutive terms that coincide with the weeks of instructional time in the program's academic year.

As with the optional BBAY that may be used for programs with an SAY, the BBAY may include terms that a student does not attend (as long as the student could have enrolled at least half-time in those terms), but it must

### **Alternating SAY/BBAY 1**

This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard. For instance, if you normally use an SAY consisting of fall and spring semesters with a summer trailer, a student who received the maximum annual loan limit for fall-spring could not receive another loan until the start of a new SAY in the fall. If the student enrolls for summer and wants a loan, you could choose to switch the student to a BBAY consisting of the summer and fall terms. The student could then receive a loan for the summer term, since summer would be the start of a new academic year. A school that has these choices for academic year standards must have a written policy that explains how it applies these options when calculating loan eligibility.

### **Standard term, credit-hour programs not using a traditional academic year calendar: BBAY 2**

Soler Academy also has a program that measures academic progress in credit-hours and uses 15-week semesters, but is not offered in a traditional academic year calendar (SAY). New students begin the program each month, and a 15-week semester begins at that time for that cohort of students. The school must use a BBAY to monitor annual loan limits. A BBAY consists of any two consecutive semesters, beginning with a semester in which a student is enrolled:

Semester #1 (begins program)	Semester #2	Semester #3	Semester #4 (not enrolled)	Semester #5	Semester #6
Year 1: BBAY		Year 2: BBAY		Year 3: BBAY	



### Individual academic progress in BBAY 3

In many clock-hour, non-term, and nonstandard-term programs, students are allowed to progress at an individual pace. For example, a school that defines its academic year as 900 clock-hours and 26 weeks of instructional time offers a 900 clock-hour program that most students complete in 26 weeks. However, one student might complete 900 clock-hours in 22 weeks, and another in 30 weeks. You do not have to prorate the loan limit for the occasional student who completes the program in less than 26 weeks. (Note that this policy applies only to programs that are exactly one academic year in length. If a program is longer than an academic year, proration may be required for a loan covering the remaining portion of the program if a student completes more than the minimum number of hours during the first 26 weeks of instructional time. See loan limit proration example 3 later in this chapter).

### BBAY 3 and programs with standard terms

If a program has standard terms and nonstandard terms and does not qualify to use an SAY, the program must use BBAY 3. One common example is a program with a 4-1-4 calendar (2 semesters of 4 months each, with a 1 month winter intersession in between) where the winter intersession is not combined with either the fall or spring semester (it is not permissible to ignore a student's enrollment in a winter intersession).

Another common example is a degree-completion program with 20-week nonstandard terms where students must also attend regular semesters to complete their degree.

begin with a term in which the student is actually enrolled (even though the student may be enrolled less-than-full-time for the first term and not eligible for a loan for that term). Unlike the optional BBAY for programs offered in an SAY, there is no exception to the minimum requirements for a BBAY that includes a summer term: the BBAY for standard-term programs that are not offered in a traditional academic calendar, or a comparable calendar if SE9W nonstandard terms, must always include enough terms to meet the minimum Title IV academic year requirements for weeks of instructional time.

The annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a student regains eligibility for a new annual loan limit.

### *Clock-hour, non-term credit-hour, and nonstandard-term programs that are not SE9W: BBAY 3*

All clock-hour programs, non-term credit-hour programs, and nonstandard-term programs with terms that are not SE9W must use a BBAY that meets the minimum requirements for an academic year. That is, the BBAY must contain at least 30 (or, for clock-hour programs, 26) weeks of instructional time and at least the minimum number of credit or clock-hours: for undergraduate programs, 24 semester or trimester hours, 36 quarter-hours, or 900 clock-hours; for graduate programs, the number of hours a student would complete under the school's full-time standard in the weeks of the Title IV academic year, which must be a minimum of 30 weeks of instructional time, or, for clock-hour programs, at least 26 weeks of instructional time. This requirement also applies to a program that consists of both standard and nonstandard terms and that does not qualify to use an SAY.

The BBAY begins when a student enrolls and does not end until the later of the date the student successfully completes the hours in the academic year or the number of weeks of instructional time in the academic year.

Because a student must successfully complete the minimum number of hours or weeks of instructional time in an academic year (whichever comes later) before a new BBAY begins, a student's enrollment status may affect how soon the student regains eligibility for a new annual loan limit. For example, a student who is attending part-time will take longer to complete a BBAY than a full-time student. (In contrast, an SAY or BBAY for a standard-term program, or a nonstandard SE9W program, ends when the *calendar period* associated with the terms in the SAY or BBAY has elapsed, regardless of how many credit-hours or weeks of instruction the student completed during the SAY or BBAY.)

## Monitoring Annual Loan Limits with an SAY or BBAY

Credit-hour programs offered in a Scheduled Academic Year (SAY) An SAY uses 1) a traditional academic calendar with at least two semesters or trimesters or three quarters in the fall through spring, or 2) a comparable academic calendar with nonstandard SE9W terms, if <b>a)</b> all of the nonstandard terms, including the summer term, are SE9W, and <b>b)</b> the number of hours/weeks in the comparable fall-spring academic calendar meets the regulatory requirements for an academic year.	Credit-hour programs not offered in a Scheduled Academic Year, but with 1) standard terms, or 2) nonstandard SE9W terms	Clock-hour programs, non-term programs, and programs with nonstandard terms that are not SE9W
May use SAY	Must use BBAY 2	Must use BBAY 3
<p>1) An SAY generally begins/ends at same time each year.</p> <p>2) The student does not have to be enrolled in the first term of the SAY.</p> <p>3) An SAY for a program must at least meet the program's Title IV academic year in weeks/hours.</p> <p>4) Total of all loans received within SAY (including summer trailer/header) may not exceed annual loan limit</p> <p>5) Student becomes eligible for new annual loan limit after SAY calendar period has elapsed.</p> <p>6) After original loan, student may receive additional loans during same SAY if:</p> <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul> <p>7) Summer term may be "trailer" or "header" per:</p> <ul style="list-style-type: none"> <li>• Strict policy;</li> <li>• By program; or</li> <li>• Case by case, by student</li> </ul>	<p><i>May use BBAY 1 for all students; certain students; or certain programs</i></p> <p><i>May alternate SAY and BBAY1 for a student provided academic years do not overlap</i></p> <p>1) BBAY1 "floats" with the student's enrollment.</p> <p>2) Student must be enrolled in first term of the BBAY1 (less-than-½-time enrollment is acceptable).</p> <p>3) Length of BBAY1 must equal the number of terms in the program's SAY, excluding the summer trailer/header.</p> <ul style="list-style-type: none"> <li>• Number of hours/weeks in BBAY1 need not meet the regulatory requirements for an academic year if the BBAY1 includes summer term.</li> <li>• May include terms student does not attend if student could have enrolled at least ½-time.</li> </ul> <p>4) Total of all loans received within BBAY1 may not exceed annual loan limit.</p> <p>5) Student becomes eligible for new annual loan limit after BBAY1 calendar period has elapsed.</p> <p>6) After original loan, student may receive additional loans during same BBAY1 if:</p> <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul> <p>7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard or nonstandard term (affects all FSA programs)</p> <ul style="list-style-type: none"> <li>• Student need not enroll in each minisession, but must have been able to enroll at least ½-time in the combined term.</li> </ul>	<p>1) BBAY2 floats with student's enrollment.</p> <p>2) Student must be enrolled in first term of the BBAY2 (less-than-half-time enrollment is acceptable). The BBAY2 may include terms student does not attend if student could have enrolled at least half-time</p> <p>3) The BBAY2 must meet at least the minimum requirements for hours/weeks of the program's Title IV academic year, and it must consist of:</p> <ul style="list-style-type: none"> <li>• at least 2 consecutive semesters or trimesters;</li> <li>• at least 3 consecutive quarters; or</li> <li>• at least the number of consecutive SE9W terms covered by the program's Title IV academic year.</li> </ul> <p>4) Total of all loans received within a BBAY2 may not exceed annual loan limit.</p> <p>5) Student becomes eligible for new annual loan limit after BBAY2 calendar period has elapsed</p> <p>6) After original loan, student may receive additional loans during same BBAY2 if:</p> <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility;</li> <li>• Student progresses to grade level with higher annual loan limit; or</li> <li>• Student changes from dependent to independent.</li> </ul> <p>7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard term (affects all FSA programs)</p> <ul style="list-style-type: none"> <li>• Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term</li> </ul> <p><i>BBAY3 also applies to programs that mix nonstandard terms and standard terms that do not have an SAY</i></p> <p>1) BBAY3 floats with student's enrollment.</p> <p>2) The BBAY3 begins with student's enrollment on at least a half-time basis.</p> <p>3) BBAY3 must meet at least the minimum requirements for hours/weeks of the program's Title IV academic year.</p> <p>4) Total of all loans received within a BBAY3 may not exceed annual loan limit.</p> <p>5a) Student becomes eligible for new annual loan limit only after successfully completing the clock or credit-hours AND weeks of instructional time in the BBAY3.</p> <p>5b) A student may not become eligible for next grade level annual loan limits until after completion of a BBAY3.</p> <p>6) After original loan, student may receive additional loans within BBAY3 only if:</p> <ul style="list-style-type: none"> <li>• Student did not receive maximum annual loan amount and has remaining eligibility; or</li> <li>• Student changes from dependent to independent.</li> </ul>

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**COA for intersessions and modules**

Whether or not you merge an intersession or module with a standard term, you must not include costs in a student's COA for an intersession or module period of enrollment for which the student is not expected to be enrolled.

**MANAGING DIRECT LOANS IN MODULES AND INTERSESSIONS*****Direct Loans and modules***

You may award Direct Loans to borrowers for enrollment in modules (which are usually 1-8 weeks in length). Modules may use standard, non-standard, or non-term academic calendars. Modules and the courses offered as modules may overlap terms, and enrollment may begin at the beginning of any module. You award loans for modules based on courses for which the student is enrolled. If a student doesn't remain enrolled at least half-time, their subsequent loan disbursements are cancelled.

For Title IV aid purposes, students are allowed to skip one or more modules, however, COA for such a period of enrollment may not include costs for a period in which the student is not expected to be enrolled. For modules, the loan period includes the entire term (which may be comprised of several combined modules, or modules combined with other full-term length courses).

A student's payment period for a module begins with the module in which they first attend (you may not schedule a disbursement during a period of non-attendance. The structure of a modular term can transform a standard term into a non-standard term if the begin/end dates are not within 2 weeks of a standard term.

***Direct Loans and intersessions***

When offering a short session between two standard terms (for example, 3 weeks of instructional time between two 15-week semesters), or a shorter summer term (for example, 12 weeks of instructional time with a 12-semester hour full-time standard), you must offer aid to eligible students. You may either combine intersessions with standard terms, or treat them as a separate term.

When awarding aid for intersessions, you must apply the same awarding and packaging treatment to all students enrolled in the program, and if merged, you must merge the same term in the same manner for all students in the program (and whether merged or not, you must not include costs in a student's COA for a period of non-attendance during a period of intersessions for which the student is not expected to be enrolled).

**Intersessions combined with a standard term:**

You may combine an intersession with a standard term. This may allow an otherwise ineligible term to support potential Direct Loan eligibility (by supporting half-time or greater enrollment status, for example). Combining an intersession with a standard term may cause the earliest disbursement date (in spring, for example), to change.

When combined with a standard term, for Direct Loans, you have a choice of using either a SAY with summer as the header or trailer, as a standard term BBAY, or as a term with one loan. The loan period, payment periods, disbursement, and loan limit progression is based on standard term, traditional calendar treatment, with a higher limit gained after completion of the SAY or standard term BBAY, and one disbursement made per term.

**Intersessions treated as a separate term:**

If an intersession is treated as a separate term (i.e., not merged with a preceding or following standard term), the program is treated the same as a non-term or non-standard term non-SE9W program, and Direct Loans are to be awarded and disbursed based on BBAY 3 only. For Direct Loans, this means that the following rules apply:

- Loan period: minimum is the lesser of the academic year, the length of the program, or the remaining balance of the academic year.
- Payment periods: The first payment period is the period of time during which the student successfully completes half the number or credit/clock-hours and half the number of weeks of instructional time in the academic year; the second payment period is the period of time in which the student successfully completes the academic year.
- Annual loan limit progression: A student progresses to the next annual loan limit when he/she successfully completes both the weeks of instructional time and the hours/credits in the academic year.

## Graduate vs. Undergraduate limits: Special cases

- **Combined undergraduate/graduate programs**

Some programs combine undergraduate and graduate study, where the first years of the program are undergraduate study and the final years of the program are graduate study. For instance, in a 5-year program leading to a graduate or professional degree, the school may define the first 3 or 4 years of study as being at the undergraduate level, but after year 4, it must be treated as graduate level.

- **Students returning for second baccalaureate degree**

If a student with a baccalaureate degree enrolls in another baccalaureate program, his/her grade level for loan limit purposes would be based on the amount of work that the school counts toward satisfying the requirements of the new program. For instance, if your school accepts 30 semester hours of a student's work in a previous baccalaureate program toward the requirements for a BS in Chemistry at your school and, on that basis, classifies the student at the second-year level, then the student would be eligible for second-year undergraduate loan limits (see below for the loan limit that applies when a student is required to have a prior associates or baccalaureate degree as condition for being admitted to an undergraduate program).

- **Transfer from graduate to undergraduate program during an academic year**

If a student transfers from a graduate program to an undergraduate program in the middle of an academic year, the undergraduate annual loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. However, the total amount awarded for the academic year may not exceed the higher (grad/professional) annual loan limit.

- **Baccalaureate or associate degree required for admission to an undergraduate program**

A student who has an associate or baccalaureate degree that is required for admission into a program, but is not a graduate or professional student, may borrow up to the highest undergraduate annual loan limit (\$5,500 for a dependent student; additional \$7,000 in Direct Unsubsidized for an independent student or a dependent student whose parent is not eligible for PLUS), subject to the undergraduate aggregate loan limits.

- **Undergraduate student with graduate degree**

In some cases, a student who previously received undergraduate and graduate degrees returns to school to complete a second undergraduate program. Only the loans that the student received for the first undergraduate program are included in determining the student's remaining eligibility for loans for the second undergraduate program, up to the undergraduate aggregate limits. Although loans received for graduate study are not counted toward a student's undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits. (See example below.)

### Example: Graduate student returning to undergraduate program

		<b>Subsidized:</b>	<b>Unsubsidized:</b>	<b>Total</b>
An independent student has received the following loan amounts for a first undergraduate program and a graduate program:	<b>Undergraduate</b>	\$20,500	\$10,000	\$30,500
	<b>Graduate*</b>	\$45,000	\$40,000	\$85,000
	<b>Total</b>	\$65,500	\$50,000	\$115,500

The student has now enrolled in a second undergraduate program. Only the loans received for the first undergraduate program are counted toward the student's undergraduate aggregate loan limit. Because the total amount received for the first undergraduate program (\$30,500) does not exceed the aggregate loan limit for an independent undergraduate (\$57,500, maximum \$23,000 subsidized), the student has remaining loan eligibility for the second undergraduate program.

However, the loans received for the graduate program must still be considered to ensure that the student does not exceed the total aggregate loan limits. In this case, the total subsidized amount already received (\$65,500) is the maximum subsidized amount that a student may receive for undergraduate and graduate study combined. Therefore, the student may receive only unsubsidized loans for the second undergraduate program. The student may not exceed the combined undergraduate/graduate aggregate loan limit of \$138,500. This means that the student's remaining loan eligibility for the second undergraduate program is \$23,000 in unsubsidized loans (\$138,500 - \$115,500 already received for the first undergraduate program and the graduate program).

\*This example assumes that the student received the \$45,000 in subsidized loans for graduate study for periods of enrollment that began before July 1, 2012.



## Standard term, credit-hour programs using a traditional academic year calendar: BBAY 1

### 1. BBAY where SAY contains 2 semesters

Examples 1a through 1c illustrate the optional use of a BBAY for a program that is offered in an SAY consisting of two semesters, fall and spring, each 15 weeks of instructional time in length. (Note that in each example, the first BBAY is the same as the SAY.)

In example 1a, the initial fall and spring terms could be considered either an SAY or BBAY. If the student attends the summer session at the school, the aid administrator can elect to treat the summer term and the next fall as a BBAY for the student. In that case, the following spring and summer would also constitute a BBAY. The maximum loan limit for an academic year applies to each BBAY. If these were the first three years of study for a dependent student and the student progressed a grade level each academic year, he/she would be eligible for up to the applicable annual loan limits for the respective academic years.

1a.	Fall	Spring	Summer	Fall	Spring	Summer
	Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

A student doesn't have to attend all of the terms in a BBAY, but the BBAY cannot begin with a term that the student doesn't attend. In example 1b, the student is not enrolled in the second term (fall) of year 2.

In example 1c, if the student does not attend a term that otherwise would have been the beginning of a BBAY (in this case, spring), then the student's next BBAY cannot begin until the next term that the student attends. As with example 1a, the annual loan limit applies to each BBAY.

1b.	Fall	Spring	Summer	Fall (not enrolled)	Spring	Summer
	Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

1c.	Fall	Spring	Summer	Fall	Spring (not enrolled)	Summer	Fall
	Year 1: SAY or BBAY			Year 2: BBAY		Year 3: BBAY	

### 2. BBAY where SAY contains 3 quarters

The same concepts apply to quarter-term programs. For instance, in example 2, the fall, winter, and spring terms constitute the school's SAY. If the student attends the summer session at the school, it can be the first term of a BBAY that includes the following fall and winter terms.

Fall	Winter	Spring	Summer	Fall	Winter
Year 1: SAY or BBAY			Year 2: BBAY		

## Direct Loan limits for preparatory coursework & teacher certification

In *Volume 1, Chapter 1*, we discussed three instances in which a student may receive a loan for coursework that is not part of an eligible program. If the student and the academic coursework meet the conditions described in that volume, the annual loan limits are:

Preparatory coursework (not to exceed 12 consecutive months)

For undergraduate degree/certificate coursework:

Direct Subsidized & Unsubsidized	\$2,625**
Additional unsubsidized for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$6,000**

For graduate or professional coursework:

Direct Subsidized & Unsubsidized	\$5,500**
Additional Direct Unsubsidized for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$7,000**

State-required teacher certification coursework

Direct Subsidized & Unsubsidized	\$5,500**
Additional Direct Unsubsidized for independent students and dependent undergraduates whose parents can't get Direct PLUS	\$7,000**

No additional Direct Unsubsidized Loan amount is available to dependent undergraduate students who are enrolled in preparatory coursework or teacher certification coursework (except for dependent undergraduates whose parents can't get Direct PLUS).

\*\* Loan limit is not prorated if the coursework lasts less than an academic year. See *Volume 1, Chapter 6, FSA Handbook* for more information on Title IV eligibility for this coursework.

## Criteria for additional Direct Unsubsidized Loans

Dependent students whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other exceptional circumstances may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students. The increased loan amounts may not substitute entirely for the amount a parent may borrow under the PLUS program, which may be up to the difference between COA and EFA. As a result, you should determine whether the parents may be able to borrow a Direct PLUS Loan using an endorser who does not have an adverse credit history before originating additional unsubsidized loan amounts for the dependent student.

Before originating a loan for increased loan amounts, you must document the basis of the dependent student's eligibility. Some basic guidelines for making this determination include:

- None of the following, by themselves, are sufficient to make a dependent student eligible for additional unsubsidized loans: the parent's unwillingness to borrow a Direct PLUS Loan, a school's decision not to participate in the Direct PLUS Loan program, or the aid administrator's belief that a parent should not borrow a Direct PLUS Loan.
- If only one of a student's two parents has applied for a Direct PLUS Loan and been denied based on adverse credit, you may award additional Direct Unsubsidized Loan funds on that basis. However, if both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the additional unsubsidized loan amounts.
- The dependent student may become eligible at any time during an academic year if a parent has first been approved and then later denied a Direct PLUS Loan based on a subsequent application. Under these circumstances, any previous Direct PLUS Loan funds received during the same period of enrollment are treated as estimated financial assistance in determining the student's remaining eligibility for additional unsubsidized loan amounts.

In addition to cases in which a parent has been denied a Direct PLUS Loan due to adverse credit, a dependent undergraduate student may also be eligible for increased unsubsidized loan amounts if you determine and document that other

exceptional circumstances exist that will prevent a parent from borrowing a Direct PLUS Loan. Examples of such exceptional circumstances include, but are not limited, to the following:

- The parent is incarcerated.
- The parent's whereabouts are unknown.
- The parent has filed for bankruptcy and has provided a letter from the bankruptcy court stating that as a condition of the bankruptcy filing, the parent may not incur any additional debt.
- The parent's income is limited to public assistance or disability benefits, and you have documented that the parent would not be able to repay the Direct PLUS Loan.
- You have examined the family financial information and documented the parent's likely inability to repay the Direct PLUS Loan due to an existing debt burden or the parent's expected income-to-debt ratio.
- The parent of a dependent student is not a U.S. citizen or permanent resident or is not able to provide evidence from the U.S. Citizenship and Immigration Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

Before originating a loan for the increased Direct Unsubsidized Loan amounts based on a parent's ineligibility for a Direct PLUS Loan due to adverse credit or other exceptional circumstances, you must document the basis of the dependent student's eligibility.

A determination that a parent is ineligible for a Direct PLUS Loan in one academic year based on adverse credit or other exceptional circumstances does not automatically support the dependent student's additional unsubsidized loan eligibility in subsequent years. If a dependent student is determined to be eligible for additional unsubsidized loan amounts in one academic year, you must re-examine and document that the basis for the student's eligibility continues to exist before originating additional unsubsidized loan amounts for the dependent in a subsequent year.

## Clock-hour, non-term, and nonstandard-term programs (other than SE9W programs): BBAY 3

### ***Example 1: Non-term credit-hour program***

A school offers a 48 semester hour, 60 weeks of instructional time program with a defined academic year of 24 semester hours and 30 weeks of instructional time. A student could receive two loans for this program. The period of enrollment for the first loan would be the time needed for a student to successfully complete the first 24 hours and 30 weeks of instructional time. The period of enrollment for the second loan would be the time needed to complete the remaining hours and weeks of instructional time of the program.

A student does not become eligible for the second loan until the later of the date that he/she successfully completes (passes) both 24 semester hours and 30 weeks of instructional time.

### ***Example 2: Nonstandard term, credit-hour program, terms not substantially equal in length***

A school offers a 72 quarter-hour program with 60 weeks of instructional time and a defined academic year of 36 quarter-hours and 30 weeks of instructional time. Courses are offered in 2-week and 5-week terms. A student could receive two loans, one for the period in which the student successfully completes the first 36 hours and 30 weeks, and another for the remaining hours and weeks of the program.

Although this program uses terms and measures academic progress in credit hours, the terms are nonstandard terms that are not substantially equal in length. A student does not become eligible for the second loan until he or she has completed 36 quarter hours or 30 weeks of instructional time, whichever comes later, regardless of the number of terms that have elapsed. For instance, a student who successfully completes (passes) 33 quarter hours in the first 30 weeks of instructional time must complete an additional three quarter hours before receiving the second loan. Generally, a school would originate a loan through the term in which the student is expected to complete the hours and weeks of instructional time of the academic year.

### ***Example 3: Clock-hour program***

Soler Academy has an 1,800 clock-hour program with 52 weeks of instructional time, and defines its academic year as 900 clock-hours and 26 weeks of instructional time. The initial BBAY always begins with the student's actual enrollment date. An enrolling student may receive two Direct Loans during the program (provided all eligibility criteria are met) because the program exceeds one academic year. The period of enrollment for the first loan would be the time it will take the student to successfully complete (pass) either 900 clock-hours or 26 weeks of instructional time, whichever comes later. The period for the second loan would be the time it takes to successfully complete the final 900 hours and 26 weeks of instructional time. Note that the student cannot receive the second loan until he/she has successfully completed the first 900 hours of the program or 26 weeks of instruction, whichever comes later.

A student who completes the first 900 hours in less than 26 weeks must still complete 26 weeks of instructional time before a new BBAY begins and the student becomes eligible to receive another loan. In this case, the second loan period would be for the clock-hours remaining and the weeks of instructional time to complete those hours. Similarly, a student who has completed fewer than 900 clock-hours after 26 weeks of instructional time must successfully complete 900 hours before receiving another loan.

## GRADE LEVEL PROGRESSION

The annual loan limit for Direct Subsidized and Unsubsidized Loans increases as a student progresses in his/her studies. Generally, a student's grade level for loan limit purposes is set according to the school's academic standards. Progression to a higher grade level does not always coincide with the beginning of a new academic year. For example, a student in a standard term program (or a borrower in a program using nonstandard, substantially equal-terms of 9 or more weeks [SE9W]) who completes only 12 semester hours during the first academic year could receive another loan when the calendar period associated with that academic year has elapsed. However, the borrower would still be classified as a first-year undergraduate at the start of the second academic year.

### *Grade level progression within the same academic year*

In standard term programs or nonstandard SE9W programs, a student who has already borrowed up to the annual limit within an academic year can receive additional loan funds if the student progresses to a grade level with a higher annual loan limit during that same academic year.

For instance, if a dependent student was classified as a 2nd-year undergraduate in the fall, he/she might have received a first disbursement of up to \$3,250 in Direct Subsidized/Unsubsidized Loan funds for the fall-spring loan. If the student achieved 3rd-year academic status based on the coursework completed in the fall semester, the student would now be eligible for the \$7,500 Direct Subsidized/Unsubsidized annual limit that applies to 3rd year and beyond dependent undergraduates. If the student had sufficient financial need, you could disburse the difference between the amount the student already received and the new annual limit in the spring term (\$7,500 minus \$3,250 = \$4,250).

In all cases, the borrower may borrow the difference between the amount already borrowed within the academic year and the student's new loan limit. Usually, the increase in the loan amount can be made as an adjustment to the student's existing loan rather than making a new loan. For a clock-hour program, non-term program, or nonstandard-term program that is not SE9W, the borrower will never progress to a higher grade level within an academic year. In a clock-hour program, non-term program, or nonstandard-term program that is not SE9W that is longer than an academic year, the borrower moves to a higher grade level only when he or she completes the credit or clock-hours and weeks of instructional time in the BBAY.

### *Grade level progression: clock-hour, non-term credit-hour, and other non-term programs*

In contrast, progression to a higher grade level and the beginning of a new academic year for loan limit purposes always happens at the same time for a student in a clock-hour program, non-term program, or nonstandard-term program in which the terms are not substantially equal in length or one or more terms have less than nine weeks of instructional time. In order to advance to the next grade level in such a program, for annual loan limit purposes, a student must successfully complete both the weeks and hours in the program's Title IV academic year; that is, at least 30 weeks

### Grade level progression

While the law defines minimum coursework for an academic year, it doesn't define how much coursework a student must complete to progress from one grade level to another. Unless a student's program of study or a school's academic standards clearly specify when this grade-level progression takes place, a reasonable approach would be to base grade levels on the number of credits required for the program, divided by the number of academic years it takes a typical student to earn that number of credits. For instance, if your school has a baccalaureate program that requires 120 semester hours of work and is typically completed in four academic years, then you might use a standard of 30 hours completed at each grade level.

### Remedial work & grade level

Remedial coursework can be counted towards the student's grade level progression, but only if the school's written and officially approved academic grade level progression policy specifies that remedial coursework can be counted for this purpose. Example: A school requires that the student complete 30 semester hours to progress to second-year grade level, and specifies that up to 10 of the hours may be in the form of remedial coursework.



of instructional time (or, for clock-hour programs, at least 26 weeks) and the credit or clock-hours in the academic year, whichever comes later. For instance, a first-year student in a 2-year non-term program who earns 36 quarter-credits over 24 weeks of instructional time cannot progress to the next grade level until another 6 weeks of instructional time are completed (the point at which the loan period for that academic year will be completed).

If a program can normally be completed in one year of full-time study, a student in that program can never receive more than the 1<sup>st</sup>-year annual loan limit in any given year, no matter how long it takes the student to finish. (Similarly, a student in a two-year program can never receive more than the 2nd-year annual loan limit for an academic year.)

### **Loan limits and work in a prior certificate program**

A school may not link two stand-alone 1-year programs by making one a prerequisite for admission to the other so that students beginning the second 1-year program could be classified as second-year students for loan limit purposes. However, hours or credits earned in a prior certificate program could be used to classify a transfer student at a grade level higher than grade level 1, if the student transfers into a program that is greater than one academic year in length and the new school accepts a year's worth of credits/hours from the prior program. For instance, if a school admits a transfer student from a certificate program and accepts 900 clock-hours that the student earned toward its 1,500-hour program, the student could be eligible for the 2nd-year loan limits if other students in the program are eligible for 2nd-year loan limits after completing the first 900 hours of the program.

### *New annual amount for same grade level*

For both standard-term programs and SE9W programs, if a student is enrolled at the same grade level after a full academic year has elapsed, the student may be eligible for a new annual maximum amount. For instance, if the student maintains satisfactory academic progress, he or she could conceivably receive two Direct Subsidized/Unsubsidized Loans at the maximum annual loan limit for a first-year undergraduate while completing the first year of the program.

If the student is maintaining satisfactory academic progress, your school is not permitted to have a general policy that limits the number of times the student can receive the maximum annual loan limit at one grade level. A school may refuse to originate a loan or may originate a loan for an amount less than the borrower's maximum eligibility only on a case-by-base basis.

### *Transfers & grade level*

If you're awarding a Direct Loan to a student who is transferring from a program at another school to a program at your school that is greater than one academic year in length, you may use the loan limits for a student in the 2nd-year or higher level of study if your school classifies the student at that level based on the number of academic credits it accepts from the prior school, or based on the granting of advance standing in the new program. Note, however, that if an associate or bachelor's degree is required for entry into a program at your school, you *must* use the 3rd-year loan limits for a student who transfers to that program.

The "Eligibility and Certification Approval Report" (ECAR) lists "one-year" as the highest educational program offered by the school if its longest program is one year or more, but less than two years in length. Students in programs longer than one year can be paid as 2nd-year students even though the ECAR lists the school's highest offering as "one-year." For instance, if a student is enrolled in a 1,500 clock-hour program, he/she would be eligible for the 2nd-year loan limits after completing 900 clock-hours and 26 weeks of instructional time. However, the loan limit would have to be prorated for the remaining hours of the student's program (see next section).

## PRORATING ANNUAL LOAN LIMITS FOR DIRECT SUBSIDIZED/UNSUBSIDIZED LOANS (UNDERGRADUATE ONLY)

The annual maximum loan amount an undergraduate student may receive must be prorated when the borrower is:

- enrolled in a program that is shorter than a full academic year; or
- enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

Bear in mind that loan limit proration determines the maximum loan amount that a student may borrow for a program or remaining balance of a program, not the loan amount that the student actually receives. In some cases, the actual loan amount that a student is eligible to receive (based on costs, EFC, and other aid) may be less than the prorated loan limit.

### *Prorating loan limits for programs of study shorter than a full academic year*

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the *lesser of* —

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

**or**

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

The result is the prorated annual loan limit for that program. (You may express these fractions as decimals to see more easily which is less or to calculate the prorated limit.)

### *Prorating loan limits for remaining periods of study shorter than an academic year*

You must also prorate loan limits for students enrolled in remaining periods of study shorter than an academic year. This circumstance can occur when a student is enrolled in a program that is one academic year or more in length, but the remaining period of study needed to complete the program will be shorter than an academic year. Proration is required only when it is known in advance that a student will be enrolled for a final period of study that is shorter than an academic year. If a student originally enrolls for a final period of study that is a full academic year in length, but completes the program early in less than a full academic year, it is not necessary to retroactively prorate the annual loan limit.

## Loan proration

Direct Loans: 34 CFR 685.203(a),(b),(c)

### When and when not to prorate

You must prorate Direct Subsidized/Unsubsidized Loans for an undergraduate program borrower if:

- the academic program is shorter than an academic year; or
- the student's remaining period of study is shorter than an academic year.

Direct Subsidized/Unsubsidized Loans are prorated only in these two situations. Loan limits are not prorated based on a student's enrollment status, such as when a student is enrolled less than full-time or is enrolled for a period of less than a full academic year that is not a remaining period of study. In addition, Direct Loan limits are not prorated for students enrolled in graduate or professional level programs.

Loan proration requirements also do not apply to loans made to students taking preparatory coursework or coursework necessary for teacher certification. The annual loan limit must be prorated only when a student is enrolled in a program or remaining portion of a program that is shorter than an academic year. For purposes of awarding Title IV aid, students taking preparatory coursework or coursework needed for teacher certification are not considered to be enrolled in a program.

### Note on fractions and decimals for prorating Direct Loans

It is acceptable to convert the fraction to a decimal and then multiply the annual loan limit by the decimal, but this conversion is not a requirement. You may still choose to multiply the annual loan limit by the original fraction. However, you should be consistent in the method you use, since the fraction and decimal calculations sometimes result in slightly different prorated loan limits. The decimal method will generally—if not always—result in an amount that is equal to or slightly higher than the amount calculated using the original fraction.

### Prorating annual loan limits for borrowers in remaining portions of term-based programs

A student who is enrolled in a 4-year program that is offered in a Scheduled Academic Year consisting of three quarters plus a summer “trailer” has completed four academic years of study and received four Direct Loans. The student needs to attend an additional quarter term to complete the program requirements. The final quarter term would fall in a new academic year, and thus the annual loan limit would have to be prorated, because the remaining period of study (a single quarter) is less than a full academic year.

A student who is enrolled in a 2-year program without a Scheduled Academic Year where the Title IV academic year covers two 15-week semesters has completed two academic years of study, but needs to return for an additional semester to complete the program requirements. Again, the loan limit would have to be prorated if the student receives a loan for the final semester.

In a *standard term program*, or a *credit-hour program using nonstandard SE9W terms*, a remaining period of study is considered shorter than an academic year if the remaining period contains fewer terms than the number of terms covered by the school’s Title IV academic year. For programs that are offered in a Scheduled Academic Year, the number of terms covered in the school’s Title IV academic year usually does not include any summer “header” or “trailer” term.

In a *clock-hour program, non-term program, or a program with nonstandard terms that are not SE9W*, a remaining period of study is considered less than an academic year for this purpose if the remaining period consists of fewer clock or credit hours than the program’s defined Title IV academic year.

For all types of programs, where there is a remaining portion less than an academic year, the annual loan limit for the student’s grade level is multiplied by the following fraction to determine the prorated loan limit:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

Unlike proration for programs that are shorter than an academic year, there is no comparison of weeks and hours. *Only the credit or clock-hours that the student is scheduled to attend or is actually attending at the time of origination are used in the calculation.*

### Prorating loan limits for additional unsubsidized amounts

For students in a program of study of at least one academic year but less than 2 academic years in length, the additional \$2,000 in Direct Unsubsidized Loan eligibility is multiplied by the following ratio:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

For students in a program of study of less than an academic year in length, the additional \$2,000 is multiplied by the lesser of the following 2 ratios:

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

or

$$\frac{\text{Weeks in program}}{\text{Weeks in academic year}}$$

## REMAINING LOAN ELIGIBILITY FOR STUDENTS WHO TRANSFER OR CHANGE PROGRAMS

The annual loan limits are based on an academic year. If a student transfers from one school to another school or changes to a different program at the same school and there is an overlap of academic years, this overlap may affect the amount that the student is eligible to borrow at the new school or for the new program.

An overlap in academic years exists at the new school if the academic year at the new school (or the academic year for the new program at the same school) begins before the calendar end date of the academic year at the prior school or program. In the case of a transfer student from another school, you may obtain documentation from the prior school of the specific beginning and ending dates for the prior academic year or look for the academic year dates of Direct Loans originated by the prior school on the “award detail information page” in the Common Origination and Disbursement (COD) Web interface.\*

\* Note: Prior guidance permitted schools, when information about the prior school's academic year was unavailable, to assume the academic year of the prior school was the beginning date of the loan period of the prior loan through 30 calendar weeks after the beginning date of the loan period. Because the academic year dates for Direct Loans are readily available in COD, a school may no longer make this assumption regarding academic year dates.

The same principles for students who transfer from one school to another school would apply in the case of students who change programs within the same school.

### *For programs with standard terms or nonstandard SE9W terms (use SAY, BBAY 1, or BBAY 2)*

If a student enrolls in a program with standard terms (or nonstandard SE9W terms) after already having taken out a loan at another school with an overlapping academic year, the student initially may not receive more than the annual loan limit minus the amount received at the prior school.

However, the student may borrow again for a subsequent term within the same academic year at the new school if the term begins after the end of the academic year at the prior school. For a subsequent term that begins after the end of the prior school's academic year, but within the initial academic year at the new school, the student may borrow up to the difference between the applicable annual loan limit and the amount already received for the new school's academic year, if the student's COA supports that amount.

### *For clock-hour and non-term programs, and programs with nonstandard terms that are not SE9W (use BBAY 3)*

#### *Transfers between schools:*

If a student who enrolls in a clock-hour or non-term program (or a program with nonstandard terms that are not SE9W) after already having taken out a loan at another school with a period of enrollment that overlaps the period of enrollment at the second school, then the student is restricted to the remaining balance of the student's annual loan limit until the completion of the academic year, which had begun at the first school and continues at the new school. The new school may originate an initial loan for the remaining portion of the program or academic year that began at the prior school. For more information, see the discussion under “Direct Loan periods when student transfers to a new school” later in this chapter.

*Transfers between programs at the same school*

For a transfer between programs at the same school, you would look to the requirements for payment periods. There would be a new loan period with new payment periods or, if you choose to consider the student to be in the same payment period, there would be no new loan period.

**Same payment period and same loan period—At your option, you can consider a transferring student to be in the same payment period if:**

- The student is continuously enrolled at the school;
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers in the new program;
- The payment periods are substantially equal in length in weeks of instructional time and credit or clock-hours, as applicable;
- There are little or no changes in school charges associated with the payment period to the student; and
- The credits or clock-hours from the payment period the student is transferring out of are accepted toward the new program.

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**Direct Loan transfer loan periods**

34 CFR 685.301(a)(10)(ii),(iii)

If the student is kept in the same payment period, the original loan period should remain the same. However, you should take into account any changes as to when the student would complete the hours and weeks of instructional time of the academic year and make adjustments such as the ending date of the loan period or the date of the second (or any subsequent) disbursement(s). Any adjustments that have a direct effect or influence on 150% subsidized loan limits must also be updated/reported to COD.

**New payment period and new loan period**

If a transferring student is placed, or must be placed, in a new payment period, you would perform a Return of Title IV calculation for his or her withdrawal from the payment period in the old program (assuming that the student did not complete that payment period without starting a new one before transferring into the new program if the return of Title IV funds is done on a payment period basis, or assuming the student did not complete the loan period if the R2T4 is done on a period of enrollment basis). That calculation would close out the original loan period. Then the student would start over with a new loan period for his new program that uses the remaining annual loan limit eligibility from the prior loan period. The new loan period would be for an academic year using the remaining annual loan limit eligibility if the student's new program is at least an academic year in length. If the new program is less than an academic year, the student's annual loan limit is the lesser of the remaining annual loan limit eligibility or the prorated annual loan limit based on hours to be completed in the new program. For guidance on loan periods for transfer students, see the minimum/maximum loan period sidebar earlier in this chapter.



*Student completes a program and starts another at the same school*

If a student completes a program at your school and then begins a new program at your school, and the student's last loan for the completed program is for less than an academic year, you may originate an initial loan for the new program with an abbreviated loan that ends on the calendar period ending date of the academic year associated with the prior program. For more detailed information, see the discussion under "Loan periods for a student starting a new program at the same school in the same academic year" later in this chapter.

### Increasing the loan when grade level changes during academic year

There are two options for increasing the amount of an existing loan when a student's grade level changes during an academic year:

1. Originate a new loan at the new grade level for the applicable amount (the difference between the new loan limit and the amount of the first loan). The loan period for the new loan must correspond to the term(s) during which the student qualifies for the higher loan limit. You could also choose to cancel any pending disbursements of the first loan and originate a new loan for an amount equal to the canceled disbursements of the first loan plus the additional amount for which the student is eligible due to the grade level change.
2. Adjust the amount of the current loan. Change the grade level in the loan record and increase the amount of the existing loan to the new amount.

With either option, the student's remaining loan eligibility must be calculated using only the costs and estimated financial assistance for the term(s) during which the student qualifies for the higher loan limit.

As a reminder, a student can progress to a higher grade level during an academic year only in a program with standard terms or non-standard terms that are SE9W.

## Direct Loan periods when student transfers to a new school

If a student transfers into a program at a new school, and the program is not offered in either standard or "SE9W" terms, the new school may originate an initial loan for a loan period that covers the remaining portion of the academic year that began at the prior school, if the academic year for the loan at the first school overlaps the period of enrollment at the new school. The loan period for this initial loan is often called an "abbreviated loan period," because it is shorter than the loan period that would otherwise be required under the normal minimum loan period requirements.

The new school may originate a loan for an abbreviated loan period regardless of whether or not the new school accepts transfer hours from the prior school. The abbreviated loan period begins with the date of the student's enrollment at the new school, and ends on the calendar period ending date of the academic year that began at the prior school, without regard to the number of credit/clock-hours or weeks of instructional time that the student has completed during the abbreviated loan period. After the abbreviated loan period is completed, the student would progress to a new loan period and academic year, and a new annual loan limit.

If the new school accepts credits/hours from the prior school, this may give the student advance standing that reduces the length of time it will take to complete the program at the new school. If the remaining portion of the program at the new school following the completion of the abbreviated loan period is shorter than an academic year, the annual loan limit for the next loan must be prorated.

Generally, the loan amount for the abbreviated loan period at the new school may not exceed the remaining balance of the full annual loan limit applicable to the student at the new school, minus the loan amount the student received at the first school for the same academic year. However, if the program at the new school is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length, the total loan amount that the student may receive for the program at the new school, for the abbreviated loan period and any subsequent loan period combined, may not exceed the applicable prorated annual loan limit for the program or remaining portion of the program.

### ***When an abbreviated loan period is created where there is an overlap of academic years:***

1. The abbreviated loan period starts when the student starts at the new school.
2. The abbreviated loan period ends when the academic year would have ended at the old school and it does not matter how many hours or weeks of instructional time the student has completed at the new school.
3. The maximum loan amount that can be borrowed in the abbreviated loan period is the difference between the full annual loan limit applicable to the student at the new school and the loan amount that was disbursed at the old school during the overlapping academic year.
4. The first disbursement of the loan for the abbreviated loan period at the new school will be made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the multiple disbursement requirement, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit-hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.
5. The next loan period at the new school would begin the day after the last day of the abbreviated loan period.
6. The next loan period would be subject to the normal BBAY3 rules in that the student must complete hours and weeks of instructional time before qualifying for the second disbursement and to progress to the next academic year for annual loan limit purposes.

## Direct Loan periods when student transfers to a new school (continued)

### Loan periods for a student starting a new program at the same school in the same academic year:

When a student completes a program, and the student's last loan to complete that program was for coursework less than an academic year in length, and the student then begins a new program at the same school that is not offered in either standard or "SE9W" terms, the school may originate an initial loan for the new program with an abbreviated loan period that ends on the calendar period ending date of the academic year associated with the prior program. Note that this exception to the normal minimum loan period rule that allows for an initial abbreviated loan period applies only if the student completed the first program before beginning the new program.

Generally, the maximum loan amount that the student may receive for the abbreviated loan period may not exceed the full annual loan limit applicable to the student for the new program, minus the loan amount the student received during the same academic year for the prior program. However, if the new program is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length, the total loan amount that the student may receive for the new program, for the abbreviated loan period and any subsequent loan period combined, may not exceed the applicable prorated annual loan limit for the new program or remaining portion of the program.

The first disbursement of the loan for the abbreviated loan period associated with the new program will be made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the multiple disbursement requirement, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit-hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.

## Transfer student with overlapping academic years

James transfers on September 15 into Hammett Technical College, entering a 3-year program that has an academic year of 26 weeks and 900 clock-hours.

James received a Direct Loan at the prior school. The financial aid administrator at Hammett determines that the academic year for the most recent loan James received at his previous school began July 15 and was scheduled to end January 15. The aid administrator at Hammett may originate a loan for the period during which James would have completed the academic year at the prior school, which was scheduled to end on January 15th. The dates for the abbreviated loan period will be September 15 to January 15. During this period, James will be eligible to receive up to the difference between his annual loan limit at Hammett and the loan amount he received at the prior school for the overlapping academic year period.

Unless Hammett qualifies for the exemption from the multiple disbursement requirement based on its cohort default rate, the loan must be multiply disbursed in at least two disbursements over the abbreviated loan period, with the second disbursement made at the calendar midpoint of the abbreviated loan period, regardless of how many clock-hours or weeks of instructional time James has completed.

The next loan period at Hammett would begin the day after the last day of the abbreviated loan period. On January 16th, James will be able to start a new BBAY and loan period at Hammett with a new annual loan limit. Note that the payment periods for the new BBAY will be 450 clock-hours and 13 weeks of instructional time.

## Proration examples for programs shorter than an academic year

### Example 1

Program = 400 clock-hours, 12 weeks of instructional time	
Academic year = 900 clock hrs, 26 weeks of instructional time	

Jill is a dependent student enrolled in a 12-week program at Epstein Career College (ECC). ECC defines the academic year for this program as 900 clock-hours providing 26 weeks of instructional time. Measured in clock-hours, Jill's program is 400 clock-hours long.

To determine the maximum loan amount she can borrow, convert the fractions based on weeks ( $12/26 = .46$ ) and hours ( $400/900 = .44$ ) to decimals. Multiply the smaller decimal (.44) by the first-year annual loan limits for a dependent undergraduate: \$3,500 combined subsidized/unsubsidized and \$2,000 additional unsubsidized.

$\$3,500 \times .44 = \$1,540$  combined subsidized/unsubsidized

$\$2,000 \times .44 = \$880$  additional unsubsidized

The maximum combined subsidized and unsubsidized loan amount Jill can borrow for the program is \$2,420, but no more than \$1,540 of this amount may be in subsidized loans.

### Example 2

Program = 24 quarter hours; 20 weeks of instructional time	
Academic year = 36 credit hrs, 30 weeks of instructional time	

Morgan is an independent student enrolled in a program at Epstein Career College that provides 24 quarter-hours and 20 weeks of instructional time. ECC defines the academic year for this program as 36 quarter-hours and 30 weeks of instructional time. To determine the maximum loan amount she can borrow, convert the fractions based on weeks ( $20/30 = .67$ ) and quarter-hours ( $24/36 = .67$ ) to decimals. Multiply the smaller decimal (in this case, both are .67) by the first-year annual loan limits for an independent undergraduate.

$\$3,500 \times .67 = \$2,345$  total Direct Loan

$\$6,000 \times .67 = \$4,020$  subsidized

The maximum combined subsidized and unsubsidized Direct Loan amount Morgan can borrow for the program is \$6,365, with the subsidized loan amount limited to \$2,345.

## Proration examples for remaining period of study shorter than an academic year

### Example 1: Academic year contains 3 quarters

Remaining period = 1 quarter

Fall	Winter	Spring
Fall	Winter	Spring
Fall	Winter	Spring

Chuck has attended 6 quarters in a 2-year program at Hartlieb Community College (HCC), but to finish the program, he needs to attend an additional quarter as a half-time student (6 quarter hours). Chuck is a dependent undergraduate student, and HCC defines its academic year (covering three quarters) as 36 quarter hours and 30 weeks of instructional time.

To determine the prorated Direct Loan limit for Chuck's remaining period of study, convert the fraction based on the hours that Chuck is expected to attend and the hours in the academic year to a decimal ( $6/36 = .17$ ).

Multiply this decimal by the second-year dependent undergraduate annual loan limits: \$4,500 (subsidized)  $\times .17 = \$765$  combined subsidized/unsubsidized; \$2,000 (unsubsidized)  $\times .17 = \$340$  additional unsubsidized. Total prorated Direct Loan limit \$1,105, of which \$765 may be subsidized.

### Example 3: Academic year contains 900 clock-hours and 26 weeks. Program = 1800 clock-hours

Year 1: Student completes 1040 clock-hours in 26 weeks

Year 2: 750 clock-hours remaining in program

Bulaga Career College has an 1800 clock-hour program and defines its academic year as 900 clock-hours and 26 weeks of instructional time. Sally, a dependent undergraduate student, successfully completes the first 900 clock-hours of the program in 22 weeks of instructional time. However, she must complete an additional four weeks of instructional time before she may receive a second loan. After 26 weeks of instructional time have elapsed, Sally has successfully completed 1040 clock-hours. She may then receive a second loan, but the loan limit must be prorated based on the number of clock-hours remaining in her program at this point. To determine the prorated loan limit for Sally's second loan, convert the fraction based on the number of clock-hours remaining to a decimal ( $750/900 = .84$ ). Multiply this decimal by the second-year dependent undergraduate annual loan limits:

$\$4,500 \times .84 = \$3,780$  combined subsidized/unsubsidized,  $2,000 \times .84 = \$1,680$  additional unsubsidized

The total prorated loan limit for the remaining period of study is \$5,460, not more than \$3,780 of which may be subsidized.

### Example 5: Remaining period of study shorter than an academic year, with less than half-time enrollment in one of the terms.

Fall	Winter	Spring (not enrolled)
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Turner College has an academic year that covers three quarters: fall, winter, and spring. Linda, a dependent fourth-year undergraduate, will be enrolling in the fall and winter quarters, but not the spring quarter, and will graduate at the end of the winter term. Linda will be enrolled for 12 quarter hours (full-time) during the fall quarter, but will be enrolled for only 3 hours (less than half-time) in the winter quarter. Turner defines its academic year as 36 quarter hours and 30 weeks of instructional time.

Linda's final period of study (two terms) is shorter than an academic year, so the annual loan limit must be prorated. However, because Linda will be enrolled less than half-time during the winter quarter (and therefore ineligible to receive Direct Loan funds for that term), the loan period will cover the fall quarter only, and only the 12 quarter hours for the fall term are used to determine the prorated annual loan limit.

To determine the prorated loan limit for Linda's final period of study, convert the fraction based on the hours that Linda is expected to attend in the fall quarter and the hours in the academic year to a decimal ( $12/36 = .33$ ). Multiply this decimal by the fourth-year dependent undergraduate annual loan limit:  $\$5,500 \times .33 = \$1,815$  combined subsidized/unsubsidized prorated annual loan limit, plus  $\$2,000 \times .33 = \$660$  prorated additional unsubsidized annual loan limit, for a total prorated annual loan limit of \$2,475, not more than \$1,815 of which may be subsidized.

### Example 2: Academic year contains 2 semesters

Remaining period = 1 semester

Fall	Spring
Fall	Spring

Chuck transfers to a BA program at Reiff College. By taking 18 hours a semester, he will be able to graduate in the Fall term of his second year. Chuck is a dependent undergraduate student, and Reiff defines its academic year (covering two semesters) as 24 credit hours and 30 weeks of instructional time. To determine the prorated Direct Loan limit for the remaining period of study, convert the fraction based on credit hours to a decimal ( $18/24 = .75$ ). Multiply this decimal by the fourth-year dependent undergraduate annual loan limits:

$\$5,500$  (subsidized)  $\times .75 = \$4,125$  combined sub/unsub;  $\$2,000$  additional unsubsidized  $\times .75 = \$1,500$ . Total prorated Direct Loan limit \$5,625, of which \$4,125 may be subsidized.

### Example 4: Remaining period of study with scheduled period of non-enrollment

Fall	Winter	Spring
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McNutt Institute has an academic year that covers three quarters: fall, winter, and spring. Bob will be enrolling in the fall and spring quarters, but not the winter quarter, and will graduate at the end of the spring quarter. Because the fall quarter is in the same academic year as Bob's final quarter, it is part of the final period of study, even though there is a term between the final quarter and the fall quarter in which he will not enroll. McNutt Institute must award Bob separate loans for fall and spring. The annual loan limit must be prorated (because Bob's final period of study, two terms, is shorter than an academic year). If Bob decided to enroll for the winter quarter on a less-than-half-time basis, his remaining period of study (three terms) would be equal to a full academic year and proration would not be required, even though he would have no loan eligibility for the winter quarter.

## Remaining loan eligibility on transfer/program change

### **Standard-term program**

A student receives a \$2,000 Direct Subsidized Loan at School A for a loan period from May 1 to August 31. The student, a dependent undergraduate, transfers to a program at School B in September and is admitted at grade level 2. The student requests a loan for the fall and spring semesters (September-May). School B checks COD to find the ending-date of the academic year began at the prior school, which is November 27.

Because the academic year at School B begins before the end of the academic year at School A, the student may initially receive only up to a maximum of \$4,500 for the fall semester at School B, not more than \$2,500 of which may be subsidized. This amount represents the difference between the annual loan limit of \$6,500 (maximum \$4,500 subsidized), and the amount received at School A (\$2,000 subsidized) for the overlapping academic year period.

The initial loan period at School B corresponds with the fall term. Assuming that the student receives the maximum of \$4,500 for the fall semester, at the start of the spring semester in January, the student may borrow up to an additional \$2,000 (the difference between the 2nd year dependent undergraduate annual loan limit and the amount already borrowed for the fall-spring academic year at School B). If the student received the maximum \$2,500 in subsidized loan funds for the fall term, the additional \$2,000 would be limited to unsubsidized.

As an alternative, School B could choose to place the student on a BBAY schedule beginning with the Spring semester. The student would then be eligible to borrow up to the full annual loan limit for a spring/summer BBAY.

### **Clock-hour program**

#### **Example 1**

A student receives the first disbursement (\$2,750) of a Direct Unsubsidized Loan at School A. The loan period and academic year dates are April 1 to December 31. For purposes of this example, assume that the student has no financial need for a Direct Subsidized Loan; all loan amounts here represent Direct Unsubsidized Loans. The student, a dependent

undergraduate, leaves School A June 18 and transfers to an 1,800 clock-hour program at School B, and begins attendance at School B on June 25th.

The student's first loan period at School B will be from June 25th through December 31st (the beginning of attendance at School B through the date the academic year would have ended at School A). The student could begin the next loan period and receive a full annual loan limit beginning on January 1.

For the initial loan period, School B may originate a loan for the difference between the student's annual loan limit and the loan already received at School A for the overlapping loan period. This is \$2,750. After this loan period is completed, the student would progress to a new annual loan limit.

#### **Example 2**

A first-year dependent undergraduate student receives the first disbursements (\$2,750) of a Direct Subsidized Loan (\$1,750) and Direct Unsubsidized Loan (\$1,000) at School A. The loan period and academic year dates are January 26 to July 31.

The student leaves School A and transfers into a 300 clock-hour/12-week program at School B on June 15. School B defines its Title IV academic year as containing 900 clock-hours and 26 weeks of instructional time. The prorated annual loan limits for the 300-hour program at School B are \$1,167 subsidized and \$667 additional unsubsidized.

For the abbreviated loan period at School B (June 15 to July 31), a transfer student would normally be eligible to receive the difference between the full first-year annual loan limit and the loan amount received at School A (that is, \$1,750 subsidized and \$1,000 additional unsubsidized). In this example, however, the student may not receive those amounts, because they would exceed the prorated annual loan limits for the 300 clock-hour program. Therefore, the maximum loan amounts the student may receive for the abbreviated loan period at School B are \$1,167 subsidized and \$667 unsubsidized (the prorated loan limits for the program). Because the student has received the maximum prorated loan limit for the program, there is no remaining loan eligibility for the program following the completion of the abbreviated loan period.



## AGGREGATE LOAN LIMITS

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional loans. The maximum outstanding **total subsidized and unsubsidized** loan debt, excluding capitalized interest, is:

- \$31,000 for a dependent undergraduate student (no more than \$23,000 of this amount may be in the form of subsidized loans).
- \$57,500 for an independent undergraduate student (or a dependent undergraduate student whose parents do not qualify for Direct PLUS Loans). No more than \$23,000 of this aggregate amount may be in the form of subsidized loans.
- \$138,500 for a graduate or professional student (including loans for undergraduate study). No more than \$65,500 of this aggregate amount may be in the form of subsidized loans.

The loan amounts counted towards these maximums include any outstanding amounts borrowed in the form of Direct Subsidized/Unsubsidized Loans, and unsubsidized Federal Stafford Loans previously borrowed under the FFEL program. In the case of a Direct Consolidation Loan (or FFEL Consolidation Loan made prior to July 1, 2010), the outstanding amount of the Consolidation Loan representing any underlying Direct Subsidized/Unsubsidized Loans that were paid off by the Consolidation Loan is counted toward the aggregate Stafford Loan limits.

### ***Subsidized Loan Eligibility Time Limitation (150% rule)***

In addition to the aggregate loan limit, which limits loan eligibility based on the amount of funds received over a student's academic lifetime, there is also a loan eligibility limitation based on the passage of time. First-time borrowers (those who have no principal or interest balance on any Direct or FFEL Loan on the date they receive a Direct Loan on or after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are currently enrolled (including all past subsidized loans the student has received; see “**subsidized usage periods**” below). This length of time is also known as the “**maximum eligibility period**.” For example, a first-time borrower in a 4-year program would have six years of Direct Subsidized Loan eligibility, and a borrower in a one-year program would have 1.5 years of Direct Subsidized Loan eligibility. COD will edit and reject awards that would exceed 150% subsidized usage for a student (Reject Edit 206).

There are two exceptions to the maximum eligibility period: First, for bachelor's degree completion programs, the maximum eligibility period is 6 years. For purposes of the subsidized loan time limitation (also known as the 150% rule), bachelor's degree completion programs are defined as a 2-year program that required an associate degree or the successful completion of at least two years of postsecondary coursework as a prerequisite for admission to the program. For such programs, schools will report a program length of 4 years (even though the real length of the program is 2 years) and a “Special Program Indicator” of “B” in COD and NSLDS.

## Aggregate loan limits

DL: 34 CFR 685.203(d), (e)

DCL GEN-08-08

## NSLDS on the Web

You can review the complete student loan history for your students and generate reports on the NSLDS Professional Access website:

<https://www.nslsdsfap.ed.gov/>

## NSLDS guides & help center

Guides for Enrollment Reporting, Transfer Student Monitoring and other user documentation are currently posted on IFAP under “Processing Resources, NSLDS Reference Materials.” Also see NSLDS Newsletter #6, 9, 11, 17 and 23 on IFAP for more specific information on how the OPB and Agg OPB are calculated and displayed on NSLDS.

Technical assistance for NSLDS is available by emailing: [nslsds@ed.gov](mailto:nslsds@ed.gov), or calling 1-800-999-8219.

## Subsidized loan eligibility time limitation (150% rule)

April 20, 2015 E-Ann: Reporting issues  
 July 20, 2015 E-Ann: Loss of interest subsidy  
 Sept 25, 2015 E-Ann: Required reporting  
 Oct 19, 2015 E-Ann: Remaining eligibility period of less than 1 year  
 Sept 21, 2016 E-Ann: 150% & transfer students Moving Ahead for Progress in the 21st Century Act (MAP-21), HEA Sec. 455(q)  
 Jan 17, 2014 E-Announcement (Final regs)  
 First Time Borrower: 34 CFR 685.200(f)(1)(i)  
 Maximum Eligibility Period: 34 CFR 685.200(f)(1)(ii)  
 Subsidized Usage Period: 34 CFR 685.200(f)(1)(iii)  
 Remaining Eligibility Period: 34 CFR 685.200(f)(iv)  
 For more information about the 150% limit, see [the 150% limit FAQ](#) on IFAP.  
 Questions on the 150% limit can be emailed to: [150Percent-Questions@ed.gov](mailto:150Percent-Questions@ed.gov) (include your organizational affiliation).

## Determining program length

If the program's published length is in months or weeks, length is converted to years using the following formula:

$$\frac{\text{Days in program}}{\text{Days in Title IV academic year}} = \text{program length in years}$$

For these purposes, a month is considered to be 30 days, and a week, 7 days.

## Reporting Academic Year and Loan period to COD

GEN-13-13

DLOps@ed.gov

codsupport@ed.gov

The academic year dates that you report to COD should correspond to the period to which the annual loan limit applies. For a term-based program, the annual loan limit will never apply to a single term.

## Exceptions for borrowers who are enrolled in teacher certification programs

There are special rules for borrowers who are enrolled in teacher certification programs where the school awards no academic credential and where the program leads to a teaching certification from the state that is required by the state before the borrower may teach elementary or secondary education in the state.

Direct Subsidized Loans received for enrollment in such a teacher certification program only count against a borrower's maximum eligibility period for enrollment in other teacher certification programs. When a borrower enrolls in an undergraduate program, the Direct Subsidized Loans received for enrollment in the teacher certification program will not count against the borrower's maximum eligibility period for enrollment in the undergrad program.

In addition, enrollment in a teacher certification program will never result in the loss of interest subsidy—either on Direct Subsidized Loans received for prior undergraduate enrollment or on Direct Subsidized Loans received for enrollment in a teacher certification program.

## NSLDS Reporting requirements

DCLs GEN-14-07, GEN-14-17

For details on NSLDS reporting requirements for loans, including reporting of additional data, reporting at the academic program level, and more frequent reporting, see DCLs GEN-14-07 and GEN-14-17.

Secondly, for special admission associate degree programs, the maximum eligibility period is 6 years. For these purposes, a special admission associate degree program is an associate degree program that:

- Requires an associate degree, or the successful completion of at least two years of postsecondary coursework as a prerequisite for completion;
- Admits only a selected number of applicants based on additional competitive criteria, which may include entrance exam scores, class rank, grade point average, written essays, or recommendation letters; and
- Provides the academic qualifications necessary for a profession that requires licensure or certification by the State in which the coursework is offered.

For such programs, schools will report a program length of 4 years (even though the real length of the program is 2 years) and a “Special Program Indicator” of “A” in COD and NSLDS.

## Subsidized Usage Periods (SUP)

A first-time borrower's progress toward expending his or her maximum eligibility period is measured in “subsidized usage periods” (SUP). Subsidized usage periods are calculated by the following formula, the result of which is rounded up or down to the nearest tenth of a year (for example, a SUP of .44 would be rounded to .40, and a SUP of .45 would be rounded to .5):

$$\frac{\text{Number of days in the borrower's loan period for a Direct Subsidized Loan}}{\text{Number of days in the academic year for which the borrower receives the Direct Subsidized Loan}}$$

The academic year referenced above is the scheduled academic year (SAY) or borrower-based academic year (BBAY) dates to which the annual loan limit applies. **There are two exceptions to this calculation:**

1. **Annual loan limit:** When a first-time borrower receives a Direct Subsidized Loan equal to the annual loan limit for a loan period that is less than a full academic year in length, the borrower's subsidized usage period is one year; and
2. **Enrollment status proration:** For a first-time borrower who is enrolled for three-quarter or one-half-time, the calculated subsidized usage period is prorated by .75 or .5, respectively.

Note that if a borrower meets the criteria for both exceptions described above, the annual loan limit exception will be applied, and then the enrollment exception will be applied.

A borrower's **Remaining Eligibility Period (REP)** is calculated by subtracting the sum of all prior subsidized usage periods (include ALL subsidized loans received over the student's entire history of higher education,) from the borrower's **current** maximum eligibility period. For example, Bob currently has a subsidized usage period of two years, then transfers to a four-year program. Because the remaining eligibility period is calculated as the difference between the borrower's current maximum eligibility period and the sum of all subsidized usage periods, Bob has a remaining eligibility period of four-years (a 6-year maximum eligibility period for the new program, minus the existing subsidized usage period of 2 years).

Subsidized usage periods for teacher-certification programs do not count against maximum eligibility periods for non-teacher-certification programs, and subsidized usage periods from non-teacher certification programs do not count against the maximum eligibility period for teacher certification programs.

### Getting cut off from subsidized loans, loss of subsidized loan subsidy

For borrowers who have a remaining eligibility period that is less than an academic year, the borrower can only receive a Direct Subsidized Loan if the school can properly originate a Direct Subsidized Loan that creates a subsidized usage period (see "SUP" description and formula, above) that is equal to or less than the borrower's remaining eligibility period (REP). For example, if a borrower has a remaining eligibility period of .2 years, and is enrolled full-time in a semester-based credit-hour program with a need that supports receiving \$4,000 in Direct Subsidized Loans, the minimum period for which the school could originate a loan is a term.

Because the number of terms in a semester-based program's academic year is generally two semesters, the subsidized usage period for the shortest loan that the school could award would be 0.5 years, which is greater than the student's remaining eligibility period. Therefore, the student is not eligible for the subsidized loan.

If a first-time borrower exhausts his or her maximum eligibility period (has a remaining eligibility period of zero or less), or has a remaining eligibility period that is so short that the school cannot originate another Direct Subsidized Loan to the student, the borrower may not receive a Direct Subsidized Loan, but may receive a Direct Unsubsidized Loan in an amount that is equal to the amount that the borrower always could have received in Direct Unsubsidized Loans, plus the amount the borrower otherwise could have received in Direct Subsidized Loans.

A borrower loses the interest subsidy on any outstanding Direct Subsidized Loans (including a Direct Consolidation Loan that repaid a Direct Subsidized Loan) if the borrower attends any undergraduate program (or preparatory coursework necessary for enrollment in an undergraduate program) on at least a half-time basis, at a school that participates in the Title IV programs, while having a remaining eligibility period of zero or less. When interest subsidy is lost it is not retroactive. Rather, the borrower is only charged interest from the date the borrower loses the interest subsidy (by exceeding the 150% limit).

### When to update loan periods and academic years?

It's very important to update loan periods and academic years in the following situations:

- Student requests the loan/disbursement be cancelled;
- Disbursement was not made for a term/payment period included in the loan at origination;
- An actual disbursement was made but later zeroed out;
- Student enrolled in a non-term or clock-hour program and has failed to progress from one payment period to another as originally scheduled;
- Summer is not a required term and student attends the summer term and requests a loan for summer.

### 150% rule FAQ

E-Announcement May 11, 2016

This FAQ provides answers to some common 150% rule calculation and reporting questions.



### Exception for borrowers who graduate before losing subsidy

Borrowers who graduate before losing the interest subsidy on their Direct Subsidized Loans will never lose the interest subsidy on the loans that were outstanding at the time that they graduated from their program of study.

### Different rules for borrowers enrolled in preparatory coursework

34 CFR 685.200(f)(6)

The regulations provide varying treatment for borrowers who are enrolled in preparatory coursework necessary for enrollment in an undergraduate program or a graduate/professional program.

**Common reporting issues**

E-Announcement April 20, 2015

E-Announcement May 13, 2016

\*These programs must define their academic years as at least 900 clock-hours and 26 or 30 weeks of instructional time (see *Chapter 1* of this Volume for requirements when defining the academic year), even when the program is shorter than this. When the program is shorter than the academic year, the student is considered to have a loan period equal to the length of time needed to complete the credit/clock-hours in the program and an academic year equal to the school's Title IV Academic year, which must adhere at least to the minimum standard (24 semester hours or 900 clock-hours and 26/30 weeks of instructional time).

Loans received for programs other than teacher certification programs do not lose subsidy upon enrollment in a teacher certification program, and loans received for teacher certification programs do not lose subsidy, even upon enrollment in a regular undergraduate program.

**Reporting and tracking the 150% limit**

The Department will track, calculate, and inform borrowers and schools of borrower eligibility for subsidized loans and loss of subsidy benefits based on program length information that schools report to COD and NSLDS. It is essential that any changes in enrollment or program be reported to NSLDS in a timely manner to ensure correct calculation of subsidy periods. For each loan origination record, COD will send a disclosure statement which will include the SUP for that loan, the sum of the student's SUPs, and the REP. There are several common mistakes in tracking and reporting students' progress towards the 150% limit:

- For standard term (and non-standard SE9W term) programs, reporting academic year dates that are the length of a single term—All BBAY & SAY academic years for these terms consist of more than one term;
- For non-term, non-standard-term SE9W, and clock-hour programs, reporting academic year dates that result in periods shorter than what is permitted; \*
- Reporting “weeks” or “months” instead of years—Years is the measure. Report 1.5 for one year and 6 months, for example.

**150 Percent Rule: Calculation, reporting, loss of subsidy example**

Kirk is enrolled in a 4 year semester-based bachelor's degree program at McCaffrey University. Since his program is 4 years, under the 150% rule, Kirk has a “maximum eligibility period” of 6 years.

McCaffrey measures Kirk's progress towards expending his maximum eligibility period by adding up all of Kirk's “subsidized usage periods,” or SUPs. Kirk is in his third year of study, so McCaffrey looks at the SUPs that COD has previously calculated for Kirk, and finds that his Sum Actual Subsidized Usage Period is 2 years.

Kirk has 6 years of eligibility for his 4 year program under the 150% rule, and so his remaining eligibility period is 4 years. Because his remaining eligibility period is at least 1 year, McCaffrey awards a Direct Subsidized Loan to Kirk like it normally would. After McCaffrey submits records to COD indicating that Kirk is in a 4-year program, it receives a response from COD stating Kirk's SUP for the loan McCaffrey just submitted, the sum of all of Kirk's SUPs, and Kirk's remaining eligibility period (REP). Once McCaffrey disburses the new Direct Subsidized Loan to Kirk, his remaining eligibility period will be 3 years.

Between his third and fourth year, Kirk decides to change to a new (also semester-based) program. His new program is a 2.5 year program, so his 150% limit is now 3.75 years. Even though he is studying in a different program, Kirk's existing SUPs are taken into account when measuring his 150% progress. Since Kirk already has 3 SUPs, his remaining eligibility period is now just .75 years. Since Kirk will need to attend for 2.5 years to complete his new program, the final 1.75 years of his program will be cut off from subsidized loan eligibility.

So, when exactly does Kirk get cut off from subsidized loans? Kirk can only receive Direct Subsidized Loans if McCaffrey can properly originate a loan that creates a SUP that is equal to or less than Kirk's remaining eligibility period (REP). In this case, McCaffrey can originate a Direct Subsidized Loan for Kirk's first fall semester, which consists of .5 SUP, but cannot include his spring semester if Kirk attends full-time, as Kirk only has .25 SUP remaining, and the spring semester is .5 SUP. McCaffrey must originate only unsubsidized loans for Kirk beginning with the spring semester. COD will send a response to its records listing Kirk's remaining eligibility when McCaffrey originates a loan.



- Accidentally reporting inappropriately short program lengths—Program length is a 6 digit field in NSLDS, with an implied decimal point in between the third and fourth digits. A four-year program is reported as “004000.” Reporting “000400” is a program length of just .4 years!

### Checking loan amounts on NSLDS

If a student at your school has Title IV loans that were received at other schools, you may need to check the National Student Loan Data System (NSLDS) website to make sure the student still has remaining eligibility under the aggregate loan limits.

As long as there is no conflicting information, you may rely on the financial aid history (provided on the ISIR as well as the NSLDS website) and the Transfer Student Monitoring process to tell you if a student is about to exceed the aggregate loan limits. (The NSLDS financial aid history may affect eligibility for other FSA programs, so it is discussed in more detail in *Volume 1, Chapter 3*.)

The aggregate loan limits do not include accrued or capitalized interest or other charges. To avoid counting interest and other charges when determining a student’s remaining loan eligibility using NSLDS, use the *aggregate outstanding principal balance (Agg. OPB)* shown in NSLDS for each of the student’s outstanding loans.

For instance, suppose a student has a Direct Unsubsidized Loan disbursed in the amount of \$5,000. Over time, \$200 in interest accrues and is capitalized. The total outstanding balance on the loan will be \$5,200, and the aggregate outstanding principal balance will be \$5,000. It is the last figure, the aggregate outstanding principal balance—as displayed in the student’s NSLDS Loan Detail—that you should use to determine remaining loan eligibility under the aggregate loan limits.

For Consolidation Loans (both Direct Consolidation Loans and Consolidation Loans made under the FFEL program), which may include Direct Subsidized and Unsubsidized Loans and subsidized/unsubsidized Federal Stafford Loans, NSLDS will now show separate totals for the *Subsidized Agg OPB* and *Unsubsidized Agg OPB*. In addition, NSLDS will show a total for “Unallocated” loan amounts for loans that cannot be identified. You are not responsible for reviewing these unallocated loans to determine their origin.

### Effect of change in student status on aggregate loan limits

In some cases, a student may qualify for higher loan limits, but then lose the eligibility for the higher limits. This situation could occur because a dependent student’s parent received a Direct PLUS Loan after having been denied in previous years, and the student therefore could no longer borrow at the independent student loan levels, or because a student with a graduate degree entered an undergraduate degree program. In these cases, you only count the loan amounts that the student would have received under his or her current eligibility as an undergraduate or dependent student against the applicable undergraduate aggregate loan limit.

### Transferring from a closed school and the 150% limit



Sept 21, 2016 E-Announcement

When a student transfers to your school from another school, remaining eligibility period (REP) data may need to be updated and revised before REP calculations at your school can be properly made and submitted for Direct Loan awarding and disbursing purposes. The Department is working with closed schools to make award and disbursement adjustments to update student’s REP status.

Pending disbursements of a Direct Loan awarded at the closed school with disbursement dates after the school’s closure date will not be made. You can ignore any pending disbursements when awarding the student Direct Loan funds at your school, and you don’t need to wait for pending disbursements to be reduced to zero before submitting a Direct Loan origination to COD.

### NSLDS reporting



May 13, 2016 E-Announcement

### Financial aid history requirement & NSLDS

To ensure that a student doesn’t exceed the annual and aggregate loan limits, the student’s FAFSA data is matched with the National Student Loan Data System and the student’s loan history is included in the ISIR. If a student transfers to your school, you must inform NSLDS so that it can begin the Transfer Student Monitoring process. More detailed information on how this requirement applies to all of the FSA programs can be found in *Volume 1, Chapter 3* of the *FSA Handbook*.

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### **Treatment of consolidated Perkins Loans**

A consolidated Perkins Loan is not counted toward the aggregate Direct Loan limits.

The NSLDS website displays undergraduate and graduate aggregate amounts in the Aggregate Loan Information section for subsidized, unsubsidized, combined, and unallocated portions of consolidated loans. The undergraduate aggregate section will display only if the student has undergraduate loans and the graduate aggregate section will display only if the student has graduate loans. Also on the NSLDS website, the Exceeds Loan Limits warning symbols provide automatic filters to display the Loan Summary list on the Loan History web page to show those loans that were attributed to the applicable loan limit overage. These website tools will assist with separating undergraduate, graduate, and overall loan totals, and will aid in eligibility determinations.

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### **Revised formula for calculating unsubsidized aggregate loan amounts**

NSLDS now utilizes a revised formula to calculate aggregate loan limit amounts. NSLDS no longer includes Direct PLUS Loan amounts that can be attributed to having been consolidated into a Direct Unsubsidized Consolidation Loan when calculating a borrower's unsubsidized aggregate loan amount and combined loan limit amount. This change will be reflected in the NSLDS Professional Access website as well as on ISIRs. For more details on this change, see the E-Announcement of August 13th, 2012.

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### **Handling unallocated amounts in NSLDS**

You do not have to review unallocated amounts in NSLDS. NSLDS does not add the amount of unallocated loans when triggering the "close to or exceeds aggregate limits" flags. See *NSLDS Newsletter 11*, February 2006.

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### **Resolving conflicting information in NSLDS**

GEN-96-13, Q&A 37

If you can document that the student is eligible for FSA funds despite the information shown on NSLDS, you may award and disburse aid. An example would be if the NSLDS Financial Aid History page of the SAR or ISIR shows that the student has a defaulted loan, but you have obtained documentation from the holder of the loan that the borrower had made "satisfactory arrangements to repay."



## 150 Percent Rule: Remaining eligibility period of less than one year

An eligible student can receive a Direct Subsidized Loan when their Remaining Eligibility Period (REP) is less than one year. In this case, the student can receive a Direct Loan if the school can originate a Direct Loan in compliance with all of the requirements in 34 CFR 685.301 (pay particular attention to minimum loan period, which varies by program type), and the loan's loan period, academic year, enrollment status, and loan amount result in a Subsidized Usage Period (SUP) that is equal to or less than the student's REP.

For example, Kris attends a credit-hour, semester-based program at Sandburg College, has a REP of .5 years, and is full-time. Kris will be able to receive a single-term subsidized loan if he's otherwise eligible, because the minimum loan period for his circumstance is a semester, and the academic year will be at least two semesters. This loan for one semester (with a two-semester academic year) would create a .5 SUP, and will expend his .5 REP.

But consider if Kris was enrolled in a clock-hour program which is 1 year in length and had a REP of .5 years. Kris would not be able to receive another Direct Subsidized Loan because the minimum loan period must be, per the regulations, one year and since the academic year would also be one year, the SUP would be one year, which is greater than Kris's REP of .5 years.

As noted in the main body text section on the 150% limit, SUPs are prorated for enrollment status—multiply by .75 or .5 for three-quarter time or half-time. As such, even when a borrower has only a small remaining SUP, it may still be possible for them to receive a Direct Subsidized Loan if they are enrolled less than full-time.

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The following three scenarios present three different loan awarding scenarios that Sandburg College faces with its various students. Sandburg wonders if each loan will be accepted or rejected by COD due to the limitations related to the 150% limit. For each case, we give the loan period, academic year, and SUP, as measured in days. Will COD accept or reject each loan award?

### Award Scenario 1

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 5/10/17 (244 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP:  $244/244 = 1$  year

COD **rejects** the loan, because the SUP is 1 year, exceeding the student's REP of .8 years.

### Award Scenario 2

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 12/20/16 (102 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP:  $102/244 = .4$  years (.418 to be precise, but this is rounded to the nearest tenth—see the rounding guidance in the body text section on SUP calculation)

COD **accepts** the loan, because the SUP is .4 years, which is less than the student's REP of .8 years.

### Award Scenario 3

Remaining Eligibility Period .8 years

Loan Period: 9/10/16- 5/10/17 (244 days)

Academic Year: 9/10/16-5/10/17 (244 days) SUP:  $244/244 = 1$  year

Enrollment status: half-time

COD **accepts** the loan, because the SUP is 1 year, multiplied by .5 for half-time enrollment status, resulting in .5 SUP, which is less than the student's REP of .8 years.

### Example: Aggregate loan limits with additional Direct Unsubsidized when parents are denied Direct PLUS Loans

A dependent student is treated as an independent student for loan limit purposes and receives additional Direct Unsubsidized Loan funds (up to the additional amounts available to independent undergraduates) for the first 3 years at your school because a parent was denied a Direct PLUS Loan for each of those years, but a parent was eligible to borrow PLUS for the student's fourth year. The student would be eligible for the following Direct Loan amounts:

1st year (independent student loan limit) = \$9,500 (maximum \$3,500 subsidized)

2nd year (independent student loan limit) = \$10,500 (maximum \$4,500 subsidized)

3rd year (independent student loan limit) = \$12,500 (maximum \$5,500 subsidized)

For each of the first three years, the student receives the maximum subsidized amount and the maximum additional unsubsidized amount. In the 4th year, the parent is eligible to borrow a Direct PLUS Loan, so the student is then subject to the annual and aggregate loan limits for a dependent undergraduate. Although it might appear that the student would have no remaining loan eligibility for year 4 because the total amount received for years 1-3 exceeds the \$31,000 dependent undergraduate aggregate loan limit, the additional Direct Unsubsidized Loan amount that the student received as a result of the parent Direct PLUS Loan denials in the first three years of the undergraduate program does not count against the \$31,000 dependent aggregate limit.

The student received a total of \$19,000 in additional Direct Unsubsidized Loan funds for the first three years (\$6,000 each in years 1 and 2, and \$7,000 in year 3). Of this total additional unsubsidized amount, the student would have been eligible to receive \$6,000 (\$2,000 each year) as a dependent undergraduate if the student's parent had qualified for a Direct PLUS Loan. The extra \$13,000 in unsubsidized funds that the student received as a result of the parent being unable to obtain a Direct PLUS Loan for the first three years (\$4,000 in years 1 and 2, and \$5,000 in year 3) is not counted against the \$31,000 dependent undergraduate aggregate when determining the student's loan eligibility for year 4. Excluding this amount, only \$19,500 of the total \$32,500 the student received for the first three years counts against the \$31,000 dependent undergraduate aggregate loan limit. This means that for year 4, the student is eligible to receive up to the full annual loan limit for a dependent undergraduate:

4th year (dependent student loan limit) = \$7,500

## RECALCULATION AND DIRECT LOANS

A change in enrollment status to less than half time as a result of the failure to begin attendance in all scheduled classes would not affect the student's eligibility for any Direct Loan funds previously disbursed because at the time the previous disbursements were made, the student was still scheduled to attend on at least a half-time basis. However, a student who is no longer enrolled at least half time may not receive as a late disbursement any second or subsequent disbursement of the loan.

Moreover, Title IV program funds are disbursed to a student on the presumption that he or she will attend the hours for which aid has been awarded. Therefore, a school is not required to delay the disbursement of Title IV program funds until a student has begun attendance in enough hours to qualify for the enrollment status for which the funds were awarded. However, if a school is recalculating a student's eligibility because a student has dropped classes and the student has not begun attendance in enough courses to establish a half-time enrollment status, the presumption that the student will attend the hours for which aid has been awarded is no longer valid. Therefore, a school may not make a first disbursement of a Direct Loan to a student who never began attendance in enough courses to establish a half-time enrollment status.

Likewise, if a school is recalculating aid for a student who was enrolled in a series of modules and who dropped all future classes before beginning attendance in enough classes for half-time enrollment status, the school may not disburse the Direct Loan for the payment period because the school knows the student never began attendance on at least a half-time basis (34 CFR 685.303(b)(3)(i) and (iv)).

If the student resumes enrollment on a half-time basis during the payment period or period of enrollment, the school may make the disbursement if the school documents (1) the student's revised COA, and (2) that the student continues to qualify for the entire amount of the loan, despite any reduction in the student's cost of attendance caused by the student's temporary cessation of enrollment on at least a half-time basis. (HEA Sec. 471, Part F) (34 CFR 685.303(b)(3)(iv)(A) through (C)).

Section 34.668.164(j)(3)(iii), which permits a school to make a late disbursement of a Direct Loan for costs incurred to a student who did not withdraw but ceased to be enrolled as at least a half-time student, does not apply to a student who dropped all future classes or modules because the student never really began classes as a half-time student.

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**Regaining Title IV Eligibility after exceeding loan limits**

34 CFR 668.35(d)

DCL GEN-13-02

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**Consolidation of loan amounts that exceed the annual or aggregate loan limit**

If a borrower who inadvertently received more than the annual or aggregate loan limits has consolidated the loan(s) that caused the borrower to exceed the loan limit, the consolidation loan is considered to be a satisfactory arrangement to repay the excess amount that restores the borrower's eligibility for FSA aid. (Note, however, that consolidation of an amount that exceeded the aggregate Direct Subsidized/Unsubsidized Loan limits does not automatically make a student eligible for additional Direct Loan funds.)

**EFFECT OF OVERBORROWING THEN REGAINING ELIGIBILITY**

A student who has inadvertently received more than the annual or aggregate loan limits is ineligible to receive *any* FSA funds until the overborrowing is resolved. The student can regain eligibility for aid by repaying the amount that exceeded the annual or aggregate loan limits, or by making satisfactory arrangements with the loan servicer to repay the excess amount. The loan servicer will allow a borrower to “reaffirm” that he or she will repay the excess according to the terms and timing of the original promissory note. For more detail on the various steps involved in reaffirmation, see Dear Colleague Letter GEN-13-02.

If the inadvertent overborrowing occurred at your school, you should work with the student and the loan holder to ensure that the necessary actions are taken to restore the student's eligibility. Overborrowing is not considered inadvertent if there is any evidence that the overborrowing was the result of deliberate action on the part of the school that determined the borrower's eligibility for the loan, or on the part of the borrower who received the loan. If you determine that the overborrowing was the result of deliberate action on the part of another school or the borrower, you must notify your FSA School Participation Team and provide evidence.

Once you have documented that the student has either repaid the excess loan amount or has made satisfactory arrangements with the loan holder to repay the excess amount, you may award additional aid. However, the student may or may not be eligible to receive additional loan funds, depending on the circumstances. For example, a dependent undergraduate who inadvertently exceeded the \$23,000 (subsidized) aggregate limit could not receive any additional Direct Subsidized Loan funds as a dependent undergraduate unless the outstanding debt was paid down below the \$23,000 limit.

However, the student could potentially receive additional Direct Unsubsidized Loan funds, up to the \$31,000 aggregate loan limit, or non-loan aid. An independent undergraduate who inadvertently exceeded the \$23,000 subsidized limit (but who has not reached the \$57,500 combined aggregate loan limit for independent undergraduates) could borrow additional Direct Direct Unsubsidized Loan funds once he or she makes satisfactory arrangements to repay the subsidized amount that exceeds \$23,000. For more on overborrowing and overawards, see *Volume 5*.

The effective date when a student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq & Afghanistan Service Grant programs begins with the payment period in which the overborrowing was resolved, and for Direct Loans, eligibility is retroactive to the beginning of the academic year in which the overborrowing was resolved.

## Review of the Direct Loan process

The process for completing the Master Promissory Note (MPN) for a Direct Loan and making the initial loan includes the following elements, though some school procedures may be in a slightly different order. In completing several of these steps, the website [www.studentloans.gov](http://www.studentloans.gov) may be helpful.

### 1. Student applies for aid.

The student fills out the FAFSA (or a renewal FAFSA).

### 2. School determines eligibility and loan amount.

The school confirms the student's eligibility for federal student aid, determines the loan period and loan amount, and packages the loan(s) requested.

### 3. Origination.

The school originates the loan.

- \* In the Direct Loan Program, the school submits an origination record to COD and receives an acknowledgment from COD.

### 4. Student completes MPN.

The student fills out an MPN for the initial loan.

- \* The *Borrower's Rights and Responsibilities Statement* is included in the MPN.

### 5. Disclosure & entrance counseling.

First-time Direct Subsidized/Unsubsidized Loan and Direct Grad PLUS borrowers must complete entrance counseling before a disbursement can be made. (See *Volume 2, Chapter 6*.)

The borrower must be given a disclosure statement (usually provided by the Department) with specific information about the types of loans the borrower is getting, anticipated disbursement amounts, anticipated disbursement dates, and instructions on how to cancel the loans. This statement must be given either:

- prior to disbursement (up to 30 days prior to the first disbursement); or
- at the time of the first disbursement (and no later than 7 days after disbursement/crediting the student's account, if you don't obtain the borrower's affirmation/authorization for the loan); or

- no later than 30 days after disbursement/crediting the student's account if you do obtain the borrower's affirmation/authorization for the loan).

### 6. Disbursement to the borrower.

The school (after checking that the borrower is still eligible) disburses the loan funds to the student's account or directly to the borrower, and notifies the borrower of each disbursement.

### 7. Making subsequent loans.

If the MPN is used as a multi-year note, a new MPN is not required for subsequent loans. However, your school must use a confirmation process (either active or passive) for subsequent loans, and the borrower must receive a Plain Language Disclosure, at or prior to the disbursement of any subsequent loans provided under an existing MPN. (The Plain Language Disclosure is usually sent to the borrower by the Department.) If the MPN is not used as a multi-year note, a borrower completes a new MPN for each subsequent loan period. Note that one common reason a multi-year MPN may be changed to a single-year note is the case of a Direct PLUS Loan that has an endorser.

For your reference, refer to the Electronic Announcement of December 15, 2016. Sample copies of the MPN and related materials are available online at: <https://studentaid.ed.gov/sa/fafsa/next-steps/accept-aid/mpn>

There are two methods of MPN processing: regular mail and overnight/express mail.

Send express and overnight mail to:

U.S. Department of Education  
2429 Military Road  
Suite 200  
Niagara Falls, NY 14304

Send regular mail submissions to:

U.S. Department of Education  
P.O. Box 9002  
Niagara Falls, NY 14302

