

Determining the Loan Period and Amounts

The rules for awarding Stafford and PLUS loans are a little different than for Pell Grants and other SFA programs. In particular, the definitions of a “loan period” and the disbursements within that period may not always correspond to the academic year and payment period measurement used for Pell. Proration of loans is only required for a program (or the remaining portion of a program) shorter than an academic year and the calculation is different than in other programs.

DETERMINING THE LOAN PERIOD

It’s important to define the period of enrollment or loan period at the outset, because the length of the loan period will determine the timing and amount of disbursements. If your school uses academic terms (such as semester, trimester, quarter or nonstandard terms), the loan period must coincide with one or more of its academic terms. Loan periods for schools that do not use terms are generally based on the length of the program or academic year.

For programs using terms and credit hours, the **minimum** loan period is a single academic term. As an example, if a student enrolls in a fall semester to complete his/her requirements for graduation, you may certify a loan for that term alone. (Remember, however, that the loan amount must be based on reduced costs and EFC for that term, rather than for the full academic year.)

For a clock-hour school or a credit-hour school that does not use terms, the **minimum** period for which the school may certify a loan is the shortest of the following three periods:

- the academic year as defined by the school (but no less than 30 weeks of instruction providing 900 clock hours, 24 semester hours, or 36 quarter hours);
- the length of the student’s program at the school (see sidebar on minimum program length); or
- the remaining portion of the student’s program when the program exceeds the school’s academic year.

In the case of a student who has already completed some of the coursework to earn a degree or certificate (*e.g.*, a transfer student or a student who is re-enrolling after withdrawing), you may certify the loan for the remaining period of study at your school.

Minimum and Maximum Loan Periods

- ➔ Maximum = generally school’s academic year but not more than 12 months.
- ➔ Minimum (term/credit hour program) = one academic term
- ➔ Minimum (clock-hour or non-term program) = lesser of academic year, program length, or remaining portion of academic year.

Minimum Program Length

Minimum program lengths are discussed in Volume 2 of the Handbook. For purposes of the FFEL/DL programs only, the shortest eligible programs are programs at a **proprietary school** or a **postsecondary vocational school** that provide at least 10 weeks of instruction and at least 300 clock hours, 8 semester hours, or 12 quarter hours.

Annual Loan Limits: Basic Principles

- ➔ Unlike Pell, annual loan limits are for an academic year (not the same thing as the July 1-June 30 award year).
- ➔ For a term program, you may use either a Scheduled Academic Year (usually Fall-Spring with a separate summer session) or a “Borrower-based Academic Year” for a term program.
- ➔ You must **ONLY** use the BBAY for a nonterm program.
- ➔ In a term program, you can use both the SAY and the BBAY at different times during a student's enrollment. (See examples.)
- ➔ The loan period does not have to match the Academic Year.
- ➔ The calendar period associated with the Academic Year (or weeks and credit/clock hours for a nonterm program) must elapse before the borrower is eligible for a new Annual Loan Limit.
- ➔ The student's maximum annual loan limit increases as the student progresses to higher grade levels.
- ➔ You may increase the amount of the student's loan if he/she becomes eligible for a higher loan amount by progressing to the next grade level during the loan period.

The **maximum** loan period is generally the school's academic year but cannot exceed a 12-month period. It is possible, but not typical, to have more than one loan in an academic year.

ACADEMIC YEAR

As we've seen, the loan period is often equivalent to an academic year. Briefly, an academic year is a period that contains at least 30 weeks of instructional time during which a full-time student is expected to complete at least 24 semester or trimester hours or 36 quarter hours at a school measuring program length in credit hours, or at least 900 clock hours at a school measuring program length in clock hours. Volume 2 of the *SFA Handbook: Institutional Eligibility and Participation* includes a more detailed treatment of the academic year for the SFA programs.

The academic year is also used when determining the student's annual loan limits. The annual limit for Stafford Loans is based on an academic year rather than a calendar award year. Once the student has reached the annual loan limit, he or she cannot receive another Stafford Loan until he or she begins another academic year, or progresses to the next grade level.

Two types of academic years for loans

There are two types of academic years a school can use in determining a period of enrollment or when another year will begin for the student: a scheduled academic year (SAY) or a borrower-based academic year (BBAY). Clock-hour and nonterm credit-hour programs *must* use borrower-based academic years. Only term-based credit-hour programs can use SAYs. However, you may elect to use a borrower-based academic year for a term-based credit-hour program if the program's academic year provides at least 30 weeks of instruction (unless the Department grants a waiver for an academic year of less than 30 weeks).

For a term-based credit-hour program, the school can use BBAYs for all its students or just for students enrolled in certain programs, or it may use BBAYs on a student-by-student basis. The school can even alternate BBAYs with SAYs for a student, but the academic years must not overlap. 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.

Scheduled Academic Year

An SAY is a fixed period of time that generally 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). The SAY generally corresponds to the academic year or calendar that is published in the school's catalog or other materials. An SAY must meet the statutory requirements of an academic year, as described in the *SFA Handbook: Institutional Eligibility and Participation*.

Borrower-based Academic Year (BBAY)

As noted previously, a school must use BBAYs for clock-hour and nonterm credit-hour programs; the school may use either type of academic year for term-based credit-hour programs where the academic year provides at least 30 weeks of instruction.

A BBAY is not a fixed period of calendar time like an SAY. Instead, the BBAY's beginning and end dates depend on an individual student's enrollment and progress. For example, a nonterm school that has new students beginning enrollment every month would use a BBAY for each student that begins in the month the student enrolls. A term-based school could opt to use a BBAY for a student attending the spring and summer terms, rather than using an SAY that always begins with the fall semester. Like an SAY, the BBAY must meet the minimum statutory requirements for an academic year (unless a summer term is included or the Department grants a waiver for a term-based credit-hour program).

In a program using terms and credit hours, the BBAY must include the same number of terms as the SAY the school would otherwise use (not including any summer session as a "trailer" or "header"). The BBAY may include terms the student does not attend if the student could have enrolled **at least half time** in those terms. However, unlike an SAY, the BBAY must begin with a term in which the student actually enrolled. Also, any mini-sessions (summer or otherwise) that run consecutively **must** be combined and treated as a single term.

For a clock-hour or nonterm program, the BBAY begins when the student enrolls. Because the BBAY must meet the minimum statutory requirements for an academic year, the BBAY must contain at least 30 weeks of instructional time and the appropriate number of credit or clock hours (24 semester or trimester hours, 36 quarter hours, or 900 clock hours). The BBAY does not end until the student has completed the number of weeks **and** the number of hours in the academic year. A student who is attending less than full time will take longer to complete the academic year than a full-time student.

Treatment of summer terms

For a program that uses SAYs, a summer term may be part of the academic year that precedes that term (that is, it may be a "trailer"), or it may be part of the academic year that follows that term (that is, it may be a "header"). Your school can establish a policy that designates its summer term as either a trailer or header, or it can make different designations for different educational programs.

You may also designate the summer term as a trailer or header for each student on a case-by-case basis. However, if a student in a summer school session that overlaps two award years is also receiving campus-based aid, you must use the same EFC (from the same application year) for both the campus-based aid and the FFEL/DL loan.

Scheduled Academic Year

Only used for programs using credit hours and terms. Typically, the loan will be made in multiple disbursements, with "payment periods" matching the terms in the program, as with Pell disbursements.

**Academic year = 2 semesters
(2 payment periods)**

| 1st pp | 2nd pp |
|--------|--------|
| Fall | Spring |

**Academic year = 3 quarters
(3 payment periods)**

| 1st pp | 2nd pp | 3rd pp |
|--------|--------|--------|
| Fall | Winter | Spring |

Scheduled Academic Year**Example —**

The Springfield Academy offers a two-year program measured in semesters and awarding credit hours. It defines its academic year as two semesters providing 30 weeks of instruction. Springfield has Fall, Spring, and Summer sessions, but most of its students do not attend the summer session. Therefore, Springfield Academy uses a Scheduled Academic Year that starts September 7 and concludes May 21, and it certifies most loans for that period of enrollment.

- Springfield Academy also has a 1,800-clock-hour extension program, and defines its academic year as 900 clock hours and 30 weeks. The BBAY always begins with the student's actual enrollment date, whether programs start each month, quarter, etc. An enrolling student may receive two Federal Stafford 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 complete 900 clock hours. The period for the second loan would be the time it takes to complete the final 900 hours. Note that the student cannot receive the second loan until he/she has completed the first 900 hours of the program AND 30 weeks of instruction.

The BBAY can also be used by credit-hour term programs—especially in cases where a student is enrolling in a different sequence of terms than the Scheduled Academic Year for that program.

The maximum loan limit for an academic year applies to each of these academic years. 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 maximum Stafford amounts of \$2,625, \$3,500, and \$5,500.

1. BBAY where 2 semesters = academic year

1b.

1c.

The same concepts apply to quarter-term programs. For instance, in example 2, the Fall, Winter, and Spring terms constitute the school's Scheduled Academic Year. If the student attends summer session at the school, it can be the first term of a Borrower-Based Academic Year that includes the following Fall and Winter terms.

| | | | | | |
|-------------|--------|--------|--------------|------|--------|
| Fall | Winter | Spring | Summer | Fall | Winter |
| Year 1: SAY | | | Year 2: BBAY | | |

The choice of the application year to be used for need analysis purposes can be different than the designation of the term as a header or trailer for purposes of establishing the academic year for the loan. For instance, you may have a policy that treats the summer term for 2002 as a header to the academic year for the loan, but you may make an exception and use the EFC from the 2001-2002 FAFSA to determine the student's financial need.

Summer mini-sessions can be grouped together as a single trailer or header, or they can be treated separately and assigned to different SAYs. If the summer mini-sessions are grouped and treated as a single term, the summer cost of attendance cannot include costs for a mini-session for which the student was not enrolled.

Additional loan eligibility in the same academic year

In general, once a student has reached the annual loan limit, he or she cannot receive another Stafford Loan until he or she begins a new academic year. A student who has already received one Stafford Loan within an academic year may receive additional loan funds if he or she has not yet reached the annual limit. In addition, a student who has already borrowed up to the annual limit within an academic year can receive additional loan funds if the annual limit increases, either because the student progresses to a grade level with a higher limit or because his or her dependency status changes to independent. In all cases, the student 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.

Note that for a nonterm program, the student will never progress to a higher grade level within an academic year and, thus, will only have a change in the loan limit if his or her dependency status changes. The student moves to a higher grade level only when he or she completes the BBAY.

ANNUAL LOAN LIMITS

Stafford limits for dependent undergraduates

A dependent student enrolled in a program of study that is at least an academic year in length may borrow combined subsidized and unsubsidized loans not to exceed an annual total of

- up to \$2,625 for a *first-year student*;
- up to \$3,500 for a *second-year student*;
- up to \$ 5,500 for a *third-, fourth-, or fifth-year undergraduate*, or a student who already has an associate or baccalaureate degree and who is enrolled in an undergraduate program that requires an associate or baccalaureate degree for admission.

Annual and Aggregate Loan Limits

34 CFR 682.204 FFEL

34 CFR 685.203 DL

"Dear Colleague" letter GEN 97-3

Counting grade levels

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. 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 years, then you might use a standard of 30 hours completed at each grade level.

Students returning for second degree

If a student with a baccalaureate degree enrolls in another baccalaureate program, his/her loan limits would be based on the amount of work that the school counts towards satisfying the requirements of the new program.

For instance, if your school decides to accept 30 hours of a student's work in her previous baccalaureate program towards the requirements for a BS in Chemistry at your school, then the student would be eligible for second-year undergraduate loan limits.

More than one loan per grade level

If the student is enrolled at the same grade level and 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 \$2,625 Stafford loans while completing the first year of the program.

However, your school has the authority to set a limit on the number of times a student can receive the maximum annual loan amount at one grade level, provided that the policy is the same for all students in the program.

These loan limits represent the total of all subsidized and unsubsidized Stafford Loans a dependent undergraduate student may borrow at each level of study. A dependent undergraduate student who takes out both subsidized and unsubsidized Stafford Loans must not exceed the annual and aggregate limits allowed under the Stafford Loan Program. An unsubsidized Stafford Loan is also limited to the difference between the borrower's COA for the loan period and the borrower's EFA (which includes any subsidized Stafford Loan amount he or she will receive).

A student's grade level for loan limit purposes is set according to the school's standards for the time normally required to achieve that grade level. However, if the school determines a program normally can be completed in two years of full-time study, a student in that program can never receive more than the second-year annual loan limit of \$3,500 in any given year, no matter how long it takes the student to finish.

Increased Stafford limits for undergraduates without access to PLUS

Independent undergraduate students may borrow unsubsidized loans with additional loan limits. The additional loan limits also apply to dependent undergraduate students whose parents are unable to borrow PLUS loans due to exceptional circumstances. The regulations give several examples of possible exceptional circumstances affecting the parents' ability to borrow—adverse credit history, incarceration, or income limited to public assistance and disability benefits. Another exceptional circumstance might be if the parents' whereabouts are unknown. However, the parents' refusal to take out a PLUS loan does not constitute an exceptional circumstance.

Increased Stafford limits for undergraduates without access to PLUS

FFEL—see 34 CFR 682.204(d)
and 34 CFR 682.201(a)(3)
DL—see 34 CFR 685.203(c)

Independent Undergraduate Student Example

Dottie is a first-year independent undergraduate student at Ferrar's Institute. Her COA is \$9,500. Dottie qualifies for a subsidized Stafford Loan of \$1,500. She may apply for an unsubsidized Stafford Loan of \$5,125 (\$1,125 remaining under her initial Stafford Loan limit, plus a \$4,000 unsubsidized Stafford Loan). Her total loan limit for her subsidized Stafford Loan and her unsubsidized Stafford Loan is \$6,625.

The following unsubsidized loan limits may be added to the borrower's combined subsidized and unsubsidized loan limits. An independent undergraduate student enrolled in a program of study that is at least an academic year in length may borrow additional unsubsidized loan amounts not to exceed an annual total of

- up to \$4,000 for a *first- or second-year student*;
- up to \$5,000 for a *third-, fourth-, or fifth-year undergraduate*, or a student who has an associate or baccalaureate degree that is required for admission into a program and who is not a graduate or professional student.

For instance, an independent student in the second year of study would be eligible to borrow a total of \$7,500 in subsidized and unsubsidized loans.

If your school has decided not to participate in the PLUS program, you may not award additional unsubsidized loan funds to a dependent student based on the school's non-participation in PLUS. (Effective for any loan period beginning on or after July 1, 2000.)

Stafford Loan limits for graduate and professional students

The subsidized loan limit for a graduate or professional student is \$8,500 per academic year. The additional unsubsidized loan limit for graduate or professional students is \$10,000 per academic year.

Stafford Loan limits for coursework required for teacher certification/other programs

For students who have baccalaureate degrees and are completing coursework necessary for a professional credential or teacher certification (certification from a state that is required for employment as a teacher), the annual loan limits are \$5,500 in subsidized Stafford Loans and \$5,000 additional in unsubsidized Stafford Loans.

The law also sets annual loan limits for students enrolled in a course of study necessary for enrollment in a degree or certificate program. The length of the course of study may not exceed 12 consecutive months.

| Annual Loan Limits | Subsidized Stafford | Unsubsidized Stafford |
|--|------------------------|--------------------------|
| Course required for an undergraduate degree or certificate program | \$2,625 | \$4,000 |
| Course required for a graduate or professional degree or certificate program | \$5,500 | \$5,000 |

Graduate and Professional Limits

See 34 CFR 682.204(a)(5), (c)(5) and 685.203(a)(5), (c)(2)(v)

PLUS Loan Limits

See 34 CFR 682.204(h) and 685.203(f)

PLUS Loan limits

A PLUS Loan may not exceed the student's estimated COA minus other financial aid awarded for the period of enrollment. This is the only borrowing limit for PLUS Loans.

When and when not to prorate

You must prorate a Stafford Loan if the student is enrolled in a program shorter than an academic year, or if the remaining portion of the program is shorter than an academic year.

Stafford Loan proration

34 CFR 682.204(a), (d) FFEL

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

PRORATED ANNUAL LOAN LIMITS FOR STAFFORD LOANS

Generally, a dependent or independent undergraduate may borrow up to the annual limit applicable to the student's year in school. However, the maximum amount an undergraduate student may borrow must be prorated, in certain situations. **PLUS Loans and loans for graduate or professional students are not subject to proration.**

There are two situations where you must prorate the annual limit for subsidized and unsubsidized Stafford Loans:

- when a borrower is enrolled in a program that is shorter than a full academic year, and
- when a borrower is 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.

If a student drops or adds a course after you have originated a prorated loan, you **may** readjust the loan amount but you are not required to do so. Of course, a student who drops courses must still be enrolled **at least half time** to be eligible for any loan amount.

Please bear in mind that proration does not necessarily affect the amount of the loan. For instance, if a student's prorated loan limit is \$2,100, but the student was only eligible for a \$2,000 subsidized Stafford Loan based on costs, EFC, and other aid, then the proration would not affect the amount of the subsidized Stafford Loan.

Prorating loans for programs of study shorter than a full academic year

When a student is enrolled in an academic program that is shorter than a full academic year in length, you must use a proportional proration that is based on the *lesser* of —

$$\frac{\text{Number of semester, trimester, quarter or clock hours enrolled}}{\text{Number of semester, trimester, quarter or clock hours in the academic year}}$$

or

$$\frac{\text{Number of weeks enrolled}}{\text{Number of weeks in the academic year}}$$

You may express the resulting fraction as a decimal to see more easily which is less or to calculate the prorated limit. The smaller fraction is then multiplied by the appropriate annual loan limit. The result is the prorated loan limit for the student.

Proration examples for programs shorter than an academic year

Program = 400 clock hrs

| |
|-------------------------------|
| 400 hrs |
| Academic year = 900 clock hrs |

Jill is a dependent student enrolled in a 12-week program at Hancock Career College. HCC defines the academic year for this program as 900 clock hours providing 30 weeks of instruction. 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 ($12/30 = .40$) and hours ($400/900 = .44$) to decimals. Multiply the smaller decimal (.40) by the first-year annual loan limit: $\$2,625 \times .40 = \$1,050$.

The maximum combined subsidized and unsubsidized loan amount Jill can borrow for the program is \$1,050.

Program = 24 quarter hours

| | |
|-------------------------------|--------|
| 1st pp | 2nd pp |
| Academic year = 36 credit hrs | |

Morgan is an independent student enrolled in a program at Hancock Career College that provides 24 quarter hours and 20 weeks of instruction. HCC defines the academic year for this program as 36 quarter hours providing 30 weeks of instruction.

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 subsidized and unsubsidized Stafford:

$\$6,625 \times .67 = \$4,439$ total Stafford
 $\$2,625 \times .67 = \$1,759$ subsidized

The maximum combined subsidized and unsubsidized Stafford amount Morgan can borrow for the program is \$4,439, with the subsidized loan amount limited to \$1,759.

Note on fractions and decimals for prorating Stafford Loans

It is acceptable to convert the fraction to a decimal and then multiply the annual loan limit by the decimal, but this 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 loans for remaining periods of study shorter than an academic year

You must also prorate loans for students enrolled in remaining periods of study shorter than an academic year. This situation arises when a student is 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 an academic year.

Proportional proration is used in all cases of remaining periods of study less than a full academic year (see definition below) and is always based on:

$$\frac{\text{Number of semester, trimester, quarter or clock hours enrolled}}{\text{Number of semester, trimester, quarter or clock hours in the academic year}}$$

This fraction is multiplied by the appropriate annual loan limit to determine the prorated loan limit. There is no comparison of weeks and hours. Hours are always used.

At a **term-based credit-hour** school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a remaining period of study is considered shorter than an academic year if the remaining period consists of fewer terms than the school's scheduled academic year. For example, a student might have completed two academic years of study at a community college and received two Stafford Loans, but need to attend an additional quarter term to complete his/her program requirements. The final quarter term would fall in a new academic year, and thus the loan maximum would have to be prorated, since the remaining period of study is less than a full academic year. Terms within the same academic year as the student's final term are considered part of the final period of study, even if separated from the final term by a term in which the student is not enrolled.

At a **term-based clock-hour** school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a remaining period of study is considered shorter than an academic year if the final period consists of fewer terms than the school's scheduled academic year **or** fewer clock hours than the minimum statutory requirement for a full academic year. As with credit-hour terms, all terms within the same academic year are considered part of the final period of study, even if separated from the final term by a term in which the student is not enrolled.

At a **nonterm** school (where programs are measured only in clock or credit hours), a remaining period of study is considered less than an academic year if the remaining period consists of fewer clock or credit hours than the minimum statutory requirement for a full academic year.

Proration examples for remaining period less than an academic year

Academic year = 3 quarters
Remaining period = 1 quarter

| Fall | Winter | Spring |
|----------------------------|--------|--------|
| Academic year = 3 quarters | | |

| Fall | Winter | Spring |
|------|--------|--------|
| | | |

| Fall | Winter | Spring |
|------|--------|--------|
| | | |

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

To determine the prorated Stafford loan limit, convert the fraction based on hours ($6/36 = .17$) to a decimal. Multiply this decimal by the second-year undergraduate annual loan limit: $\$3,500 \times .17 = \595 .

Academic year = 2 semesters
Remaining period = 1 semester

| Fall | Spring | Summer |
|------|--------|--------|
| | | |

| Fall | Spring | Summer |
|------|--------|--------|
| | | |

Rudy transfers to a BA program at Lacy Springs College. By taking 18 hours a semester, he will be able to graduate in the Fall term of his second year. Rudy is a dependent undergraduate student, and Lacy Springs defines its academic year as 24 credit hours providing a total of 30 weeks of instruction.

To determine the prorated Stafford loan limit, convert the fraction based on hours ($18/24 = .75$) to decimal. Multiply this decimal by the fourth-year undergraduate annual loan limit: $\$5,500 \times .75 = \$4,125$.

Proration Example for Remaining Period with Separated Terms

| Fall | Winter | Spring |
|----------|--------------|----------|
| enrolled | not enrolled | enrolled |

O'Donnell Institute has an academic year that consists of three quarters: fall, winter, and spring. Rosie 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 Rosie'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 she will not enroll. Because the fall quarter is part of the final period of study, the loan Rosie receives in the fall must be prorated, just as her spring loan must be prorated.

Annual Limits for Stafford Loans

| | <i>Subsidized</i> | <i>Total (subsidized & unsubsidized)</i> |
|--|-------------------|--|
| <i>Dependent Undergraduates</i> | | |
| First Year | \$ 2,625 | \$ 2,625 |
| Second Year | \$ 3,500 | \$ 3,500 |
| Third Year and Beyond | \$ 5,500 | \$ 5,500 |
| <i>Undergraduates without Access to PLUS</i> | | |
| First Year | \$ 2,625 | \$ 6,625 |
| Second Year | \$ 3,500 | \$ 7,500 |
| Third Year and Beyond | \$ 5,500 | \$ 10,500 |
| <i>Graduate & Professional Students</i> | | |
| All Years of Study | \$ 8,500 | \$ 18,500 |

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

Aggregate Limits for Stafford Loans

| | <i>Subsidized</i> | <i>Total (subsidized & unsubsidized)</i> |
|--|-------------------|--|
| <i>Dependent Undergraduates</i> | \$ 23,000 | SAME |
| <i>Undergraduates without Access to PLUS</i> | \$ 23,000 | \$ 46,000 |
| <i>Graduate & Professional Students</i> | \$ 65,500 | \$ 138,500 |

Note: Certain health professions students may qualify for higher annual & aggregate limits—see discussion at the end of this chapter.

Example: Combined Loan Limits

| | First undergraduate program: | Graduate program: | Total: |
|---|-------------------------------------|--------------------------|-----------------|
| <i>An independent student receives the following loan amounts for a first undergraduate program and a graduate program:</i> | subsidized | \$20,500 | \$45,000 |
| | unsubsidized | \$10,000 | \$50,000 |

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. Since the total amount received for the first undergraduate program (\$30,500) does not exceed the aggregate loan limit for an independent undergraduate (\$46,000, maximum \$23,000 subsidized), the student has remaining loan eligibility of up to \$15,500 for the second undergraduate program.

However, the loans received for the graduate program must be considered in determining whether the student has exceeded 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.

AGGREGATE LOAN LIMITS

The maximum outstanding **total subsidized and unsubsidized** Stafford Loan debt is:

- \$23,000 for a dependent undergraduate student,
- \$46,000 for an independent undergraduate student (or a dependent undergraduate student whose parents do not qualify for 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.

If the student has borrowed Stafford Loans at other schools, the National Student Loan Data System is the best source of information on the student's current outstanding principal balance. The outstanding principal balance reflects the original amount of loan principal (including the loan fees, but not including any capitalized interest that was added later), minus the amount of loan payments that have been credited against the principal.

These maximums include any amounts borrowed under the Direct Loan and FFEL programs (including Consolidation Loans), as well as under the discontinued Federal Supplemental Loans for Students program (SLS)

If 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 loan eligibility for the second undergraduate program. If the total amount received for the first undergraduate program does not exceed the undergraduate aggregate loan limits, the student may receive additional funds for the second 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.

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 Stafford Loans.

Aggregate Loan Limits

34 CFR 682.204(b), (e)—FFELP

34 CFR 685.203(d), (e) —DL

Note that the Higher Education Amendments of 1998 provide that interest capitalized on unsubsidized Stafford Loans shall not be counted against the borrower's aggregate loan limits.

Financial Aid History Requirement & NSLDS

To ensure that a student transferring to your school doesn't exceed the annual and aggregate Stafford Loan limits, you must use the National Student Loan Data System to check the loan amounts the student previously received. More detailed information on how this requirement applies to all of the SFA programs can be found in Volume 1, Chapter 3 of the SFA Handbook.

Using NSLDS

You can review the complete student loan history for your students and generate reports on the NSLDS Web site for aid professionals:

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

The NSLDS User's Guide and other materials are currently posted on IFAP under "Current SFA Publications." Technical assistance for NSLDS is available by calling :

1-800-999-8219

Increased Eligibility for Health Professions Students

The Health Education Assistance Loan (HEAL) Program, a loan program for health professions students administered by the Department of Health and Human Services, was gradually phased out beginning in 1995. The phaseout has now been completed, and no further HEAL Program loans are being made. To replace loan funds that otherwise would have been available under the HEAL Program, certain health professions students may borrow increased unsubsidized Stafford Loan amounts.

With the complete phaseout of HEAL, the Department has removed the earlier restrictions that limited participation to schools that had disbursed HEAL loans in fiscal year 1995 and to students who, as of October 1, 1995, were not HEAL borrowers.

Increased unsubsidized amounts

For any loan period beginning on or after May 1, 1999, schools may award the increased unsubsidized amounts to students who are enrolled full-time in a health professions discipline that (1) was eligible under the HEAL Program and (2) is accredited by an approved accrediting agency. (See “Dear Partner” Letter GEN-99-21.) The disciplines that were eligible under the HEAL Program and the approved accrediting agencies for these disciplines are shown in the loan limit chart on the next page for the increased unsubsidized amounts.

While the HEAL Program required a need analysis test, the EFC is not used to determine need for unsubsidized Stafford loans.

Increased annual loan limits

Because the increased annual unsubsidized Stafford Loan limits are intended to replace funds that would have been available previously under the HEAL Program, the annual loan limits for the increased unsubsidized amounts are the same as the HEAL Program annual loan limits. The chart on the next page shows the annual loan limits for the increased unsubsidized amounts, which vary by discipline and academic year (AY) length, as well as the approved accrediting agency for each discipline.

Increased Aggregate Loan Limits

Graduate and Professional. The combined subsidized/unsubsidized aggregate loan limit for graduate and professional health professions students who are eligible to receive the increased unsubsidized amounts is \$189,125 (not more than \$65,500 of this amount may be in subsidized loans).

This increased aggregate loan limit would permit a student to receive the current maximum Stafford annual loan limits for four years of undergraduate study (\$6,625 + \$7,500 + \$10,500 + \$10,500) and four years of graduate/professional study (\$18,500 x 4), plus the maximum increased unsubsidized loan limit for a 9-month academic year for four years of graduate/professional study (\$20,000 x 4).

Undergraduate. The combined subsidized/unsubsidized aggregate loan limit for undergraduate health profession students (Bachelor of Science in Pharmacology) who are eligible to receive the increased unsubsidized amounts is \$70,625 (not more than \$23,000 of this amount may be in subsidized loans).

This increased aggregate loan limit would permit a student to receive the current maximum Stafford annual loan limits for five years of undergraduate study (\$6,625 + \$7,500 + \$10,500 + \$10,500 + \$10,500), plus the maximum increased unsubsidized loan limit for a 9-month academic year for the fourth and fifth years of undergraduate study (\$12,500 x 2).

Programs Eligible for:

Additional \$20,000 in Unsubsidized Loans for a 9-month Academic Year
Additional \$26,667 in Unsubsidized Loans for a 12-month Academic Year

| | |
|--------------------------------|---|
| Doctor of Allopathic Medicine | Accreditation: Liaison Committee on Medical Education |
| Doctor of Osteopathic Medicine | Accreditation: American Osteopathic Association, Bureau of Professional Education |
| Doctor of Dentistry | Accreditation: American Dental Association, Commission on Dental Accreditation |
| Doctor of Veterinary Medicine | Accreditation: American Veterinary Medical Association, Council on Education |
| Doctor of Optometry | Accreditation: American Optometric Association, Council on Optometric Education |
| Doctor of Podiatric Medicine | Accreditation: American Podiatric Medical Association, Council on Podiatric Medical Education |

Additional \$12,500 in Unsubsidized Loans for a 9-month Academic Year
Additional \$16,667 in Unsubsidized Loans for a 12-month Academic Year

| | |
|---|---|
| Master of Science in Pharmacology (also 4th & 5th yr. Bachelor's & some Doctorate students)* | Accreditation: American Council on Pharmaceutical 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: Accrediting Commission on Education for Health Services Administration |

EXAMPLE OF ANNUAL LOAN LIMIT: The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular Stafford annual loan limits. For example, a student enrolled in a 9-month Doctor of Dentistry program is eligible for the regular Stafford subsidized/unsubsidized annual loan maximum for a graduate/professional student (\$18,500, not more than \$8,500 of which may be subsidized), plus the maximum increased unsubsidized amount of \$20,000, for a total Stafford loan maximum of \$38,500.

* Consistent with HEAL's rules, students enrolled in a Doctor of Pharmacology program may receive the increased unsubsidized amounts only if they are not required to have a Bachelor or Master of Science in Pharmacology as a prerequisite for the Doctorate degree. A Pharmacology doctorate student who meets this condition is eligible for the same annual loan limits as students enrolled in a Bachelor or Masters of Pharmacology program. Only one undergraduate program (Bachelor of Science in Pharmacology) was eligible under the HEAL Program. In accordance with HEAL Program rules, a student enrolled in a Bachelor of Science in Pharmacology program may receive the increased unsubsidized amounts only for the fourth and fifth years of the program. In addition (consistent with general SFA requirements), a dependent undergraduate may receive the increased unsubsidized amounts only if the student's parent is unable to borrow a PLUS loan.

NSLDS loan amount categories

Disbursed Amount — the original principal amount of the loan.

Principal Balance — the disbursed amount, plus capitalized interest and other charges, but minus any payments made by the borrower.

Aggregate Principal Balance — the disbursed amount, plus interest due, minus any payments made by the borrower. (Does not include capitalized interest.)

Perkins and SLS Loans

Perkins loans may be included in the subsidized portion of a Consolidation Loan, but Perkins loans are not considered when determining Stafford loan limits. However, Supplemental Loans for Students/SLS (an earlier name for unsubsidized loans for students) are included when determining Stafford loan limits.


DETERMINING OUTSTANDING SLS/STAFFORD AMOUNTS FOR AGGREGATE LOAN LIMITS

If one of your students has Stafford or SLS loans that were once in repayment status, the loan amount shown in NSLDS may include accrued interest, collection cost, fees, and/or capitalized interest. None of these charges should be included when you're checking to see how much the student has borrowed against the aggregate Stafford loan limits. (Keep in mind that there are aggregate limits on subsidized Stafford loans, as well as an overall Stafford limit that includes unsubsidized loan amounts).

To avoid counting interest and other charges, use the **aggregate outstanding principal balance** shown in NSLDS for each of the student's outstanding Stafford loans. For instance, if the student has been making payments on a \$2,625 loan and the aggregate outstanding principal balance is now \$2,100, count the \$2,100 towards the student's aggregate loan limit.

IDENTIFYING THE "UNDERLYING" STAFFORD LOANS IN A CONSOLIDATION LOAN

If you're planning to award a new Stafford loan to a student who is close to the aggregate loan limit and has an FFEL Consolidation Loan, you may need to find out how much of the Consolidation Loan is associated with previous subsidized Stafford Loans. You should use NSLDS or loan records provided by the borrower to identify the loans that the student paid off through consolidation, and whether they were subsidized or unsubsidized.

There are several status codes that indicate that the loans were paid in full through consolidation, particularly PC and PN. (You can find a list of status codes and their definitions by clicking on "?" located in the upper left-hand corner of the NSLDS screen.)  Note that some loans paid by consolidation have been reported as "PF" or "paid-in-full," though this category is not meant to apply to loans that are consolidated. Status dates for loans included in the consolidation should be close to the date the Consolidation Loan was made.

Once you've identified the underlying loans, add the Aggregate Outstanding Principal Balance for each loan to determine the aggregate subsidized Stafford and unsubsidized Stafford amounts within the Consolidation Loan.

In some instances, because of timing or coding problems by the entities reporting to NSLDS, not all of the loans that made up a Consolidation Loan will be included in the NSLDS. *Schools are only responsible for data that is available in the NSLDS (Dear Colleague 96-13, Question 54).* However, you may wish to review the student's Consolidation Loan paperwork to determine the portion of the consolidated loan that must be considered subsidized or unsubsidized.

EFFECT OF OVERBORROWING

If you determine that a student has borrowed more than the annual or aggregate Stafford loan limits, you cannot award *any* SFA funds until the overborrowing is resolved. The student can regain eligibility for aid from other SFA programs (such as Pell Grants) by making satisfactory arrangements with the Stafford lender (or the DL servicer) to repay the amount that exceeded the Stafford annual or aggregate loan limits.

Note that you cannot award further Stafford loan funds to the student until he or she has repaid enough of the previous loans to once again be eligible to borrow under the subsidized and total loan limits.

Example: Resolving a case of “overborrowing”

Beth, an undergraduate student, is applying for a Stafford loan for her fifth and final year of baccalaureate study at your college. At first she appears to be within the aggregate limit for undergraduate subsidized Stafford loans.

However, you have recently become aware that Beth previously borrowed Stafford loans while attending a community college several years prior to coming to your college.

STAFFORD LOANS

| | |
|---------------------------------|---------|
| Subsidized BANKONE 1991 | \$2,625 |
| Subsidized BANKONE 1992 | \$3,500 |
| Subsidized BANKTWO 1998 | \$2,625 |
| Subsidized BANKTWO 1999 | \$3,500 |
| Subsidized BANKTWO 2000 | \$5,500 |
| Subsidized BANKTHREE 2001 | \$5,500 |

| | |
|-------------------------------|-----------------|
| TOTAL SUBSIDIZED | \$23,250 |
|-------------------------------|-----------------|

In fact, your review of her NSLDS records indicates that Beth has borrowed \$250 in subsidized Stafford loans in excess of the aggregate undergraduate limit. Since the loan made by BANKTHREE was the one that exceeded the loan limit, Beth needs to make arrangements with BANKTHREE to repay the amount for which she was not eligible.

When BANKTHREE has confirmed that Beth has made satisfactory arrangements to repay the excess loan amount, you may make other SFA awards to Beth.

If Beth's total Stafford borrowing (subsidized and unsubsidized) is below the total aggregate limit, you can award her an *unsubsidized* Stafford loan. However, you cannot make a *subsidized* Stafford loan to Beth until she has repaid the \$250 that exceeds the aggregate subsidized Stafford loan limit *and* further repaid enough of her outstanding balance to be eligible for the subsidized loan that you intend to award to her (For instance, you could not award her a new \$5,500 subsidized Stafford Loan until she has reduced her outstanding balance to \$17,500.)

Example: Consolidation Loan & Stafford Loan Limits

An independent undergraduate student transfers to your school to complete her fourth year of baccalaureate study. She applies for a Stafford Loan and has financial need for the maximum annual loan amount (\$5,500 in subsidized Stafford and \$5,000 in unsubsidized Stafford). Her NSLDS record indicates that she has a \$25,000 Consolidation Loan made by a FFEL lender. Since the undergraduate aggregate subsidized limit is \$23,000, you cannot disburse any subsidized loan funds unless you can determine that the total amount of subsidized Stafford loans represented in the consolidation amount is less than \$23,000.

The student's loan record shows that her Consolidation Loan was made on August 30, 2000. She previously had three subsidized loans that were paid through consolidation (PC) earlier in July and August. The Aggregate Outstanding Principal Balances for her loans are: \$2,625 for her first-year loan, \$3,500 in her second year, and \$5,500 in her third year. The NSLDS record also shows two unsubsidized loans, paid-in-full in July and August, which she received in her second and third years, when she qualified as an independent student.

| STAFFORD LOANS (CONSOLIDATED) | STAFFORD LIMIT | REMAINING ELIGIBILITY |
|---|-------------------|--------------------------|
| Subsidized \$2,625 | | |
| Subsidized \$3,500 | | |
| Subsidized \$5,500 | | |
| TOTAL SUBSIDIZED \$11,625 | \$23,000 | \$11,375 |
| Unsubsidized \$4,000 | | |
| Unsubsidized \$5,000 | | |
| TOTAL SUB + UNSUB \$20,625 | \$46,000 | \$25,375 |

Adding the loans up, we can see that the student has received a total of \$11,625 in subsidized Stafford and an overall total of \$20,625 in Stafford funds.* Therefore, you may pay the student her full loan amounts (\$5,500 subsidized and \$5,000 unsubsidized) without exceeding the aggregate Stafford loan limits for an independent undergraduate.

*There are several possible reasons why the \$25,000 Consolidation Loan is greater than the total Stafford borrowed (\$20,625)— the Consolidation amount may include Perkins or health loans that have been consolidated, and it may include capitalized interest or other charges.

Sample NSLDS Screens to be Added in Print Version

