CHAPTER 6

Stafford/PLUS Loan Periods and Amounts

The rules for awarding Stafford and PLUS loans are different than for Pell Grants and other FSA programs. Annual loan limits vary by grade level, and there are aggregate limits on the total amount that may be borrowed at one time. Also, the loan period, payment period, and the disbursements within that period may not always correspond to the payment periods that you're using for Pell Grants. Finally, the requirement to prorate Stafford loan limits is different than the requirements for calculating Pell Grants.

To request Stafford or PLUS 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 Stafford or PLUS 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. Stafford 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 certify a loan for more than the:

- amount the borrower requests,
- borrower's cost of attendance (see Chapter 2),
- borrower's maximum borrowing limit as described in this chapter), or
- borrower's unmet financial need (as determined using the rules in Chapter 8).

In Direct Loans, the certification information is part of the loan origination record sent electronically to COD. An FFEL school may submit the certification to the lender electronically or on the paper Federal Stafford Loan School Certification form. You must provide this certification each time you make a loan under an MPN.

The school's certification/origination includes the borrower's grade level, loan period, anticipated disbursement dates, and the amounts of the disbursements (using the rules described in this chapter).

CHAPTER 6 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, nonterm, 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
→ Stafford limits for dependent undergraduates; independent undergraduates & dependent undergraduates whose parents can't get PLUS; and graduate/professional students
→ 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
→ Stafford limits for transfer students, teacher certification coursework, and coursework necessary for enrollment in an eligible program

■ Aggregate Loan Limits
→ Loan information provided through "Financial Aid History" on SAR, ISIR, and on NSLDS Web site.

Certifying/originating a loan

A financial aid administrator should be aware of the responsibility incurred in certifying/originating a loan. The school, not the lender, determines the student's or parent's eligibility for a Stafford or PLUS Loan. Schools that certify/originate loans for ineligible borrowers, or for loan amounts that exceed loan limits or the borrowers's 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 special allowance costs it has paid on the ineligible loans.

Refusing to certify/originate a loan

On a case-by-case basis, you may refuse to certify/originate the loan for a borrower. Similarly, you may certify/originate a loan for an amount less than the borrower's maximum eligibility. However, you must ensure that these 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, handicapped status, or selection of a particular lender or guarantor. Also note that your school cannot engage in a practice of certifying Stafford loans only in the amount needed to cover the school charges, or to limit unsubsidized Stafford borrowing by independent students. When you make a decision not to certify/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.

Checklist for loan certification

For all Stafford and PLUS Loans, the school must confirm that the student (and parent) meet the definition of eligible borrower, including:

- ✓ determining that the student is enrolled at least half-time and making satisfactory academic progress (see Volume 1);
- ✓ reviewing the NSLDS information on the ISIR to ensure that the student is not in default, does not owe an overpayment on an FSA grant or loan (see Volume 1), and will not exceed the annual or aggregate loan limits (as described in this chapter);
- ✓ ensuring that the amount of the loan, in combination with other aid, will not exceed the student's financial need (see Chapter 8 of this Volume); and
- ✓ ensure that the loan disbursement dates meet cash management and disbursement requirements (see Chapter 1 of this Volume).

For a Stafford 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 an unsubsidized Stafford Loan, first determine the student's eligibility for a subsidized Stafford Loan;
- ✓ ensure that the amount of the loan will not exceed the student's annual or aggregate loan limit; and
- ✓ prorate the Stafford 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).

Schools are no longer required to provide need analysis information to the lender. However, you must document the student's cost of attendance, Expected Family Contribution (EFC) and estimated financial assistance in the student's file. This information must be made available to the lender, the guarantor or the Department upon request.

LOAN PERIODS, ACADEMIC TERMS, & PROGRAM LENGTH

It's important to define the loan period (sometimes referred to as the *period of enrollment*) at the outset, 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.

Generally, if 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 ("SE9W," see sidebar p. 3-79), 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 certify 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 nonterm 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).

Period of enrollment (loan period)

The period of enrollment for which a Stafford or PLUS 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.
34 CFR 682.200(b)
34 CFR 685.102(b)

Minimum and Maximum Loan Periods

➔ Maximum = generally school's academic year. Greater than an academic year, in some cases, if loan is for the length of the program that is longer than an academic year.
➔ Minimum (standard term programs and SE9W programs) = one academic term.
➔ Minimum (all other programs, i.e, clock hour, nonterm, and other nonstandard term) = Lesser of the academic year, the student's program, the remaining portion of the program, or the remaining portion of an academic year. These loan periods also apply to programs that are a mixture of standard terms and nonstandard terms not offered in a traditional academic calendar.

Also, for these other programs, a school may certify a loan for the remaining portion of the academic year if:

- a student transfers into the school with credit or clock hours from another school, and the prior school certified or originated a loan for a period of enrollment that overlaps the period of enrollment 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 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, you can have more than one loan in an academic year up to the annual loan limit.

Stafford/PLUS at multiple schools

Unlike Pell Grants, it is possible for a student who is separately enrolled and eligible at multiple schools to get a Stafford (and for a graduate/professional student or parent to receive a PLUS) 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.)

Simultaneous FFEL and DL at the same school

A school may simultaneously participate in both the FFEL and DL programs, but student or parent borrowers may not receive the same type of loan (i.e, Stafford or PLUS) for the same period of enrollment. For example, a student may not receive Stafford loans from both the FFEL and DL programs at the same school for the same period of enrollment. However, a graduate/professional student may receive a Stafford loan from one program and a PLUS loan from the other program for the same loan period.

Simultaneous FFEL and DL at the same school
34 CFR 685.300(a)(8)

ANNUAL LOAN LIMITS

Stafford Loans have annual loan limits, based on the student's dependency status and grade level. There are higher unsubsidized Stafford annual loan limits for some health professions students, and special loan limits for certain students who are not enrolled in a degree or certificate program. In some cases, 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.

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

Stafford 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)
FFEL - 34 CFR 682.204 and 682.201(a)(3)
DL - 34 CFR 685.203

Annual Loan Limits: Basic Principles

Annual loan limits

➔ Stafford loans and Graduate/Professional Loans have annual loan limits.

➔ There is an overall annual loan limit for Stafford loans, and a separate limit for subsidized Stafford.

➔ Dependent students have a lower annual loan limit than independent students; if a dependent student's parent(s) cannot borrow a PLUS loan, the student becomes eligible for the higher Stafford loan limits for an independent student.

➔ The academic year is used as the basis for the student's annual loan limits.

➔ The student's maximum annual loan limit increases as the student progresses to higher grade levels.

➔ The loan limit may have to be prorated if the student is attending a program (or remaining portion of a program) that is less than an academic year.

Academic years: SAY/BBAY

➔ For Stafford/PLUS, 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 nonterm program, or a program that does not have an SAY, must use a BBAY.

➔ In a clock-hour or nonterm program, or a program with nonstandard terms that are not SE9W, the borrower must successfully complete the hours and weeks of instructional time in the FSA 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.

Stafford limits for a dependent undergraduate student

Effective for loans first disbursed on or after July 1, 2008, for loan periods that include July 1, 2008 or begin on or after that date, dependent undergraduate students (excluding dependent undergraduates whose parents are unable to obtain PLUS loans) are eligible for an additional $2,000 in unsubsidized Stafford Loan funds each academic year. For these students, the annual loan limits are:

- $3,500 combined subsidized and/or unsubsidized plus $2,000 additional unsubsidized for dependent first-year undergraduates;

- $4,500 combined subsidized and/or unsubsidized plus $2,000 additional unsubsidized for dependent second-year undergraduates; and

- $5,500 combined subsidized and/or unsubsidized plus $2,000 additional unsubsidized for dependent third-, fourth-, or fifth-year undergraduates.

These loan limits represent the total of all subsidized and unsubsidized Stafford 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 Stafford Loans for a single academic year, but no more than $3,500 of this amount may be subsidized.

Subsidized and unsubsidized loans

There are two types of loans in the Stafford program: subsidized and unsubsidized. The federal government pays the interest on a subsidized student loan during in-school status, the grace period, and during authorized deferment periods. The student is responsible for paying the interest on an unsubsidized student loan during all periods.

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

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

Increased unsubsidized Stafford limits for independent students and dependent students whose parents can't get PLUS

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

- $3,500 combined subsidized and/or unsubsidized plus $6,000 additional unsubsidized for independent first-year undergraduates;

- $4,500 combined subsidized/and or unsubsidized plus $6,000 additional unsubsidized for independent second-year undergraduates; and

- $5,500 combined subsidized and/or unsubsidized plus $7,000 additional unsubsidized for independent third-, fourth-, or fifth-year 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)	$ 8,500	$ 20,500

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

Aggregate Limits for Sub/Unsub Loans

	Subsidized	Total (subsidized & unsubsidized)
Dependent Undergraduates (excluding those whose parents can't borrow PLUS)	$ 23,000	$31,000
Independent Undergrads & Dependent Students whose parents can't get PLUS.	$ 23,000	$ 57,500
Graduate & Professional Students	$ 65,500	$ 138,500

See p. 3-108 for additional unsubsidized eligibility for students in certain health professions prorams; special loan limits for preparatory & teacher certification coursework.

As with the loan limits for dependent undergraduates, these loan limits represent the total of all subsidized and unsubsidized Stafford Loans that an independent undergraduate student (or a dependent undergraduate whose parent is unable to obtain a 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 Stafford 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 PLUS loan is not eligible to receive both the $2,000 in additional unsubsidized Stafford described above, plus the additional $6,000 or $7,000 in additional unsubsidized Stafford that is available to independent undergraduates and dependent undergraduates whose parents are unable to obtain PLUS loans.

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 $12,000 per academic year. (See the box at the end of this section for situations where a program combines graduate and undergraduate study, or a student with a degree is pursuing an undergraduate program.)

Example: additional unsub for independent undergraduate

Dottie is a first-year independent undergraduate student at Ferrar's Institute. Her COA is $14,500, her EFC is $1,800, and she is receiving a $2,981 Pell Grant. Dottie qualifies for a subsidized Stafford Loan of $3,500. She may also receive the maximum additional unsubsidized Stafford Loan amount of $6,000 to cover most of her unmet need. Her total loan amount in subsidized and unsubsidized Stafford 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 PLUS loan.)

Stafford for students whose parents have ended financial support and refuse to file a FAFSA *NEW*

Schools may offer a dependent student an unsubsidized Direct or FFEL Stafford 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.

Health professions & accreditors

The following disciplines are eligible for the increased unsubsidized loan limits. (Must be accredited by the agency shown in italics.)

- **Doctor of Pharmacy**
Accreditation Council for Pharmacy Education
- **Graduate in Public Health**
Council on Education for Public Health
- **Doctor of Chiropractic**
Council on Chiropractic Education, Commission on Accreditation
- **Doctoral Degree in Clinical Psychology**
American Psychological Association, Committee on Accreditation
- **Masters or Doctoral Degree in Health Administration**
Commission on Accreditation of Healthcare Management Education.
- **Doctor of Naturopathic Medicine, Doctor of Naturopathy**
Council on Naturopathic Medical Education
- **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

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 ($20,500, 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 $40,500.

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 entrance or as part of the program itself. Also, a student who is receiving FSA aid as an undergraduate student can't be considered a graduate/professional student for that same period of enrollment.)

There are several rules to consider if a student is simultaneously taking undergraduate and graduate courses. 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 1/2-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 student 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.

Increased unsubsidized eligibility for health professions students

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. Schools may award the increased unsubsidized amounts to students who are enrolled at least half-time in a health professions discipline that was eligible under the HEAL Program, or in certain Naturopathic medicine programs. The program must be accredited by an approved accrediting agency (see sidebar).

The disciplines that were eligible under the HEAL Program 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. Note that the HEAL Program required a need analysis test, while need analysis (represented by the EFC) is not required for unsubsidized Stafford loans.

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.

In addition to the health professions disciplines that were eligible under the HEAL Program, domestic schools may also award additional unsubsidized Stafford Loan amounts to a students who is enrolled in a program that leads to a Doctor of Naturopathic Medicine (N.M.D.) degree or a Doctor of Naturopathy (N.D.) degree, and (the program must be accredited by the Council on Naturopathic Medical Education).

The chart on the next page shows the annual loan limits for the increased unsubsidized 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).

If a student receives the additional Stafford loan amounts on the basis of study in a health profession program, but then leaves that program and enters a program in a different field, the student is no longer eligible for the increased Stafford loan limits. However, the additional loan amounts received on the basis of health professions study are not counted toward the normal aggregate Stafford Loan limit for that student.

PLUS loan amounts for parents & graduate/professional students

There are no fixed annual or aggregrate loan limits for PLUS loans. A graduate or professional student may be awarded a PLUS loan for up to the student's cost of attendance minus other estimated financial assistance (see Chapter 8 for packaging rules). Therefore, a graduate/professional student has additional PLUS eligibility beyond the maximum subsidized and unsubsidized loan limits.

Similarly, the total PLUS Loan amount borrowed by one parent or borrowed separately by more than one parent (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 PLUS Loans. For more on borrower eligibility, see Volume 1, Chapter 7.

HEAL program phaseout

The Health Education Assistance Loan (HEAL) Program, administered by the Department of Health and Human Services, was gradually phased out from 1995-1999
"Dear Partner" Letter GEN-99-21

Foreign schools not HEAL-eligible

Foreign schools were not eligible to participate in the HEAL Program, and they may not award the increased unsubsidized Stafford Loan amounts.

PLUS Loans for Graduate/ Professional Students

PLUS loans for graduate/professional students were authorized by the Higher Education Reconciliation Act of 2005, effective July 1, 2006.
HEA Sec. 428(b)
DCL GEN-06-02

Entrance counseling requirements for Grad/ Professional PLUS borrowers

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

Increased Stafford limits for health professions students

Additional Unsubsidized eligibility for HEAL-eligible students

Schools may award the following additional Unsubsidized Loan amounts to students who are enrolled at least half-time in the following accredited health professions disciplines that were eligible under the former HEAL Program (administered by the U.S. Department of Health and Human Services). See previous page for accreditation requirements.

- *Graduate in Public Health; Doctor of Pharmacy or Chiropractic; Doctoral Degree in Clinical Psychology; Masters or Doctoral Degree in Health Administration*
  - 9-month academic year.......... $12,500*
  - 12-month academic year.......... $16,667*

- *Doctor of Dentistry, Veterinary Medicine, Optometry, Allopathic Medicine, Osteopathic Medicine, Podiatric Medicine,* Naturopathic Medicine, or Doctor of Naturopathy
  - 9-month academic year.......... $20,000*
  - 12-month academic year.......... $26,667*

Students in these programs are also eligible for higher aggregate limits for combined Subsidized/Unsubsidized loans ($224,000).

* 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.

Stafford limits for preparatory coursework & teacher certification

In Volume 1, Chapter 1, we discussed 3 instances in which a student may receive a Stafford loan for coursework that is not part of an eligible program. If the student and the academic program meet the conditions described in that Volume, the annual loan limits are:

Preparatory coursework (not to exceed 12 consecutive months)

For undergraduate degree/certificate program:

- Subsidized & Unsubsidized $2,625**
- Additional Unsubsidized for independent students and dependent undergrads whose parents can't get PLUS $6,000**

For graduate or professional program:

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

State-required teacher certification coursework

- Subsidized & Unsubsidized.......... $5,500**
- Additional Unsubsidized for independent students and dependent undergrads whose parents can't get PLUS.......... $7,000**

Note that no additional 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 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 FSA eligibility for this coursework.

Criteria for additional unsubsidized Stafford

Dependent students whose parents are unable to borrow PLUS loans due to adverse credit or other exceptional circumstances may receive additional unsubsidized Stafford loans for the same amount as independent undergraduate students. The increased loan amounts do 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 examine the parent's ability to borrow a PLUS loan using an endorser who does not have an adverse credit history before certifying or originating additional unsubsidized loan amounts for the dependent student.

Before certifying or 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 the following:

• The parent's unwillingness to borrow a PLUS does not make the dependent student eligible.

• A school's decision not to participate in the PLUS program does not make the dependent student eligible.

• The aid administrator's belief that a parent should not borrow a PLUS does not make the dependent student eligible.

• Only one parent must apply for a PLUS and be denied based on adverse credit. However, if both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the increased loan amounts.

• The parent's denial of a PLUS loan based on adverse credit in one year does not support the dependent's eligibility in subsequent years.

• 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 PLUS based on a subsequent application. Under these circumstances, any previous PLUS 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.

The dependent 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 PLUS loan. The regulations provide examples, but not an exhaustive list, of the exceptional circumstances that might be used to document the dependent student's eligibility:

• 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 PLUS loan.

• In the DL Program, you have examined the family financial information and documented the parent's likely inability to repay the PLUS loan due to an existing debt burden or the parent's expected income-to-debt ratio, or

• In the FFEL Program, you have evidence that a lender that makes loans to students and parents of students at your school has denied a PLUS loan or will not make a PLUS loan to a parent under its lending policy due to the parent's existing debt burden, income-to-debt ratio, likely inability to repay, or other credit standards or factors the lender has elected to adopt as provided for under the regulations.

• 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.

If a dependent student is determined to be eligible for additional unsubsidized loan amounts under exceptional circumstances, you must re-examine and document that these exceptional circumstances continue to apply before certifying or originating additional unsubsidized loan amounts for the dependent in a subsequent 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 undergraduate level.

- ***Students returning for second baccalaureate 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 semester hours of a student's work in her previous baccalaureate program towards the requirements for a BS in Chemistry at your school and 30 semester hours are the amount needed to progress in grade level, then the student would be eligible for second-year undergraduate loan limits.

- ***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. The total amount awarded for the academic year may not exceed the higher (grad/professional) annual loan limit.

- ***BA or AA but not a grad/professional student.***

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 unsubsidized Stafford 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

An independent student has received the following loan amounts for a first undergraduate program and a graduate program:

	Subsidized:	*Unsubsidized:*	*Total*
Undergraduate	$20,500	$10,000	$30,500
Graduate	$45,000	$40,000	$85,000
Total	$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).

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 Stafford and PLUS 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 annual loan limits: SAY and BBAY

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

An SAY corresponds to a traditional academic year calendar that is published in a school's catalogue or other materials (for example, fall and spring semesters, or fall, winter, and spring quarters, or, for a nonstandard SE9W program, an academic calendar comparable to a traditional academic calendar).

An SAY is a fixed period of time that begins and ends at the same time each 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.

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 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:

- BBAY 1, for credit-hour programs using a Scheduled Academic Year 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, nonterm programs, and any nonstandard-term program, or a program with standard and nonstandard terms, not described above.

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

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 1 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., have 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) 34 CFR 668.4

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 are 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 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). 34 CFR 682.603(g)

SE9W SAY Example

Great Plains Business College has programs with an academic calendar using semester hours with four terms, each with 12 weeks of instructional time in length, with three of the terms offered over the fall through spring and the fourth term offered in the summer. Great Plains 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 FSA academic year and also there is a summer term in an academic calendar comparable to a traditional calendar, these programs may use an SAY and BBAY 1.

Monitoring Annual Loan Limits with an SAY or BBAY

<table>
<tr><th colspan="2">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.</th><th>Credit-hour programs not offered in a Scheduled Academic Year, but with
1) standard terms, or
2) nonstandard SE9W terms</th><th>Clock-hour programs, nonterm programs, and programs with nonstandard terms that are not SE9W</th></tr>
<tr><th>May use SAY</th><th>May use BBAY 1</th><th>Must use BBAY 2</th><th>Must use BBAY3</th></tr>
<tr>
<td>1) An SAY generally begins/ends at same time each year.
2) The student does not have to be enrolled in the first term of the SAY.
3) An SAY for a program must at least meet the program's FSA academic year in weeks/hours.
4) Total of all loans received within SAY (including summer trailer/header) may not exceed annual loan limit
5) Student becomes eligible for new annual loan limit after SAY calendar period has elapsed.
6) After original loan, student may receive additional loans during same SAY if:
• Student did not receive maximum annual loan amount and has remaining eligibility;
• Student progresses to grade level with higher annual loan limit; or
• Student changes from dependent to independent.
7) Summer term may be "trailer" or "header" per:
• Strict policy;
• By program; or
• Case by case, by student</td>
<td>May use BBAY 1 for all students; certain students; or certain programs
May alternate SAY and BBAY1 for a student provided academic years do not overlap
1) BBAY1 "floats" with the student's enrollment.
2) Student must be enrolled in first term of the BBAY1 (less-than-½-time enrollment is acceptable).
3) Length of BBAY1 must equal the number of terms in the program's SAY, excluding the summer trailer/header.
• Number of hrs/wks in BBAY1 need not meet the regulatory requirements for an academic year if the BBAY1 includes summer term.
• May include terms student does not attend if student could have enrolled at least ½--time.
4) Total of all loans received within BBAY1 may not exceed annual loan limit.
5) Student becomes eligible for new annual loan limit after BBAY1 calendar period has elapsed.
6) After original loan, student may receive additional loans during same BBAY1 if:
• Student did not receive maximum annual loan amount and has remaining eligibility;
• Student progresses to grade level with higher annual loan limit; or
• Student changes from dependent to independent
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)
• Student need not enroll in each minisession, but must have been able to enroll at least ½-time in the combined term.</td>
<td>1) BBAY2 floats with student's enrollment.
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
3) The BBAY2 must meet at least the minimum requirements for hours/weeks of the program's FSA academic year, and it must consist of:
• at least 2 consecutive semesters or trimesters;
• at least 3 consecutive quarters; or
• at least the number of consecutive SE9W terms covered by the program's FSA academic year.
4) Total of all loans received within a BBAY2 may not exceed annual loan limit.
5) Student becomes eligible for new annual loan limit after BBAY2 calendar period has elapsed
6) After original loan, student may receive additional loans during same BBAY2 if:
• Student did not receive maximum annual loan amount and has remaining eligibility;
• Student progresses to grade level with higher annual loan limit; or
• Student changes from dependent to independent.
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)
• Student need not enroll in each minisession, but must have been able to enroll at least 1/2-time in the combined term</td>
<td>BBAY3 also applies to programs that mix nonstandard terms and standard terms that do not have an SAY
1) BBAY3 floats with student's enrollment.
2) The BBAY3 begins with student's enrollment on at least a half-time basis.
3) BBAY3 must meet at least the minimum requirements for hours/weeks of the program's FSA academic year.
4) Total of all loans received within a BBAY3 may not exceed annual loan limit.
5a) Student becomes eligible for new annual loan limit only after successfully completing the clock or credit hours AND weeks of instructional time i n the BBAY3.
5b) A student may not become eligible for next grade level annual loan limits until after completion of a BBAY3.
6) After original loan, student may receive additional loans within BBAY3 only if:
• Student did not receive maximum annual loan amount and has remaining eligibility; or
• Student changes from dependent to independent</td>
</tr>
</table>

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

As noted above, 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 (the latter as described 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.

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. (See Chapters 1 and 3 for treatment of minisessions as payment periods and in determining Pell payments.) If the summer minisessions are grouped and treated as a single term, the summer cost of attendance cannot include costs for a minisession for which the student is not expected to be enrolled.

SAY for standard term, credit-hour programs using a traditional academic year calendar

Springfield Academy offers a 2-year program measured in semesters and awarding credit hours. It defines its FSA academic year in accordance with the minimum requirements and uses an SAY that provides 30 weeks of instruction and 24 semester hours, and includes two semesters (Fall and Spring), each 15 weeks of instructional time in length. Springfield Academy also offers a Summer session that it treats as a "trailer" to the SAY.

Most of Springfield's students do not attend the Summer session, so the aid office typically certifies Stafford loans for a period of enrollment that starts with the Fall semester (August 27) and concludes at the end of the Spring semester (May 2). However, there are some first-year students who decide to enroll in the Summer term in order to complete their studies sooner. The annual loan limit applies to the Fall through Spring SAY, plus the Summer trailer. Students who receive the maximum annual loan amount for Fall-Spring have no loan eligibility for summer and may not borrow again until the start of the next SAY in the Fall, unless Springfield opts to place them in a BBAY beginning with the summer term.

Fall Semester	Spring Semester	Summer Term
Year 1: Scheduled Academic Year		

Fall Semester	Spring Semester	Summer Term
Year 2: Scheduled Academic Year		

Academic Year for loan limit purposes = 2 semesters + summer trailer

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.

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.

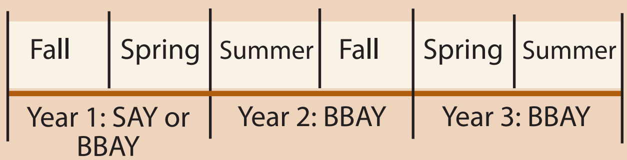
Standard term, credit-hour programs using a traditional academic year calendar: BBAY 1

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 maximum Stafford amounts of $3,500, $4,500 and $5,500 for the respective academic years.

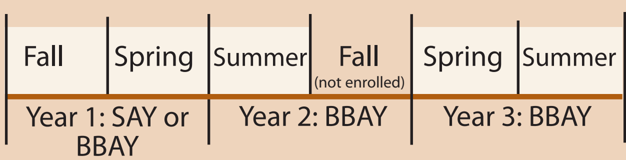
1a.



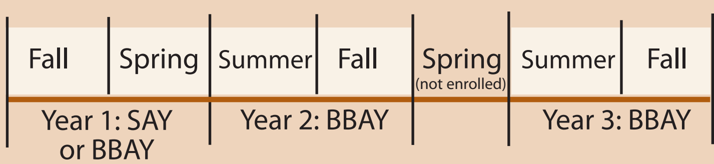
A student doesn't have to attend all of the terms in a BBAY, but the BBAY cannot begin with a term that the student doesn't attend. In example 1b, the student is not enrolled in the second term (Fall) of year 2.

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.

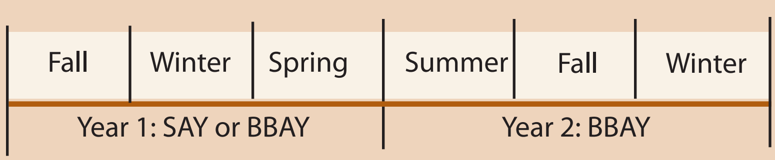


1c.



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



Standard-term programs and nonstandard term SE9W programs without a 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 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 FSA academic year 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 FSA 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.

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

Springfield 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	

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

All clock-hour programs, nonterm 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 appropriate 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 FSA 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.)

Clock-hour, nonterm and nonstandard BBAYs based on full-time progress

In many clock-hour, nonterm 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 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 (these programs can affect all degree-seeking students at an institution depending on how they are structured).

BBAY 3 Program remaining eligibility
34 CFR 668.4(g)
34 CFR 682.603(f)
34 CFR 685.301(a)

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

Example 1: Nonterm 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) either 24 semester hours or 30 weeks of instructional time before receiving the second loan.

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 or 30 weeks, whichever comes later, 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) thirty-three quarter hours in the first 30 weeks of instructional time must complete an additional three quarter hours before receiving the second loan. Generally, one would certify a loan through the term in which the student would complete the hours and weeks of instructional time of the academic year.

Example 3: Clock-hour Program

Springfield 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 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 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 Stafford 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 student in a SE9W program) 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 student will 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 student in the fall, he/she might have received as much as $3,250 in the first Stafford disbursement. 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 Stafford annual limit. 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 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. For a clock-hour program, nonterm program, or nonstandard-term program that is not SE9W, the student will never progress to a higher grade level within an academic year. In a clock-hour program, nonterm program, or nonstandard-term program that is not SE9W that is longer than an academic year, the student moves to a higher grade level only when he or she completes the BBAY.

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.

Increasing the loan when grade level changes during academic year

The best method for increasing the amount of an existing loan may depend on your school's software and the lender's loan system. Here are two commonly-used mehods:

1. Certify/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 (that is, it may not include a prior term when the student was classified at a lower grade level). If the new loan period is for a single term, the loan must be disbursed in two installments. (The school could also choose to cancel any pending disbursements of the first loan and certify/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. For FFEL, contact the lender to determine whether an increased loan amount due to grade level progression within an academic year may be processed as an adjustment without a new loan certification. For Direct Loans, change the grade level in the loan record and increase the amount of the existing loan to the new amount. For both loan programs, if the increased amount is for a single term (for example, a spring semester), it must be disbursed in two equal installments, one at the beginning of the term and one at the midpoint.

With either option, the student's remaining financial need 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.

Grade level progression: clock-hour, nonterm credit-hour, and other nonterm programs

In contrast, progression to a higher grade level and the beginning of a new academic year for loan limit purposes always happen at the same time for a student in a clock-hour program, nonterm 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 the weeks and hours in the program's FSA academic year, i.e., at least 30 weeks of instructional time (or, for clock-hour programs, at least 26 weeks) and the academic credit, whichever comes later. For instance, a first-year student in a 2-year nonterm 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 1st-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.)

New annual amount for same grade level

For 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 Stafford 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 certify/originate a loan, or may certify/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 Stafford 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.

Note that the "Eligibility and Certification Approval Report" lists "1-year" as the highest educational program offered by the school if its longest program is 1 year or more, but less than two years in length. Students in programs longer than 1 year can be paid as 2nd year students even though the ECAR lists the school's highest offering as "1-year." For instance, if a student is enrolled in a 1,500-hour program, he/she would be eligible for the 2nd-year loan limits after completing 900 clock hours and 30 weeks of instruction (or, for clock-hour programs, at least 26 weeks). However, the loan limit would have to be prorated for the remaining hours of the student's program (see next section).

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 towards 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.

Stafford Loan proration
FFEL: 34 CFR 682.204(a), (d)
Direct Loans: 34 CFR 685.203(a), (c)

When and when not to prorate
You must prorate a Stafford Loan limit for an undergraduate program if:
• the academic program is shorter than an academic year; or
• the student's remaining period of study is shorter than an academic year.

Stafford Loan limits 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, Stafford 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. Students taking preparatory coursework or coursework needed for teacher certification are not enrolled in a program.

PRORATING ANNUAL LOAN LIMITS FOR STAFFORD LOANS (UNDERGRADUATE ONLY)

The annual maximum loan amount an undergraduate student may borrow must be prorated in certain situations:

- when the student is enrolled in a program that is shorter than a full academic year; and
- when the 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 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 —

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

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.

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 FSA academic year. (For programs that are offered in a Scheduled Academic Year, the number of terms covered in the school's FSA academic year usually does not include any summer "header" or "trailer" term.)

In a *clock-hour program, nonterm 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 FSA academic year.

For all types of programs, in each of the cases 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:

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

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 certification or origination are used in the calculation.*

Prorating remaining portions of term 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 Stafford 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 loan maximum 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 FSA 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.

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 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.)

Using school's definition of academic year if > FSA 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.

Proration examples for programs shorter than an academic year

Example 1

Program= 400 clock hrs, 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 Hancock Career College. HCC 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: $3,500 subsidized and $2,000 unsubsidized.

$3,500 x .44 = $1,540 subsidized

$2,000 x .44 = $880 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 Hancock Career College that provides 24 quarter hours and 20 weeks of instructional time. HCC 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 subsidized and unsubsidized Stafford:

$9,500 x .67 = $6,365 total Stafford

$3,500 x .67 = $2,345 subsidized

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

*** at least 30 weeks of instructional time, or, for clock-hour programs, at least 26.**

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

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 (covering three quarters) as 36 quarter hours and 30 weeks of instructional time.

To determine the prorated Stafford loan limit, convert the fraction based on the hours that Rudy is expected to attend and the hours in the academic year to a decimal (6/36 = .17).

Multiply this decimal by the second-year undergraduate annual loan limits: $4,500 (subsidized) x .17 = $765 ; $2,000 (unsub) x .17 = 340. Total prorated Stafford limit $1,105, of which $765 may be subsidized.

Example 2: Academic year contains 2 semesters Remaining period = 1 semester

Fall	Spring

Fall	Spring

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 (covering two semesters) as 24 credit hours and 30 weeks of instructional time.

To determine the prorated Stafford loan limit, convert the fraction based on credit hours to a decimal (18/24 = .75). Multiply this decimal by the fourth-year undergraduate annual loan limits:

$5,500 (subsidized) x .75 = $4,125; $2,000 (unsubsidized) x .75 = $1,500. Total prorated Stafford limit $5,625, of which $4,125 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

Knox 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 clock hours remaining to a decimal (760/900 = .84). Multiply this decimal by the second-year undergraduate annual loan limit (total with added unsub):
$6,500 x .84 = $5,460

Example 4: Remaining period of study with scheduled period of nonenrollment

Fall	Winter	Spring

O'Donnell Institute has an academic year that covers three quarters: fall, winter, and spring. Milton 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 Milton 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. O'Donnell Institute may award Milton a single loan for the fall and spring quarters (costs for the winter quarter must be excluded), or separate loans for fall and spring. In either case, the annual loan limit must be prorated. If Milton 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 for a loan covering the fall and spring quarters.

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 new program at the same school begins before the calendar end date of the academic year at the prior school or program. You may obtain documentation from the prior school of the specific beginning and ending dates for the prior academic year or may consider the prior academic year to have begun with the starting date of the student's most recent loan period (as shown in NSLDS) and to have ended 30 calendar weeks later. (However, if the most recent loan period was more than 30 calendar weeks in length, the new school must consider the academic year at the prior school to have ended on the last date of the prior loan period.)

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.

Remaining loan eligibility on transfer/program change

Standard Term

A student receives a $2,000 Stafford 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 makes a determination that the academic year at School A ended on November 27 (30 weeks after the start of the loan period at School A).

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. This amount represents the difference between the annual loan limit ($6,500) and the amount received at School A ($2,000) for the overlapping academic year period. At the start of the Spring semester in January (after the end of the academic year at School A), the student may borrow up to an additional $2,000, the difference between the annual loan limit and the amount already borrowed for the Fall-Spring academic year at School B.

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

For example, a student receives the first disbursement ($2,750) of a Stafford loan at School A for a loan period from April 1 to December 31. The student, a dependent undergraduate, leaves school A in June and transfers to an 1,800 clock-hour program at School B, and School B does not accept any transfer hours. Because the academic years at the two schools overlap, the maximum loan amount that the student may receive for the first academic year of the program at School B (900 clock hours and 30 weeks of instructional time) is $2,750, the difference between the first-year annual loan limit ($5,500) and the amount received at School A ($2,750).

If School B had accepted some hours on transfer, it would certify a loan for the remaining balance of the annual loan limit for the period that covers the remaining portion of the School A loan period. After this remaining balance is completed, the student would progress to a new annual loan limit.

For clock-hour and nonterm programs, and programs with nonstandard terms that are not SE9W (use BBAY 3)

Transfers between schools:

A student who enrolls in a clock-hour or nonterm program (or a program with nonstandard terms that are not SE9W) after already having taken out a loan at another school with an academic year that overlaps the academic year at the second school, the student is restricted to the original annual loan limit until the completion of the first academic year at the new school unless the second school accepted transfer credits or clock hours from the first school. If the second school accepts transfer hours from the first school, the second school would certify a loan for the remaining balance of the annual loan limit for the period that covers the remaining portion of the loan period at the first school. After this remaining balance is completed, the student would progress to a new loan period and a new annual loan limit.

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.

If the student is kept in the same payment period, the original loan period should remain the same. However, you may need to 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 disbursement.

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 R2T4 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.

Student completes a program and starts another at the same institution

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. In this case, you may certify or originate the loan for the remainder of the academic year for the new program. You may certify or originate the loan for an amount that does not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program.

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. Certain aggregate loan limits have increased for loans disbursed on or after July 1, 2008.

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

- $31,000 for a dependent undergraduate student,
- $57,500 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.

The loan amounts counted towards these maximums include any outstanding amounts borrowed in the form of Stafford Loans or Supplemental Loans for Students program (the discontinued SLS program). In the case of a Consolidation Loan, the outstanding amount of the Consolidation Loan representing any underlying Stafford or SLS loans that were paid off by the Consolidation Loan is counted towards the aggregate Stafford Loan limits.

Checking loan amounts on NSLDS

If a student at your school has FSA loans that were received at other schools, you may need to check the National Student Loan Data System (NSLDS) Web site 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 Web site) and the Transfer Student Monitoring process to tell you if a student is about to exceed the aggregate Stafford 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 interest and 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 Stafford Loans. For instance, if the student has been making payments on a $3,500 loan and the aggregate outstanding principal balance is now $3,100, count the $3,100 towards the student's aggregate loan limit.

Aggregate Loan Limits
FFEL: 34 CFR 682.204(b), (e)
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 Web site for aid professionals:
https://www.nsldsfap.ed.gov/

NSLDS guides & help center
Guides for Enrollment Reporting, Transfer Student Monitoring and other user documentation are currently posted on IFAP under "Current FSA Publications" or "On Line References."
Also see NSLDS Newsletter #6 on IFAP for more specific information on how the OPB and Agg OPB are calculated in NSLDS.
Technical assistance for NSLDS is available at:
1-800-999-8219

Resolving negative information in NSLDS
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."
GEN-96-13, Q&A 37

School's responsibilities for checking NSLDS data
In some instances, because of timing or coding problems by lenders and guaranty agencies, all of the loans that made up a consolidation loan will not be included in the NSLDS. Schools will be responsible only for the data contained in the NSLDS and are not expected to research further or to make assumptions regarding other non PC loans contained in NSLDS.
GEN-96-13, Q&As 54 and 55

For Consolidation Loans, which may include Subsidized and Unsubsidized Stafford Loans, NSLDS will now show separate totals for the *Subsidized AggOPB* 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 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.

Financial Aid History Requirement & NSLDS

To ensure that a student doesn't exceed the annual and aggregate Stafford 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.

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

Treatment of consolidated Perkins Loans

A consolidated Perkins Loan is not counted toward the aggregate Stafford Loan limits in either the FFEL or Direct Loan program.

Method used in NSLDS to estimate sub/unsub FFEL amounts

The subsidized and unsubsidized amounts of Direct Consolidation Loans have always been reported to NSLDS along with the total loan amount. The specific amounts for underlying subsidized and unsubsidized loans are not available for FFEL Consolidation Loans from private lenders, but NSLDS now provides an estimate of the Subsidized, Unsubsidized, and "Unallocated" amounts included in an FFEL Consolidation Loan.

Since Stafford and Perkins loans are reported to NSLDS, the system will be able to properly categorize those loans. (Perkins Loans are not counted towards the Stafford Loan limits, but loans from the SLS program in the 1980s are included, because SLS was a forerunner of today's unsubsidized Stafford Loan.)

However, the FFEL Consolidation Loan may also include some non-FSA loans that NSLDS can't identify, such as loans from the Health and Human Services (HHS) programs. If NSLDS can't determine from the reported underlying loans whether part of a FFEL Consolidation Loan should be counted in the subsidized or unsubsidized category, it will report that portion as "Unallocated."

NSLDS takes the total amount originally disbursed for all of the identified underlying subsidized loans and divides that amount by the originally disbursed amount of the Consolidation Loan, which approximates the percentage of the total original consolidation loan that can be attributed to the subsidized loans. This percentage is then applied to the current outstanding balance of the Consolidation loan with the result being the amount that is included in the NSLDS calculation of the total amount of Subsidized loans for the student. A similar process is followed to allocate the unsubsidized amount.

NSLDS subtracts the total of the calculated subsidized and unsubsidized outstanding balance amounts from the actual outstanding balance of the consolidation loan. Any balance is considered to be "unallocated."

NSLDS assumes the amount was borrowed from the FFEL or Direct Loan programs and is included in the total combined balance. However, none of the "unallocated" amount is included in the Subsidized balance as it is unlikely to have come from a Subsidized Loan.

Example: Consolidation and 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 $7,000 in unsubsidized Stafford). Her NSLDS record indicates that she has an Agg OPB of $24,625 on a Consolidation Loan made by a FFEL lender. Because 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, 2007. She previously had three subsidized loans that were paid through consolidation (PC) earlier in July and August. The Disbursed Amounts 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. Note that although the annual loan limits have risen; these amount are for past years with the old annual loan limits.

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	$57,500	$36,875

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 $7,000 unsubsidized) without exceeding the aggregate Stafford Loan limit ($57,500) 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, or it may include capitalized interest or other charges.

Example: Student loses eligibility for higher loan limits

For instance, if a dependent student was treated as an independent student for loan limit purposes and received additional unsubsidized Stafford amounts for the first 3 years at your school because a parent was denied a 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 Stafford amounts:

1st year (independent student loan limit)= $9,500
2nd year (independent student loan limit) = $10,500
3rd year (independent student loan limit) = $12,500
4th year (dependent student loan limit) = $7,500

The additional unsubsidized Stafford Loan amount of $19,000 that the student received in the first three years of the undergraduate program is not counted against the $31,000 dependent undergraduate aggregate loan limit. Excluding the additional unsubsidized amount, the student received only $13,500 for the first three years. The student may therefore receive the entire 4th year maximum loan amount, even though the student's total outstanding Stafford Loan amount will be $40,000.

EFFECT OF OVERBORROWING

A student who has inadvertently received more than the annual or aggregate Stafford 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 Stafford annual or aggregate loan limits, or by making satisfactory arrangements with the Stafford lender (or the DL servicer) to repay the excess amount. The holder of the loan may choose to develop a repayment plan that has the borrower reaffirm that he or she will repay the excess according to the terms and timing of the original promissory note. 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.

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 Stafford loan funds, depending on the circumstances. For example, a dependent undergraduate who inadvertently exceeded the $23,000 aggregate Stafford limit could not receive any additional Stafford Loan funds as a dependent undergraduate unless the outstanding debt was paid down below the $23,000 limit. However, the student could receive additional non-Stafford 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 unsubsidized Stafford 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.

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

If a borrower who inadvertently received more than the annual or aggregate Stafford 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 Stafford Loan limits does not automatically make a student eligible for additional Stafford Loan funds. See the discussion on this page under "Effect of Overborrowing.")

Example: Resolving cases of overborrowing

Beth, an independent undergraduate student, is applying for a Stafford Loan for her fifth and final year of baccalaureate study at your college. Beth has remaining loan eligibility under the $57,500 combined aggregate loan limit for independent undergraduates and 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. Note that although the annual loan limits have risen for 2008-2009, these amount are for past years with the old annual loan limits.

STAFFORD LOANS

Subsidized BANK ONE 1991 .... $2,625
Subsidized BANK ONE 1992 .... $3,500

Subsidized BANK TWO 1998 .... $2,625
Subsidized BANK TWO 1999 .... $3,500
Subsidized BANK TWO 2000 .... $5,500
Subsidized BANK THREE 2001 .... $5,500

TOTAL SUBSIDIZED $23,250

Your review of her NSLDS records indicates that Beth has borrowed $250 in subsidized Stafford Loans in excess of the aggregate undergraduate limit (although the overall aggregate limit has increased, the subpart of this aggregate limit that is permitted to be in subsidized loans remains the same at $23,000). Because the loan made by BANK THREE was the one that exceeded the loan limit, Beth needs to make arrangements with BANK THREE to repay the amount for which she was not eligible.

When BANK THREE has confirmed that Beth has made satisfactory arrangements to repay the excess loan amount, you may make other FSA awards to Beth, including unsubsidized Stafford Loans.

You can't 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 Stafford amount that you intend to award to her.

Review of the Stafford MPN Process

The process for completing the MPN for a Stafford Loan and making the initial loan includes the following elements, though the process may be a bit different for the FFEL and Direct Loan Programs and some school and lender procedures may be in a slightly different order.

Student Applies for Aid.
The student fills out the FAFSA (or a renewal FAFSA) and an MPN for the initial loan.

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.

Certification/Origination.
For FFEL loans, the school certifies the student's loan eligibility. For Direct Loans, the school originates the loan.

- In the FFEL Program, the loan is approved by the lender or guaranty agency.
- In the Direct Loan Program, the school submits an origination record to COD and receives an acknowledgment from COD.

Student completes MPN.
The student fills out an MPN for the initial loan.

- The ***Borrower's Rights and Responsibilities Statement*** must be given to the borrower with the MPN.

Disclosure & Entrance Counseling.
Either before or at the time of the first disbursement, the borrower must be given a disclosure statement 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. (The disclosure is often provided by the lender or ED.)

- First-time Stafford borrowers must complete entrance counseling before a disbursement can be made. (See *Volume 2, chapter 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. (See Chapter 2 of this Volume.)

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 lender or ED.) If the MPN is not used as a multi-year note, a borrower completes a new MPN for each subsequent loan period.

- Copies of the Master Promissory Note are provided by lenders, guarantors or ED to borrowers and schools. For your reference, sample copies of the MPN and related materials are available online :

  FFEL Stafford Loan MPN: http://ifap.ed.gov/dpcletters/GEN0207.html
  Direct Stafford Loan MPN: www.ed.gov/DirectLoan/mpn.html