Chapter 7

Annual Loan Limits for Students Who Transfer or Change Programs

Overview

The Direct Loan annual loan limits apply to an academic year. If a student who received a Direct Loan transfers from one school to another school or changes to a different program at the same school and there is an overlap between the academic year associated with the loan received for the first school or program and the academic year for the new school or program, this overlap may affect the amount that the student is initially eligible to borrow at the new school or for the new program.

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

Transfer into standard term or SE9W nonstandard term program (SAY, BBAY 1, or BBAY 2)

Transfers between schools

If a student enrolls in a program with standard terms or SE9W nonstandard 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 at the new school minus the amount received at the prior school.

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

EXAMPLE 23: TRANSFER INTO STANDARD-TERM PROGRAM

A student receives a $2,000 Direct Subsidized Loan at School A for a loan period from May 1 to August 31. School A reports the academic year for this loan as May 1 to November 27. 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). The program at School B uses an SAY consisting of fall and spring semesters, followed by a summer trailer term.

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

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

As an alternative, School B could choose to change the student from an SAY schedule to a BBAY 1 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 1. Although this might appear to result in an overlap between the SAY and BBAY 1 at School B, in this limited transfer student circumstance the fall semester at School B can be considered the last term of the academic year that began at School A.

Transfers between programs at the same school

If a student transfers to a different program at the same school at the beginning of a new term within the same academic year, the student's loan eligibility for the remaining term(s) of the academic year is equal to the difference between the applicable loan limit for the new program and the loan amount the student received for the prior program within the same academic year.

Transfer into clock-hour, non-term, or non-SE9W nonstandard term program (BBAY 3): abbreviated loan periods

Transfers between schools

If a student transfers into a clock-hour, non-term, or non-SE9W nonstandard term program at a new school and the academic year associated with the last loan the student received at the prior school overlaps the initial academic year for the program at the new school, the new school may originate an initial loan for a loan period that covers the remaining portion of the academic year that began at the prior school. The loan period for this initial loan is called an "abbreviated loan period" because it is shorter than the loan period that would otherwise be required under the normal minimum loan period requirements (that is, the lesser of the academic year or the length of the program or remaining portion of the program).

The new school may originate a loan for an abbreviated loan period regardless of whether the new school accepts transfer hours from the prior school. The abbreviated loan period begins with the date of the student's enrollment at the new school and ends on the calendar period ending date of the academic year that began at the prior school, without regard to the number of credit/clock-hours or weeks of instructional time that the student has completed during the abbreviated loan period. After the abbreviated loan period is completed, the student progresses to a new loan period and academic year (BBAY 3), and a new annual loan limit.

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

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

Rules for abbreviated loan periods:

- The abbreviated loan period begins when the student starts at the new school.
- The abbreviated loan period ends when the academic year would have ended at the prior school, without regard to how many hours or weeks of instructional time the student has completed at the new school during the abbreviated loan period.
- Generally, the maximum loan amount that the student can receive for the abbreviated loan period is the difference between the full annual loan limit applicable to the student at the new school and the loan amount that was disbursed at the prior school during the overlapping academic year (see the preceding discussion for an exception to this general rule when the program at the new school is less than a full academic year in length, or is a remaining portion of a program that is less than an academic year in length).
- The first disbursement of the loan for the abbreviated loan period at the new school is made at the beginning of the abbreviated loan period. Unless the school qualifies based on its cohort default rate for the exemption from the

multiple disbursement requirement (see *Volume 3, Chapter 1*), the loan must be disbursed in at least two installments, with the second disbursement made at the calendar midpoint of the abbreviated loan period regardless of how many clock/credit hours or weeks of instructional time have been completed. The normal payment period disbursement rules do not apply in this situation.

- The next loan period and a new BBAY 3 at the new school begins the day after the last day of the abbreviated loan period.
- Once the new loan period and BBAY 3 begin, all of the normal rules for the timing of disbursements and annual loan limit progression apply.

Exceptions to minimum loan period rules (abbreviated loan periods)

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

Examples 24 and 25 illustrate the principles described above.

EXAMPLE 24: TRANSFER INTO CLOCK-HOUR PROGRAM ONE ACADEMIC YEAR OR GREATER IN LENGTH

A dependent first-year undergraduate student receives the first disbursement ($2,750) of a Direct Unsubsidized Loan at School A. The loan period and academic year dates are April 1 to December 31. For purposes of this example, assume that the student has no financial need for a Direct Subsidized Loan and receives only Direct Unsubsidized Loans. The student transfers from School A to an 1,800 clock-hour program at School B and begins attendance on June 25. The student is still classified as a dependent first-year undergraduate. The program at School B has an academic year of 26 weeks of instructional time and 900 clock hours.

The student's first loan period at School B will be an abbreviated loan period from June 25 (the beginning date of attendance at School B) through December 31 (the date the academic year would have ended at School A). For the initial abbreviated loan period, School B may originate a loan for up to the difference between the student's annual loan limit ($5,500) and the loan already received at School A for the overlapping loan period ($2,750). The loan amount available to the student during the abbreviated loan period is $2,750.

On January 1, the day after the last day of the abbreviated loan period, a new BBAY 3 begins and the student becomes eligible for a new annual loan limit. The loan period for the new loan the student receives following the completion of the abbreviated loan period will correspond to the lesser of the academic year or the remainder of the program at School B. If there is less than a full academic year of the program remaining after the abbreviated loan period has ended, the loan limit for the new loan must be prorated.

EXAMPLE 25: TRANSFER INTO CLOCK-HOUR PROGRAM SHORTER THAN AN ACADEMIC YEAR

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

The student leaves School A and transfers into a 300 clock- hour/12-week program at School B on June 15. School B defines its Title IV academic year as containing 900 clock hours and 26 weeks of instructional time. The combined subsidized/unsubsidized prorated annual loan limit for the 300-hour program at School B is $1,815, not more than $1,155 of which may be subsidized.

For the abbreviated loan period at School B (June 15 to July 31), a transfer student would normally be eligible to receive the difference between the full first-year annual loan limit and the loan amount received at School A (that is, an additional $1,750 subsidized and $1,000 unsubsidized). In this example, however, the student may not receive those amounts, because they would exceed the prorated annual loan limits for the 300 clock-hour program. Therefore, the maximum loan amount the student may receive for the program at School B (for the abbreviated loan period and any subsequent loan period combined) is a total of $1,815, not more than $1,155 of which may be subsidized (the prorated loan limits for the program). If the student receives the maximum prorated loan limit for the program during the abbreviated loan period, there is no remaining loan eligibility for the program following the completion of the abbreviated loan period.

Transfers between programs at the same school

Unless a student is considered to remain in the same loan period and payment period (see the next paragraph), when a student transfers within the same academic year from one program to a different program at the same school, and the new program is a clock-hour, non-term, or non-SE9W nonstandard term program, the school may originate an initial loan for the new program with an abbreviated loan period that ends on the calendar period ending date of the academic year associated with the prior program. The same abbreviated loan period rules that apply when a student transfers from one school to another school (see above) also apply when a student transfers within the same academic year to a new program at the same school.

If certain requirements are met, when a student who has received a Direct Loan for one program transfers to a different program at the same school, you have the option of considering the student to remain in the same payment period and loan period. Otherwise, you must place the student in a new payment period and originate a new loan with a new loan period.

Same payment period and same loan period

At your option, you can consider a student who transfers from one program to another program at the same school to be in the same payment period and loan period if all of the following conditions apply:

- 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 they first transfer to the new program;
- The student's current payment period and the payment periods that would otherwise apply in the new program are substantially equal in length in weeks of instructional time and credit or clock hours, as applicable;
- There are few or no changes in school charges associated with the transfer to the new program; and
- The credits or clock hours from the payment period the student is transferring out of are accepted toward the new program.

If you choose to keep the student in the same payment period, the loan period for the loan the student received for the first program would also remain the same. However, you must consider any changes as to when the student is expected to complete the hours and weeks of instructional time of the academic year and make any necessary adjustments to the ending date of the loan period or the dates of the second and any subsequent disbursements.

New payment period and new loan period

If the requirements described above are not met, or if they are met but you choose to place a student who transfers from one program to a different program in a new payment period, you must perform a Return of Title IV (R2T4) funds calculation for the student's withdrawal from the payment period in the first 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 calculation is done on a payment period basis, or assuming the student did not complete the loan period if the calculation 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 academic year associated with the first program.

If a student transfers from one program at your school to a different program at your school within the same academic year and is not considered to remain in the same payment period and loan period (regardless of whether the student completed the first program or is changing to a different program without having completed the first program), you may originate an initial loan for the new program with an abbreviated loan period that ends on the calendar period ending date of the academic year associated with the prior program, as described in more detail above. As with a student who transfers from a different school, for the abbreviated loan period the student may receive up to the difference between the applicable annual loan limit for the new program and the loan amount that the student received for the prior program during the same academic year.

EXAMPLE 26: TRANSFER INTO NON-TERM CREDIT-HOUR PROGRAM AT SAME SCHOOL

A school offers some programs in a standard term academic calendar and other programs in a non-term calendar. A first-year dependent undergraduate student enrolls in a standard term program with an SAY consisting of fall, winter, and spring quarters and receives the first and second disbursements of a Direct Subsidized Loan (total of $2,234) and a Direct Unsubsidized Loan (total of $1,334). The loan period and academic year dates are September 1 to May 31.

The student decides not to finish the program and after completing the winter quarter transfers to a 2-year non-term credit hour program offered at the same school. The academic year for the new program is defined as 24 semester hours and 30 weeks of instructional time. The student begins the new program on March 1. For the new program, the school may originate an initial loan for an abbreviated loan period that begins on March 1 and ends on May 31, the ending date of the academic year associated with the loans the student received for the first program. For the abbreviated loan period, the student can receive up to $1,932, not more than $1,266 of which may be subsidized. This represents the difference between the first-year dependent undergraduate annual loan limit ($5,500, maximum $3,500 subsidized) and the loan amounts received for the first program during the overlapping academic year.

On June 1, the first BBAY 3 for the new program will begin (BBAY 3 must be used because this is a non-term credit-hour program), and the loan period will be for the first full academic year of the new program (the period during which the student will be expected to complete 24 semester hours and 30 weeks of instructional time).