

Chapter 1

Student and Parent Eligibility for Direct Loans

Overview

To be eligible for Direct Loans, a student must be enrolled on at least a half-time basis at a school that participates in the Direct Loan Program, and students and parents must meet the general federal student aid eligibility requirements covered in *Volume 1* of the *Federal Student Aid Handbook*. This chapter discusses other eligibility requirements that are specific to the Direct Loan Program.

Direct Loan Program Regulations

[34 CFR Part 685](#)

Direct Subsidized Loans and Direct Unsubsidized Loans

Only students who have financial need may receive Direct Subsidized Loans. The federal government does not charge interest on Direct Subsidized Loans while the borrower is enrolled on at least a half-time basis, during the grace and deferment periods, and during certain other periods (for example, during certain periods of repayment under certain repayment plans that determine the required monthly payment amount based on the borrower's income and family size).

If a student has received a determination of need for a Direct Subsidized Loan in an amount of \$200 or less, a school may choose not to originate a Direct Subsidized Loan and may instead include that amount as part of a Direct Unsubsidized Loan.

Financial need is not an eligibility requirement to receive a Direct Unsubsidized Loan. The federal government generally charges interest on Direct Unsubsidized Loans during all periods, with limited exceptions (for example, during periods of deferment for cancer treatment).

To be eligible to receive a Direct Subsidized Loan or Direct Unsubsidized Loan, an undergraduate student attending a school that participates in the Federal Pell Grant Program must first have received a determination of their Pell Grant eligibility for the period of enrollment for which the student is requesting a loan.

No Minimum Age To Receive a Direct Loan

Students who are minors may receive Direct Loans, but they may not refuse to repay the loans based on a "defense of infancy" (that is, by claiming that they were too young to enter into the contract of signing the promissory note).

No Defense of Infancy

Higher Education Act (HEA) Sec. 484A(b)(2)

Requirement To Offer Both Subsidized and Unsubsidized Loans

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

information, see the discussion under “Direct Subsidized Loans and Direct Unsubsidized Loans” in [DCL GEN-11-07](#).

Direct Unsubsidized Loans for Students Whose Parents Have Ended Financial Support or Refuse To File a FAFSA Form

If you verify that the parents of a dependent undergraduate student have refused to complete the parental information sections of the *Free Application for Federal Student Aid* (FAFSA) form or that they have ended financial support for the student, you may make a professional judgment decision to offer the student a Direct Unsubsidized Loan in an amount up to the applicable annual loan limit for a dependent undergraduate. For instance, under these circumstances a dependent second-year undergraduate could receive up to \$6,500 in Direct Unsubsidized Loan funds (see Chapter 4 of this volume for information on annual loan limits). However, the student may not receive Direct Subsidized Loans or aid from any of the other *Title IV* programs.

Self-certification from the dependent student is not sufficient to verify that the parents have ended financial support or have refused to complete the FAFSA form. In most cases, this requirement can be met by obtaining a signed and dated statement from one of the student’s parents. For more information, see the discussion under “Dependent students without parent support” in the “Professional Judgment” section of Chapter 5 of the *Application and Verification Guide*.

Direct PLUS Loans

Direct PLUS Loans are available to graduate and professional students, and to the parents of dependent undergraduate students.

A parent may receive a Direct PLUS Loan only to pay for the education costs of a dependent undergraduate student who meets the eligible student definition. A parent borrower must meet the same citizenship and residency requirements as a student. Similarly, a parent who is in default on a *Title IV* loan, or who owes an overpayment on a *Title IV* grant, is ineligible for a Direct PLUS Loan unless they have made satisfactory arrangements to repay the loan or grant. A parent who had a prior *Title IV* loan discharged for total and permanent disability must meet the same eligibility requirements outlined for student borrowers in *Volume 1*, Chapter 3. Finally, a parent is not eligible for a Direct PLUS Loan if the federal government holds a judgment lien on their property or if the parent is incarcerated. Note, however, that a parent’s ineligibility for a Direct PLUS Loan does not affect the student’s eligibility for other *Title IV* aid, assuming that the student is otherwise eligible.

Requirement To Offer Direct PLUS Loans to Both Student and Parent Borrowers

Schools may choose whether to offer Direct PLUS Loans. If your school chooses to participate in the Direct PLUS Loan Program and has both undergraduate and graduate or professional students, you must make Direct PLUS Loans available to both the parents of dependent undergraduate students and to graduate or professional students. You may not limit Direct PLUS Loan borrowing only to parents or only to graduate or professional students. For more information, see the discussion under “Direct PLUS Loans” in [DCL GEN-11-07](#).

Definition of “Parent” for Direct PLUS Loan Purposes

If they meet all other Direct PLUS Loan eligibility requirements, the following individuals can borrow Direct PLUS Loans on behalf of a dependent undergraduate student:

- The student’s biological parent;
- The student’s legal adoptive parent; or
- The student’s stepparent (spouse of the student’s biological or legal adoptive parent at the time of application), but only if the stepparent is required to provide their information on the FAFSA form in accordance with the instructions on the FAFSA form.

Grandparents and other family members are not eligible to take out Direct PLUS Loans on behalf of a dependent undergraduate student unless they have legally adopted the student.

In addition to the parent(s) whose resources are reported on a student’s FAFSA form, any otherwise eligible biological or legal adoptive parent of the dependent undergraduate student can also take out a Direct PLUS Loan on the student’s behalf, even if that parent’s information is not reported on the FAFSA form.

Note also that more than one parent can take out a Direct PLUS Loan on behalf of the same dependent undergraduate

student. For example, if a student's biological or legal adoptive parents are divorced, they may decide to each take out a Direct PLUS Loan for an agreed upon amount (not to exceed the student's COA, minus other financial assistance (OFA)) to help pay for the cost of the student's education.

Requirement for Dependent Students To File a FAFSA Form

In all cases, the dependent student on whose behalf a parent has applied for a Direct PLUS Loan must have filed a FAFSA form and received an Institutional Student Information Record (ISIR) or FAFSA Submission Summary (see Chapter 1 of the *Application and Verification Guide* for information on the ISIR and FAFSA Submission Summary). This requirement ensures that student eligibility data matches are conducted to verify that the dependent student on whose behalf the parent is borrowing:

- Is not in default on a *Title IV* loan and does not owe an overpayment on a *Title IV* grant;
- Has had their Social Security number verified by the Social Security Administration; and
- Has had their citizenship status confirmed by either the Social Security Administration or the Department of Homeland Security.

Note that this requirement is for the **student** to submit a FAFSA form. It is not a requirement for the parent borrower to submit a FAFSA form in the parent's name, and it does not preclude an otherwise eligible parent whose information is not included on the FAFSA form (sometimes referred to as a "non-custodial" parent) from obtaining a Direct PLUS Loan.

Before originating a Direct PLUS Loan for a parent borrower, schools must review the ISIR or FAFSA Submission Summary of the dependent student to ensure there are no student eligibility issues that must be resolved before the parent can receive the Direct PLUS Loan.

Adverse Credit History

An individual with an adverse credit history is prohibited from obtaining a Direct PLUS Loan unless they meet additional eligibility requirements. The Department obtains a credit report on each student or parent applicant for a Direct PLUS Loan. An applicant is considered to have an adverse credit history if:

- They have one or more debts with a total combined outstanding balance greater than \$2,085 that (1) are 90 or more days delinquent as of the date of the credit report, or (2) have been placed in collection or charged-off during the two years preceding the date of the credit report; or
- During the five years preceding the date of the credit report, the applicant has been determined to be in default on a debt; has had debts discharged in bankruptcy; or has been the subject of foreclosure, repossession, tax lien, wage garnishment, or write-off of a *Title IV* debt.

For Direct PLUS Loan eligibility purposes, "charged-off" means a debt that has been written off as a loss, but that is still subject to collection action. "In collection" means a debt that has been placed with a collection agency by a creditor or that is subject to more intensive efforts by a creditor to recover amounts owed from a borrower who has not responded satisfactorily to the routine demands of the creditor's billing procedures.

An applicant cannot be denied a Direct PLUS Loan because they have no credit history. That is, the absence of a credit history is not considered to be adverse credit.

There are two means by which a Direct PLUS Loan applicant with an adverse credit history can still qualify for a Direct PLUS Loan. One option is for the applicant to obtain an endorser who doesn't have an adverse credit history. An endorser is someone who agrees to repay the Direct PLUS Loan if the borrower doesn't repay it. For a parent borrower, the endorser may not be the dependent student for whom the parent is borrowing.

As an alternative to obtaining an endorser, an applicant who has been determined to have an adverse credit history may also qualify for a Direct PLUS Loan by submitting documentation to the Department showing that there are extenuating circumstances associated with the adverse credit. The Department has the final decision on determining whether extenuating circumstances exist.

A borrower who qualifies for a Direct PLUS Loan by obtaining an endorser or documenting to the satisfaction of the Department that extenuating circumstances exist must also complete PLUS Loan Credit Counseling, as discussed below.

If your school participates in the Direct PLUS program but a student's parent cannot obtain a Direct PLUS Loan, the student is allowed to borrow additional unsubsidized funds (see "Criteria for Dependent Students to Receive Additional Direct Unsubsidized Loan Funds" in Chapter 4 of this volume).

Definition of "Adverse Credit History"

[34 CFR 685.200\(c\)\(2\)\(viii\)\(B\)](#)

[34 CFR 685.200\(b\)\(5\)](#)

Required Counseling for Direct PLUS Loan Applicants With Adverse Credit

Any student or parent Direct PLUS Loan applicant who has an adverse credit history but qualifies by obtaining an endorser or documenting that there are extenuating circumstances must also complete [PLUS Loan Credit Counseling](#) on the Department's [StudentAid.gov](#) website.

Adverse Credit History and Default

Although a default on a *Title IV* loan will generally appear in a student or parent Direct PLUS Loan applicant's credit record and result in the individual being determined to have an adverse credit history, being in default on a *Title IV* loan and having an adverse credit history are separate eligibility issues. A Direct PLUS Loan applicant who is identified through the Department's National Student Loan Data System (NSLDS) as being in default on a *Title IV* loan and who has also been determined to have an adverse credit history (due to the default and/or other adverse credit conditions) cannot qualify for a Direct PLUS Loan simply by obtaining an endorser or by providing acceptable documentation of extenuating circumstances. The applicant must also separately resolve the default status by one of the means discussed under "Resolving Default Status" in *Volume 1, Chapter 3*.

In some cases, the Direct PLUS Loan credit check may not reveal a default on a *Title IV* loan, particularly if the default is not recent. If a student or parent Direct PLUS Loan applicant who is identified in NSLDS as being in default on a *Title IV* loan does not have any other adverse credit issues, the applicant will pass the PLUS credit check. In this circumstance you cannot assume that the approved credit check result supersedes the information in NSLDS. The default must be resolved before you can disburse Direct PLUS Loan funds or other *Title IV* aid to the applicant.

Direct PLUS Loan Application

Schools that offer Direct PLUS Loans have the option of requiring student and parent Direct PLUS Loan applicants to complete the [Direct PLUS Loan Application](#) (formally known as the "Federal Direct PLUS Loan Request for Supplemental Information") on the Department's [StudentAid.gov](#) website as the first step in applying for a Direct PLUS Loan. The Direct PLUS Loan Application collects the requested loan amount, the period of enrollment for which the loan is intended, and other information related to processing the requested Direct PLUS Loan.

Use of the Direct PLUS Loan Application on StudentAid.gov is not required. Schools may choose to develop their own processes for obtaining the information needed to originate Direct PLUS Loans.

Although the Department's FAFSA Processing System (FPS) matches student Direct PLUS Loan applicants against NSLDS to determine if they are in default on a *Title IV* loan, it does not perform this match for parent Direct PLUS Loan applicants. However, the Department conducts an NSLDS default check on all Direct PLUS Loan applicants (both students and parents) who complete the Direct PLUS Loan Application on StudentAid.gov.

Schools that use the Direct PLUS Loan Application are notified of the result of the NSLDS default check through the Common Origination and Disbursement (COD) System. The result is reported as one of the following values:

- "N" = The borrower is not in default on any *Title IV* loan.

- "Y" = The borrower is in default on a *Title IV* loan.
- "E" = Unable to determine if the borrower is in default on a *Title IV* loan.

If the result is "N," a student or parent Direct PLUS Loan applicant who meets all other Direct PLUS Loan eligibility requirements may receive a Direct PLUS Loan.

If the result is "Y," the student or parent may not receive a Direct PLUS Loan (or any other *Title IV* aid) until the default status is resolved (see "Resolving Default Status" in *Volume 1*, Chapter 3 for more information).

A result of "E" may be reported if for some reason it was not possible to conclusively determine that the applicant is not in default. An "E" result is most commonly due to temporary systems issues involving the interface between the Direct PLUS Loan Application and NSLDS. In this case, if the Direct PLUS Loan applicant is a graduate or professional student and the NSLDS match performed by the FPS indicates that the student is not in default, you may rely on the results of that check. If the applicant is a parent, you must separately check NSLDS to confirm that the parent is not in default before originating a Direct PLUS Loan.

IMPORTANT: If you do not require Direct PLUS Loan applicants at your school to complete the Direct PLUS Loan Application, you must check NSLDS for all **parent** Direct PLUS Loan applicants to confirm that they are not in default before originating Direct PLUS Loans for these individuals.

Direct PLUS Loan Application NSLDS Default Check

[October 18, 2016 Electronic Announcement](#)

Ineligible Borrowers

The Department may determine that a borrower was ineligible to receive a Direct Loan if, at the time the loan was made and without the knowledge of the Department or the school, the borrower (or the dependent student on whose behalf a parent received a Direct PLUS Loan) provided false information, was convicted of or pled no contest or guilty to a crime involving fraud in obtaining *Title IV* funds, or took actions that caused the borrower or student to receive:

- Loan funds for which they were wholly or partially ineligible;
- Interest benefits on a loan for which they were ineligible; or
- Loan funds for a period of enrollment for which they were ineligible.

If the Department determines that a Direct Loan borrower was ineligible, the Department sends the borrower a demand letter that requires the borrower to repay some or all of the loan the borrower received, as applicable, within 30 days. If the borrower fails to comply with the letter, the borrower is considered in default on the entire loan.

Ineligible Borrowers

[34 CFR 685.211\(e\)](#)

Direct Loans at Multiple Schools

A student who is concurrently enrolled and eligible at more than one school may receive Direct Loans at each school. If the student is receiving Direct Subsidized Loans or Direct Unsubsidized Loans, 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 or aggregate loan limit. In addition, the schools must ensure that there is no duplication of non-institutional costs when determining the student's COA. Note that in the situation where a student is concurrently enrolled and eligible at more than one school, which is different than the consortium arrangements discussed in *Volume 2*, Chapter 2, loan funds awarded at one school are not to be included as OFA by any other school the student is attending when determining the student's loan eligibility for the same period.

Exceptions to the "Regular Student" Requirement for Direct Loans

As explained in *Volume 1*, Chapter 1, one of the eligibility requirements for a student to receive *Title IV* aid is that the student must be enrolled at an eligible school for the purpose of obtaining a degree or certificate offered by the school. Such a student is known as a "regular student." However, there are two limited exceptions to this requirement for Direct Loans: preparatory coursework and teacher certification coursework.

Regular Student

[34 CFR 600.2](#)

Preparatory Coursework

A student may receive a Direct Subsidized Loan or Direct Unsubsidized Loan (or a parent may receive a Direct PLUS Loan on behalf of a dependent student) for preparatory coursework that the school has documented is necessary for the student to enroll in an eligible program. The preparatory courses must be offered as part of an eligible program offered by the school, though the student does not have to be enrolled in that program. A school may not award Direct Loans for standalone courses that do not count towards an eligible program and exist solely to serve as preparatory coursework.

A student who is enrolled at least half time in preparatory coursework as described above is eligible to receive loans for a maximum of one consecutive 12-month period (not per program) beginning on the first day of the loan period. If the consecutive 12-month period of preparatory coursework spans more than one academic year, the student may receive more than one annual loan limit.

To be eligible for loans under this exception, the student must be taking classes that are a prerequisite for admission. A student who is only taking courses to raise their grade-point average in order to be admitted does not qualify.

Preparatory Coursework

[34 CFR 668.32\(a\)\(1\)\(ii\)](#)

[34 CFR 685.203\(a\)\(6\)](#) and [\(c\)\(2\)\(vi\)](#)

Preparatory Coursework at a Different School

A student may take the preparatory courses at School A (as long as the courses are part of an eligible program there) that are required for admission into a program at School B. As the awarding school, School A may require documentation from School B that these courses are required for the student's subsequent enrollment.

Volume 8, Chapter 1, Example 1: Eligible Preparatory Coursework

A student who previously received a bachelor's degree with a major in mathematics now wants to enroll in a graduate computer science program. The student needs 12 more semester hours of computer science coursework to meet the admission requirements of the school that offers the program. The student enrolls in courses that are part of one of the school's undergraduate degree programs, but is not enrolled for the purpose of receiving a degree and therefore is not a regular student. However, because the coursework is necessary for enrollment in the graduate program, the student may receive Direct Loans for this coursework (for a maximum of one consecutive 12-month period).

Volume 8, Chapter 1, Example 2: Ineligible Preparatory Coursework

A nursing school offers a 2-year program leading to a diploma. This is the only *Title IV* eligible program offered by the school. To be admitted to the program, students must have:

- Received a high school diploma or general educational development (GED) certificate;
- Completed Human Anatomy and Physiology with a minimum grade of "C";
- Completed college level English Composition with a minimum grade of "C"; and
- Completed college level Algebra with a minimum grade of "C".

For applicants who have not successfully completed post-secondary courses in Human Anatomy and Physiology, English Composition, and Algebra, the school offers 8-week courses that upon successful completion qualify applicants for admission. Because the school does not offer a *Title IV* eligible program that includes its courses in Human Anatomy and Physiology, English Composition, and Algebra, students enrolled in those stand-alone courses are not eligible to receive *Title IV* funds.

Teacher Certification Coursework

A student may receive a Direct Subsidized Loan or Direct Unsubsidized Loan (or a parent may receive a Direct PLUS Loan on behalf of a dependent student) for courses that the student must complete to receive a professional credential or certificate from a state that is required for employment as an elementary or secondary school teacher in that state, even though the school where the student takes the courses does not award a degree or other credential upon the completion of that coursework.

Teacher Certification Coursework

[34 CFR 668.32\(a\)\(1\)\(iii\)](#)

[34 CFR 685.203\(a\)\(7\)](#) and [\(c\)\(2\)\(vii\)](#)

Direct Loan Eligibility After an Enrollment Status Change

If a student who received a disbursement of Direct Loan funds prior to the first day of classes of a payment period begins attendance on a less-than-half-time basis, there is no requirement for the school or the student to return the loan funds as long as:

- The student began attendance in at least one course during the payment period; and
- At the time of the loan disbursement the student was enrolled (registered) for classes on at least a half-time basis.

However, the school must not make any subsequent disbursements of the loan unless the student resumes enrollment on at least a half-time basis during the payment period.

A student who is no longer enrolled at least half time may not receive as a late disbursement any second or subsequent disbursement of the loan.

Note that different requirements apply if a student who received a Direct Loan disbursement prior to the first day of classes fails to begin attendance in any classes. See “When A Student Fails to Begin Attendance” in *Volume 4*, Chapter 3.

If a student does not withdraw but ceases to be enrolled on at least a half-time basis, a school may make a late disbursement of a Direct Loan for costs incurred by the student for a period in which the student was eligible. However, this does not apply if the student dropped all future classes or modules, because the student never began classes as a half-time student.

Title IV program funds (including Direct Loans) are disbursed to a student on the presumption that the student will attend the hours for which aid has been awarded. Therefore, a school is not required to delay the disbursement of a Direct Loan until a student has begun attendance in enough hours to establish half-time enrollment status. However, if a school has not yet made a Direct Loan disbursement to a student who has dropped classes, and the school determines that the student never began attendance in enough classes to establish half-time enrollment status, the school may not make a first disbursement of a Direct Loan to that student.

Likewise, if a student who was enrolled in a series of modules drops all future classes before beginning attendance in enough modules to establish half-time enrollment status, the school may not make a first disbursement of a Direct Loan because the student never began attendance on at least a half-time basis. If a student who dropped to less-than-half-time status resumes enrollment on a half-time basis during the payment period or period of enrollment, the school may make remaining disbursements of a Direct Loan if the school documents (1) the student’s revised COA, and (2) that the student continues to qualify for the entire amount of the loan, despite any reduction in the student’s COA caused by the temporary cessation of enrollment on at least a half-time basis.

Late Disbursements for Students Who Cease To Be Enrolled at Least Half Time

[34 CFR 668.164\(j\)\(3\)\(iii\)](#)

Direct Loan Disbursements to Students Who Temporarily Cease Half-Time Enrollment

[34 CFR 685.303\(b\)\(3\)\(iv\)](#)

Direct Loan Eligibility After Inadvertent Overborrowing

A student who has inadvertently received Direct Loan funds in excess of the annual or aggregate loan limits is ineligible to receive any *Title IV* funds until the overborrowing is resolved. As explained in more detail below, the student can regain eligibility for aid by repaying the amount that exceeded the annual or aggregate loan limits, or by making satisfactory arrangements with the loan servicer to repay the excess amount.

The school where the student is requesting additional *Title IV* funds is responsible for identifying the loan(s) that resulted in the overborrowing, determining that the overborrowing was inadvertent, discussing the overborrowing with the student, and resolving any discrepancies in the information that is obtained. If the loan(s) that caused the student to exceed the annual or aggregate loan limit were received for attendance at a different school, in some cases it may be necessary for the school the student is currently attending to contact the other school for additional information in order to determine that the excess borrowing was inadvertent.

Examples of circumstances that may have resulted in a student inadvertently exceeding an annual or aggregate loan limit include, but are not limited to:

- School processing errors;
- Missing or incorrect NSLDS information; or
- Unintentional student error or omission.

Overborrowing is not considered inadvertent if there is any evidence that it was the result of deliberate action on the part of the school that determined the borrower's eligibility for the loan, or on the part of the borrower who received the loan. If a school determines that the overborrowing was the result of deliberate action on the part of another school or the borrower, it must notify the Department's Office of the Inspector General and provide evidence (see the contact number at the end of this section).

Once the school where the student is requesting *Title IV* funds has documented that the student has either repaid the excess loan amount or has made satisfactory arrangements to repay the excess amount, it may award additional aid. For Direct Loans, the student's eligibility is retroactive to the beginning of the academic year in which the overborrowing was resolved.

A student who regains eligibility after inadvertent overborrowing may or may not be eligible to receive additional loan funds, depending on the circumstances. For example, a dependent undergraduate who inadvertently exceeded the \$23,000 aggregate limit for subsidized loans could not receive any additional Direct Subsidized Loan funds as a dependent undergraduate unless the outstanding debt was paid down below the \$23,000 limit (see Chapter 4 of this volume for information on aggregate loan limits). However, the student could potentially receive additional Direct Unsubsidized Loan funds, up to the \$31,000 aggregate loan limit, or non-loan aid. An independent undergraduate who inadvertently exceeded the \$23,000 subsidized limit (but who has not reached the \$57,500 combined aggregate loan limit for independent undergraduates) could borrow additional Direct Unsubsidized Loan funds once they make satisfactory arrangements to repay the subsidized amount that exceeds \$23,000. For more on overborrowing and overawards, see *Volume 4*.

A student who regains *Title IV* eligibility after having inadvertently exceeded an annual loan limit for an academic year is not eligible to receive additional Direct Loan funds for that same academic year, but could receive other types of *Title IV* aid. However, if the student exceeded only the annual subsidized limit and has regained eligibility, the student would be eligible to receive Direct Unsubsidized Loans up to the applicable annual maximum.

Note: A student who inadvertently exceeded an undergraduate annual or aggregate loan limit does not automatically become eligible to receive additional Direct Loans if they become eligible for an increased annual loan limit as a result of progressing to a higher grade level, or if they become eligible for a higher aggregate loan limit due to their dependency status changing from dependent to independent or by their enrollment in a graduate or professional degree program. In either case, the inadvertent overborrowing must still be resolved

before the student can receive additional *Title IV* aid.

Repayment of the Excess Loan Amount

If a student who has inadvertently overborrowed wishes to regain *Title IV* eligibility by repaying the excess loan amount, the student must contact the applicable servicer and comply with the servicer's repayment instructions. The school may assist the student in identifying and contacting the servicer, but the student, not the school, must make the payment of the excess loan funds in accordance with the servicer's instructions. Once the student has repaid the excess loan amount in full, the servicer will send the student confirmation that the excess loan amount has been repaid. The student or servicer must provide a copy of the repayment confirmation to the school. The inadvertent overborrowing is considered to have been resolved as of the date the servicer received the borrower's full payment of the excess loan amount.

Satisfactory Repayment Arrangements ("Reaffirmation")

A student who has inadvertently overborrowed may also regain *Title IV* eligibility by making satisfactory repayment arrangements to repay the excess loan amount. This requirement can be met if the student agrees in writing to repay the excess amount according to the terms and conditions of the promissory note that supported the loan. This is called "reaffirmation." The reaffirmation process includes the following five steps:

1. Either the student or the school where the student is requesting additional *Title IV* funds contacts the servicer of the loan that caused the overborrowing and explains that the student has inadvertently overborrowed and wishes to reaffirm the debt.
2. The servicer sends the student a reaffirmation agreement.
3. The student reads, signs, and returns the reaffirmation agreement to the servicer.
4. The servicer sends the student confirmation that the reaffirmation agreement has been accepted. The student or servicer must provide a copy of the confirmation to the school where the student is requesting *Title IV* funds.
5. The inadvertent overborrowing is considered to have been resolved as of the date the servicer receives the student's signed reaffirmation agreement.

Consolidation of Loan Amounts That Exceed the Annual or Aggregate Loan Limit

If a borrower who inadvertently received more than the annual or aggregate loan limits has consolidated the loan(s) that caused the borrower to exceed the loan limit into a Direct Consolidation Loan, the Direct Consolidation Loan is considered a satisfactory arrangement to repay the excess amount. This restores the borrower's eligibility for Title IV aid. If the school where the student is seeking aid confirms through NSLDS that the loan(s) have been consolidated, no further action is required. Note, however, that consolidation of an amount that exceeded the combined aggregate loan limit for Direct Subsidized Loans and Direct Unsubsidized Loans does not automatically make a student eligible for additional Direct Loan funds.

Regaining *Title IV* Eligibility After Inadvertent Overborrowing

[34 CFR 668.35\(d\)](#)

[DCL GEN-15-20](#)

[DCL GEN-13-02](#)

[Department of Education Office of the Inspector General Hotline Portal](#)

1-800-MIS-USED (1-800-647-8733)

Refusing To Originate a Loan or Originating for Less Than a Borrower's Maximum Eligibility

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

Refusing to Originate a Loan

[HEA Sec. 479\(A\)\(e\)](#)

[34 CFR 685.301\(a\)\(8\)](#)

[DCL GEN-11-07](#)

Prohibition on Establishing Additional Eligibility Requirements for Direct Loans

You may not condition the disbursement of a Direct Loan on anything other than the eligibility criteria under the federal regulations that govern the Direct Loan Program. For example, you may not:

- Require students to participate in counseling beyond the required entrance counseling for first-time student borrowers (see Chapter 2 of this volume for more information) as a condition for receiving a Direct Loan;
- Require a student to complete a separate Direct Loan application as a condition for receiving a Direct Loan; or
- Perform credit checks on students in connection with awarding Direct Loans or other *Title IV* aid.

Prohibition on Requiring an Additional Application

[March 18, 2014 Electronic Announcement](#)