SPRING CONFERENCE

Kansas City, Missouri

2003

Session 4

FFEL and Direct Loans:

Loan Limit Overview

FFEL & DL: Loan Limit Overview

- Annual/aggregate limits

- Proration

- Frequency of borrowing
  - SAY and BBAY

- Modules (Miniterms)

- Common loan limit issues

Annual & Aggregate Loan Limits

- Annual loan limit = maximum FFEL/DL student may borrow in AY

- Aggregate loan limit = maximum outstanding FFEL/DL loan debt allowed

- Annual and aggregate limits are for both FFEL and DL

Annual Loan Limits

- Vary based on:
  - Grade level
  - Dependency status
- Higher limits for certain health professions students

Annual Loan Limits: Dependent Undergraduates

- Limits are for sub/unsub (any combination)

Grade Level	Loan Limit
1st year	$2,625
2nd year	$3,500
3rd year & beyond	$5,500

Annual Loan Limits: Independent Undergraduates

- Also for dependent undergrads whose parents can't borrow PLUS

- School may not award based on school's non-participation in PLUS

Grade Level	Loan Limit
1st year	$6,625 ($2,625 sub)
2nd year	$7,500 ($3,500 sub)
3rd year & beyond	$10,500 ($5,500 sub)

Annual Loan Limit: Graduate/Professional Students

- $18,500 ($8,500 sub) for all

- Only for students who:
  - Have been admitted into grad/professional program
  - Are enrolled at least ½ time in courses that count toward completion of program

Loan Limits:
Teacher Certification

- Exception to "regular student" requirement
- Must be at least ½ time in program required by state for teacher certification/recertification
- May borrow at 3rd year and beyond undergrad level

Loan Limits: Preparatory Coursework

- Exception to "regular student" requirement

- For single period of up to 12 months:

- 1st year undergrad level if required for admission to undergrad program

- 3rd year and beyond undergrad level if required for admission to grad program

Annual Loan Limits:
Health Professions Students

- **Increased annual unsub limits for certain health professions students**

- **Must be enrolled at least ½ time in program that was or would have been eligible under HEAL**

- **Program must be accredited by approved agency**

Annual Loan Limits: Health Professions Students

- **Increased unsub amounts same as HEAL limits**
  - Vary by program and AY length
  - Are in addition to "regular" FFEL/DL loan limits
- **For eligible programs, loan limits, and accrediting agencies, see FSA Handbook, Vol. 8, GEN-99-21, GEN-98-18**

Aggregate Loan Limits

- Once aggregate reached, no further borrowing unless paid down
- Aggregate limits –
  - Include consolidated FFEL/DL loans
  - Do not include capitalized interest
- Grad/professional aggregates include loans for undergrad study
- Increased unsub aggregates for health professions students

Aggregate Loan Limits

Grade Level	Aggregate Limit
Dep Undergrad	$23,000 (sub/unsub)
Indep Undergrad	$46,000 ($23,000 sub)
Grad/Prof	$138,500 ($65,500 sub)
Health Prof Undergrad	$70,625 ($23,000 sub)
Health Prof Grad/Prof	$189,125 ($65,500 sub)

Loan Limits: Important Points

- For program shorter than full AY, undergraduate student may not borrow more than prorated limit

- *Example:*

  – 600 clock hour, 20-week program

  – Student limited to single prorated loan, even if takes more than 20 weeks to complete program

Loan Limits: Important Points

- For 2-year undergrad program, student may not borrow more than 1st / 2nd year limit

- *Example:*
  - 2-year associate's degree program
  - Student takes 2 ½ years to complete
  - For final ½ year, may receive prorated loan at 2nd year level

Loan Limits: Important Points

- If undergrad program requires prior associate's or bachelor's degree, student may borrow at 3rd year and beyond level

- School may not link separate programs to support higher loan limit

Loan Limits: Important Points

Example:

- 1-year program "A" required for admission to 1-year program "B"

- 1st year loan limits apply to "A" and "B"

- Students in "B" may not borrow at 2nd year level based on requirement to complete "A"

Loan Proration

- Proration = reduction in annual loan limit

- Required by law/regulations in some situations
  - Applies only to undergrad loan limits
  - Not required for grad/prof or PLUS

Proration

Required when:

- Program is shorter than AY

- Program is equal to or longer than AY, but student is in final period of study that is shorter than AY

Proration

Minimum AY standards:

- 30 weeks of instructional time
- 24 semester/trimester hours
- 36 quarter hours
- 900 clock hours

Proration: Final Period of Study

- Final period of study = period at end of which student will complete program

- Shorter than AY if:
  - For term-based, credit hour programs, fewer terms than school's SAY
  - For nonterm-based and all clock hour programs, fewer hours than minimum AY standard

Proration: Final Period of Study

Example:

- 4-yr, term-based, credit hour program
- 24 hrs remaining
- SAY = fall-winter-spring (3 terms)
- Student enrolls for 12 hrs fall / 4 hrs winter / 8 hrs spring
- Final period of study = fall + winter + spring (3 terms)
- Proration NOT required

Proration Method: Program Shorter Than AY

Step 1   Determine smaller fraction:

$$\frac{\text{Hrs in program}}{\text{Hrs in AY}} \qquad OR \qquad \frac{\text{Weeks in program}}{\text{Weeks in AY}}$$

Step 2   Multiply 1st year loan limit by smaller fraction:

$2,625 x Smaller Fraction = Prorated Loan Limit

Proration Method: Program Shorter Than AY

Example:

- Program = 400 clock hours / 12 weeks
- AY = 900 clock hours / 30 weeks

Step 1   Determine smaller fraction:

$$\frac{400}{900} \quad (= .44) \qquad OR \qquad \mathbf{\frac{12}{30}} \quad (= \mathbf{.40})$$

Step 2   Multiply 1st year loan limit by **smaller fraction**:

$2,625 x .40 = $1,050

Proration Method: Final Period Shorter Than AY

Full Annual
Loan Limit

X

$$\frac{\text{Hrs in Final Period}}{\text{Hrs in AY}}$$

=

Prorated
Loan Limit

Proration Method: Final Period Shorter Than AY

Example:

- 2nd year undergrad

- Final period of study = fall semester

- 6 semester hours in final period of study

- AY = 24 semester hours

$$\$3,500 \quad \text{X} \quad \frac{6}{24} \quad (= .25) \quad = \quad \$875$$

Frequency of Annual Loan Limits

- Borrower may receive maximum annual loan limit each AY
  - Loan period not always same as AY
  - Loan limits apply to AY, not loan period
- Student who receives maximum may not borrow again until next AY
- Two AY standards:
  - Scheduled Academic Year (SAY)
  - Borrower-Based Academic Year (BBAY)

Scheduled Academic Year (SAY)

- Term-based programs only

- Fixed calendar period published in school materials

- Usually begins/ends at same time each year

- Must meet minimum AY standards

SAY

- **Student need not be enrolled in all terms**
- **Summer term may be "trailer" or "header"**
  - Always / by program / case-by-case
- **Summer miniterms may be:**
  - Combined as one term
  - Assigned to different SAYs

SAY

Examples:

- Fall-Spring + Summer
- Summer + Fall-Spring
- Fall-Spring + Summer Miniterm #1
- Summer Miniterm #2 + Fall-Spring

Borrower-Based Academic Year (BBAY)

- **<u>May</u>** be used for term-based programs

- **<u>Must</u>** be used for nonterm programs

- Different rules for term-based and nonterm

- Does not begin/end at same time

- Floats with student's attendance/progression in program

BBAY: Term-Based

- May use if SAY meets minimum AY standards

- May use for:
  - All students
  - Some students
  - Some programs

- May alternate SAY and BBAY if no overlap
  - BBAY may allow student to borrow sooner

BBAY: Term-Based

- Must include same # of terms as SAY (excluding summer)

- May include terms when student does not attend

  - Student must be enrolled in first term
  - All terms must **allow** at least ½ time enrollment

BBAY: Term-Based

- BBAY that includes summer term need not meet AY minimum weeks/hours
  - Summer header/trailer concept does not apply to BBAY
- Unlike SAY, miniterms must be combined and treated as single term
- Annual loan limit applies to BBAY

BBAY: Term-Based

Example:

- School's SAY = fall-winter-spring (3 terms)
- BBAY = any 3 consecutive terms
- If student starts BBAY in spring:
    - BBAY #1 = spring-summer-fall
    - BBAY #2 = winter-spring-summer
    - BBAY #3 = fall-winter-spring
    - BBAY #4 = summer-fall-winter

Switching SAY to BBAY

Example:

- SAY = fall-spring + summer trailer

- Student receives maximum loan for fall-spring

- No summer loan eligibility with SAY

- Eligible for new annual loan limit if school switches student to BBAY (= summer-fall)

BBAY: Nonterm-Based

- **Must use BBAY**

- BBAY must meet minimum AY standards

- No eligibility for new loan limit until student completes:

  - Hours in BBAY **and**

  - Weeks of instruction in BBAY

BBAY: Nonterm-Based

Example:

- 2-year, 1800 clock hour program

- First BBAY = 900 hours / 30 weeks completed

- Second BBAY = 900 hours / 30 weeks completed

Regaining Eligibility:
SAY and BBAY

Term-based:

- Student regains eligibility for new annual loan limit after end of SAY/BBAY calendar period
  - Enrollment status does not affect frequency

Nonterm-based:

- Student regains eligibility for new annual loan limit only after completing hours **and** weeks in BBAY
  - Enrollment status affects frequency

Regaining Eligibility: Term-Based SAY

Example:

- SAY = fall-spring + summer trailer

- Student receives maximum annual loan for fall-spring; does not attend summer

- Eligible for new annual loan limit in fall (start of new SAY)

Regaining Eligibility: Term-Based BBAY

Example:

- BBAY = summer-fall-winter

- Student receives maximum annual loan for summer-fall-winter

- Eligible for new annual loan limit in spring (start of new BBAY)

  – New BBAY = spring-summer-fall

Regaining Eligibility: Nonterm-Based BBAY

Example:

- 2-year, 1800 clock hour program

- Student receives maximum loan at 1st year level for first 900 hours/30 weeks

- Attends less than fulltime and completes fewer than 900 hours in first 30 weeks

- Not eligible for new loan limit at 2nd year level until completion of 900 hours

Regaining Eligibility During AY: Term-Based Programs

- Student who receives annual maximum during AY may not borrow again until next AY unless –
  - Progresses to grade level with higher annual loan limit
  - Enrolls in program at grade level with higher annual loan limit
  - Changes from dependent to independent
- May borrow difference between higher limit and amount already received for same AY

Regaining Eligibility During AY: Term-Based Programs

Example:

- SAY = fall-spring + summer trailer

- 2nd year dependent receives $3,500 for fall-spring

- Progresses to 3rd year status at beginning of spring

- For spring + summer, may borrow $5,500 minus $3,500 already received

- $2,000 additional eligibility for spring + summer

Regaining Eligibility During AY: Nonterm-Based Programs

- Student who receives maximum annual loan during BBAY may not borrow again until next BBAY unless changes from dependent to independent

- No increased eligibility within BBAY based on grade level progression

  – Student does not advance to next grade level until hours/weeks in BBAY are completed

Regaining Eligibility During AY: Nonterm-Based Programs

Example 1:

- 2-year, 1800 clock hour program

- Dependent student receives $2,625 for first BBAY (900 hours/30 weeks)

- During first BBAY, student becomes independent

- May receive additional $4,000 unsub for first BBAY

Regaining Eligibility During AY: Nonterm-Based Programs

Example 2:

- 2-year, 1800 clock hour program

- Dependent student receives $2,625 for first BBAY (900 hours/30 weeks)

- Student completes 900 hours in 25 weeks

- Does not progress to 2nd year level until completes 5 additional weeks

Transfer Students

- If student borrowed at previous school, current school must determine if current loan period overlaps AY at previous school

- Overlap exists if:

  - Current school's loan period begins before prior school's loan period ends, or

  - Current school's loan period begins after prior school's loan period ends, but less than 30 weeks have elapsed since prior loan period began

Transfer Students

- If overlap exists, current school may award loan for difference between annual loan limit and amount borrowed at previous school

- If no overlap, current school may award up to annual loan limit

Modules

- Sometimes called miniterms
- Two or more within a term
- Courses are sequential, not concurrent
- Modules may overlap
- Enrollment may begin with any module
- Students may skip one or more modules within term

Modules

- Enrollment status:
  - Based on combined enrollment from all modules within term
- General Title IV rules for standard terms apply when there are modules within a standard term

Modules

Special treatment:

- Use earliest attendance for 1st disbursement
- COA excludes periods of non-attendance

Modules

Return of Title IV Aid:

- **Leaving after completion of at least one module is NOT a withdrawal**
  - Return of Title IV regs do not apply

- **Leaving before completion of at least one module IS a withdrawal**
  - Return of Title IV regs apply

Modules

Example 1:

- Term-based program
- School offers three 4-week modules within summer session
- Student registers for one 4-credit class in 2nd and 3rd modules
- Student does not attend fall

Modules

Example 1 (continued):

- Enrollment status = 8 credits (1/2 time)

- 1st disbursement based on attendance beginning on 1st day of 2nd module

- COA based only on time covered by 2nd and 3rd modules

Modules

Example 1 (continued):

- Student completes course in 2nd module, but does not attend course in 3rd module

- Not a withdrawal
  - No return of aid

Modules

Example 2:

- Same as Example 1, but student completes course in 2nd module, starts course in 3rd module, but then withdraws

- Not a withdrawal
  - No return of aid

Modules

Example 3:

- Same as Example 1, but student drops course in 2nd module, and fails to attend in 3rd module

- Considered a withdrawal

  - Return of aid calculation required

Loan Limit Issues:
Changing From Higher to Lower Loan Limit

- Loans received for graduate study do not count toward undergraduate annual/aggregate limit

- Additional unsub based on PLUS denial does not count toward dependent annual/aggregate limits

- Additional unsub for health professions students does not count toward regular annual/aggregate limits

Loan Limit Issues:
Changing From Higher to Lower Loan Limit

Example 1:

- For first undergraduate program, student borrowed $20,500 sub and $10,000 unsub

- For graduate program, borrowed $45,000 sub and $40,000 unsub

- Now enrolled in second undergraduate program

Loan Limit Issues:
Changing From Higher to Lower Loan Limit

Example 1 (continued):

- Only loans for first undergraduate program ($30,500) count toward undergraduate aggregate

- Remaining eligibility for second undergraduate program = $15,500 unsub ($46,000 minus $30,500

- Combined sub aggregate ($65,500) already borrowed, so no remaining sub eligibility

Loan Limit Issues:
Changing From Higher to Lower Loan Limit

Example 2:

- Dependent undergraduate in 4-year program

- Receives additional unsub for first 3 years based on PLUS denial

- In year 4, parent is approved for PLUS

Loan Limit Issues:
Changing From Higher to Lower Loan Limit

Example 2 (continued):

- Student borrowed $24,625 for first 3 years, including $13,000 additional unsub

- For year 4, $13,000 additional unsub does not count toward dependent aggregate limit

- Total borrowed toward dependent aggregate limit = $11,625

- Remaining eligibility under dependent aggregate limit = $11,375

Loan Limit Issues:
PLUS and Additional Unsub

- If parent receives PLUS at beginning of AY, but later in year applies for more PLUS and is denied, student may receive additional unsub
  - PLUS must be counted as EFA

Loan Limit Issues:
PLUS and Additional Unsub

- If student receives additional unsub based on PLUS denial at beginning of AY, but later in year parent applies for PLUS and is approved, school may award PLUS
  - Must cancel any pending additional unsub disbursements
  - Additional unsub already disbursed must be counted as EFA

Loan Limit Issues:
Multiple Loans at Same Grade Level

- No federal limit on number of times student may receive maximum loan at same grade level
  - Student must meet all eligibility requirements, including SAP
- School may place limit
  - Must be same for all students in same program
  - Cannot be applied case-by-case
- For FFEL, GA may also place limit

Loan Limit Issues:
Refusing/Limiting Loans

- A school may not have a general policy that:
  - Limits loan amounts based on enrollment status or length of AY attended by student
  - Limits loan amounts to institutional charges

Loan Limit Issues:
Refusing/Limiting Loans

Examples:

- School policy may not:

  – Prohibit half-time students from receiving more than half of the annual loan limit

  – Reduce loan eligibility for students who are enrolled for only one term of an AY that is not a final period of study

Loan Limit Issues:
Refusing/Limiting Loans

- **School may refuse to award loan or award less than borrower's eligibility only if:**
  - Reason is documented and given to borrower in writing
  - Action is taken on case-by-case basis
  - Documentation is kept in student's file
  - Action is not based on race, gender, color, religion, national origin, age, disability status, or income

References/Contacts

- FSA Handbook, Volume 8
- Dear Colleague Letter GEN-97-3
- Patricia.Newcombe@ed.gov
- Jon.Utz@ed.gov

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