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SUMMARY: This letter provides guidance concerning **annual and aggregate loan limits** for Direct Stafford/Ford Loans and Direct Unsubsidized Stafford/Ford Loans made under the William D. Ford Federal Direct Loan Program and Stafford Loans made under the Federal Family Education Loan Program.

Dear Colleague:

The Department has received numerous inquiries concerning the calculation of annual and aggregate loan limits for the Direct Stafford/Ford Loans and Direct Unsubsidized Stafford/Ford Loans under the William D. Ford Federal Direct Loan (Direct Loan) and Stafford Loans under the Federal Family Education Loan (FFEL) Program.<sup>1</sup>

The following key points summarize the loan limit policies discussed in this letter:

- Dependent undergraduate borrowers are eligible for a combined Unsubsidized and Subsidized aggregate loan amount of up to \$23,000.
- Independent undergraduate borrowers (or dependent undergraduate borrowers whose parents do not qualify for PLUS Loans) are eligible for a combined Subsidized and Unsubsidized aggregate loan amount of up to \$46,000. No more than \$23,000 of this may be in Subsidized Loans.
- Graduate and professional student borrowers are eligible for a combined Subsidized and Unsubsidized aggregate loan amount of up to \$138,500. No more than \$65,500 of this may be in Subsidized Loans. Graduate aggregate limits include amounts received for undergraduate study.

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<sup>1</sup>Throughout this letter, subsidized Direct Stafford/Ford Loans and subsidized Stafford Loans will be referred to as "Subsidized Loans," and Direct Unsubsidized Stafford/Ford Loans and Unsubsidized Stafford Loans will be referred to as "Unsubsidized Loans." This letter does not address PLUS or Consolidation Loans.

- Independent undergraduate borrowers and graduate student borrowers may continue to borrow until they reach the aggregate loan limits for Subsidized and Unsubsidized Loans, regardless of the "base" or "additional" amounts borrowed.<sup>2</sup>
- If a borrower's dependency status changes from independent to dependent or if the student's parent initially does not qualify for a PLUS Loan but then becomes eligible for PLUS, special calculations are required in order to determine the student borrower's remaining loan eligibility.

Generally, schools need not track annual and aggregate "base" and "additional" amounts separately. The only times when consideration of "base" and "additional" amounts are required is for the proration of loans for grade level 1 and grade level 2 borrowers<sup>3</sup> and for calculating loan eligibility for borrowers whose status changes from independent to dependent or whose parents were first ineligible for PLUS Loans and

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<sup>2</sup>The term "base" amount refers to the Subsidized Loan and/or Unsubsidized Loan amounts that are equal to the annual and aggregate Subsidized Loan limits applicable to undergraduate and graduate borrowers, as described in 685.203(a), 685.203(d), 682.204(a), and 682.204(b). The term "additional" Unsubsidized Loan amounts refers to the Unsubsidized Loan amounts available to independent undergraduate borrowers, dependent borrowers whose parents do not qualify for PLUS Loans, and graduate borrowers, as described in 685.203(c) and 682.204(d).

<sup>3</sup>The terms "grade level 1" and "grade level 2" in this letter refer to the academic level of borrowers who have not yet successfully completed the first or second year of an undergraduate program, respectively. Similarly, the terms "grade level 3" and "grade level 4" refer to the academic level of borrowers who have successfully completed the first and second years of an undergraduate program but have not yet successfully completed the third or fourth year of an undergraduate program.

then become eligible for PLUS Loans. This letter does not discuss proration of loans as that topic is fully addressed in the SFA Handbook and in recent Title IV Update Training.

Attached is a chart for determining annual and aggregate eligibility for most borrowers. Following this chart are detailed explanations of the aggregate and annual loan limit policies outlined above, followed by examples showing the calculation of the borrower's remaining eligibility. Finally, a discussion of how to calculate eligibility for students whose dependency status changed or whose parent initially did not qualify for a PLUS Loan is included at the end of the following enclosure.

Some institutions may not have been aware of the loan limit policy guidance outlined in this letter. Therefore, schools are not required to recalculate any loan eligibility on the basis of this clarification. However, we expect that these guidelines will be used for all future eligibility determinations.

For additional guidance on calculating annual and aggregate loan limits, please refer to the SFA Handbook and Title IV Update Training for 1997-98. In addition, the Department's SFA Customer Support Inquiry Service staff is available to answer questions concerning annual and aggregate loan limits. Staff members are available Monday through Friday between the hours of 9:00 AM and 5:00 PM (Eastern Time) at 1-800-433-7327. After hours calls will be accepted by an automated voice response system. Callers leaving their name and phone number will receive a return call the next day. You may FAX an inquiry to the Customer Support Inquiry Service at (202) 260-4199 or send your questions via electronic mail to [csb@sfa.ed.gov](mailto:csb@sfa.ed.gov). When sending questions by FAX or electronic mail, please include your name, the name of your institution, and your phone number.

Sincerely,

Elizabeth M. Hicks  
Deputy Assistant Secretary  
Student Financial Assistance Programs

### **Direct Loan AND FFEL Program Loan Maximums**

	ANNUAL LIMITS	
DEPENDENT UNDERGRADUATES <sup>1</sup>	Subsidized	Total (Subsidized & Unsubsidized) <sup>2</sup>
Grade Level 1	\$2,625	\$2,625
Grade Level 2	\$3,500	\$3,500
Grade Level 3 and Beyond	\$5,500	\$5,500
INDEPENDENT UNDERGRADUATES (and dependents whose parents are unable to borrow under the PLUS program)		
Grade Level 1	\$2,625	\$6,625
Grade Level 2	\$3,500	\$7,500
Grade Level 3 and Beyond	\$5,500	\$10,500
GRADUATE AND PROFESSIONAL STUDENTS	\$8,500	\$18,500
	AGGREGATE LIMITS	
DEPENDENT UNDERGRADUATES	\$23,000	\$23,000
INDEPENDENT UNDERGRADUATES (and dependents whose parents are unable to borrow under the PLUS program)	\$23,000	\$46,000
GRADUATE AND PROFESSIONAL STUDENTS	\$65,500	\$138,500

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<sup>1</sup>All undergraduate annual loan limits are subject to proration.

<sup>2</sup>If the borrower does not have financial need for a Subsidized Loan using expected family contribution (EFC), or has reached the aggregate limit in Subsidized Loans, the borrower may receive this entire amount in Unsubsidized Loans assuming he or she has remaining eligibility for the loan.

## Examples: Loan Eligibility

### **Dependent Undergraduate Borrower Limits**

A dependent borrower is eligible to receive a **combined aggregate** Subsidized and Unsubsidized loan amount of up to \$23,000. If the borrower has not reached the \$23,000 limit, the borrower may qualify for the **annual** loan amount applicable to his or her grade level.

To calculate the borrower's remaining **aggregate** eligibility, subtract the Subsidized and Unsubsidized Loan amounts the borrower has received from the aggregate loan limit of \$23,000.

Example 1: A grade level 3 dependent undergraduate borrower who has received \$10,000 in Subsidized Loans and \$13,000 in Unsubsidized Loans is ineligible for any additional loans because the borrower has reached the **aggregate** undergraduate limit for a dependent student. The dependent undergraduate limit applies to the **combined** amount of Subsidized and Unsubsidized Loans received.

Example 1: Determining a Dependent Borrower's Remaining Aggregate Eligibility	
aggregate dependent undergraduate loan limit	\$23,000
minus amount of Subsidized Loans received	- 10,000
minus amount of Unsubsidized Loans received	- <u>13,000</u>
remaining aggregate eligibility	0

Example 2: A grade level 3 dependent undergraduate borrower has received \$5,000 in Subsidized Loans and \$8,000 in Unsubsidized Loans. The borrower is eligible for an additional \$10,000 in combined Subsidized/Unsubsidized Loans. In the third year, the student could receive the **annual** maximum combined Subsidized/Unsubsidized amount of \$5,500. The amount of Subsidized Loans the borrower could receive is based on a need determination that takes into account the student's EFC.

Example 2: Determining a Dependent Borrower's Remaining Aggregate Eligibility	
aggregate dependent undergraduate loan limit	\$23,000
minus amount of Subsidized Loans received	- 5,000
minus amount of Unsubsidized Loans received	- <u>8,000</u>
remaining aggregate eligibility	\$10,000

## Independent Undergraduate Borrower Limits

An independent undergraduate borrower (or a dependent borrower whose parent does not qualify for a PLUS Loan) is eligible to receive an **aggregate** amount of up to \$23,000 in Subsidized Loans. In addition, the borrower is eligible for an **aggregate** amount of up to \$46,000 in Unsubsidized Loans, minus the amount of Subsidized Loans received. Even if the borrower has received \$23,000 in Subsidized Loans, the borrower may qualify for the maximum independent borrower **annual** loan limit in Unsubsidized Loans.

To calculate the borrower's remaining **aggregate** Subsidized Loan eligibility, subtract the Subsidized Loan amount the borrower has received from the aggregate Subsidized Loan limit of \$23,000. To calculate the borrower's remaining **aggregate** Unsubsidized Loan eligibility, subtract the Subsidized and Unsubsidized amounts the borrower has received, including any new Subsidized amounts awarded, from the aggregate Unsubsidized Loan limit of \$46,000.

Example 3: A grade level 3 independent borrower who has received \$23,000 in Subsidized Loans and \$0 in Unsubsidized Loans is eligible for **aggregate** Unsubsidized Loans of up to \$23,000 and an **annual** Unsubsidized Loan of up to \$10,500 (as shown on the chart above).

Example 3a: Determining an Independent Borrower's Remaining Aggregate Subsidized Loan Eligibility	
aggregate undergraduate limit for Subsidized Loans	\$23,000
minus amount of Subsidized Loans received	- 23,000
remaining aggregate Subsidized Loan eligibility	0

Example 3b: Determining an Independent Borrower's Remaining Aggregate Unsubsidized Loan Eligibility	
aggregate independent undergraduate limit for Unsubsidized Loans	\$46,000
minus amount of Subsidized Loans received	- 23,000
minus amount of Unsubsidized Loans received	- 0
remaining aggregate Unsubsidized Loan eligibility	23,000

An independent undergraduate borrower who has received a **combined** amount of Subsidized and Unsubsidized Loans that equals or exceeds the \$23,000 dependent borrower **aggregate** limit continues to be eligible for Subsidized Loans until the

borrower reaches the \$23,000 Subsidized limit. In addition, the borrower continues to qualify for Unsubsidized Loans until the borrower reaches the combined \$46,000 Subsidized/Unsubsidized **aggregate** limit.

Example 4: A grade level 4 independent borrower has received \$15,000 in Subsidized Loans and \$10,000 in Unsubsidized Loans. Under the **aggregate** limit, the borrower is eligible for an additional \$8,000 in Subsidized Loans (based on need). In addition, the borrower is eligible for an **aggregate** Unsubsidized Loan amount of \$46,000, minus the amount of Subsidized and Unsubsidized Loans already received (in this case, the remaining amount is \$21,000). Thus, in the fourth year, the borrower could receive the **annual** maximum Subsidized Loan amount of \$5,500 and \$5,000 in an Unsubsidized Loan, for an annual maximum of \$10,500.

Example 4a: Determining an Independent Borrowers Remaining Aggregate Subsidized Loan Eligibility	
aggregate undergraduate limit for Subsidized Loans	\$23,000
minus amount of Subsidized Loans received	- <u>15,000</u>
remaining aggregate Subsidized Loan eligibility	8,000

Example 4b: Determining an Independent Borrower's Remaining Aggregate Unsubsidized Loan Eligibility	
aggregate independent undergraduate limit for Unsubsidized Loans	\$46,000
minus amount of Subsidized Loans received	- 15,000
minus amount of Unsubsidized Loans received	- <u>10,000</u>
remaining aggregate Unsubsidized Loan eligibility	21,000

Note: The borrower's aggregate Unsubsidized Loan eligibility is reduced by any new Subsidized Loans awarded. In Example 4b above, if the borrower received the annual maximum of \$5,500 in Subsidized Loans for the current academic year, the borrower's aggregate eligibility for Unsubsidized Loans would be \$15,500 (\$21,000 - \$5,500).

### Graduate Borrower Limits

A graduate borrower is eligible for an **aggregate** amount of up to \$65,500 in Subsidized Loans. In addition, the borrower is eligible for an **aggregate** amount of up to \$138,500 in Unsubsidized Loans, minus the amount of Subsidized Loans received. Even if the borrower has received \$65,500 in Subsidized Loans, the borrower may

qualify for the maximum graduate borrower **annual** loan limit of \$18,500 in Unsubsidized Loans.

To calculate the borrower's remaining **aggregate** Subsidized Loan eligibility, subtract the Subsidized Loan amount the borrower has received from the aggregate Subsidized Loan limit of \$65,500. To calculate the borrower's remaining **aggregate** Unsubsidized Loan eligibility, subtract the Subsidized and Unsubsidized amounts the borrower has received from the **aggregate** Unsubsidized Loan limit of \$138,500.

Example 5: A graduate borrower who has received \$65,500 in Subsidized Loans and \$0 in Unsubsidized Loans is eligible for **aggregate** Unsubsidized Loans of up to \$73,000 and an **annual** maximum of \$18,500 in Unsubsidized Loans (as shown on the chart above).

Example 5a: Determining a Graduate Borrower's Remaining Aggregate Subsidized Loan Eligibility	
aggregate graduate limit for Subsidized Loans	\$65,500
minus amount of Subsidized Loans received	- <u>65,500</u>
remaining aggregate Subsidized Loan eligibility	0

Example 5b: Determining a Graduate Borrower's Remaining Aggregate Unsubsidized Loan Eligibility	
aggregate graduate loan limit for Unsubsidized Loans	\$138,500
minus amount of Subsidized Loans received	- 65,500
minus amount of Unsubsidized Loan received	- <u>0</u>
remaining aggregate Unsubsidized Loan eligibility	73,000

A graduate borrower who has received a **combined** amount of Subsidized and Unsubsidized Loans that equals or exceeds the \$65,500 **aggregate** Subsidized limit continues to be eligible for Subsidized Loans until the borrower reaches the \$65,500 Subsidized limit. In addition, the borrower continues to qualify for Unsubsidized Loans until the borrower reaches the combined \$138,500 Subsidized/Unsubsidized **aggregate** limit.

Example 6: A graduate borrower has received \$35,000 in Subsidized Loans and \$30,000 in Unsubsidized Loans. The borrower is eligible for an additional \$30,500 in Subsidized Loans, assuming he or she had the need. In addition, the borrower is eligible for an **aggregate** Unsubsidized Loan amount of \$138,500, minus the amount of

Subsidized and Unsubsidized Loans already received (in this case, the remaining amount is \$73,500). Thus, the borrower could receive the maximum **annual** Subsidized Loan amount of \$8,500 and the \$10,000 Unsubsidized Loan amount, for a total of \$18,500.

Example 6a: Determining a Graduate Borrower's Remaining Aggregate Subsidized Loan Eligibility	
aggregate graduate limit for Subsidized Loans	\$65,500
minus amount of Subsidized Loans received	- <u>35,000</u>
remaining aggregate Subsidized Loan eligibility	30,500

Example 6b: Determining a Graduate Borrower's Remaining Aggregate Unsubsidized Loan Eligibility	
aggregate graduate limit for Unsubsidized Loans	\$138,500
minus amount of Subsidized Loans received	- 35,000
minus amount of Unsubsidized Loans received	- <u>30,000</u>
remaining aggregate Unsubsidized Loan eligibility	73,500

Note: The borrower's aggregate Unsubsidized Loan eligibility is reduced by any new Subsidized Loans awarded. In Example 6b above, if the borrower received the annual maximum of \$8,500 in Subsidized Loans for the current academic year, the borrower's aggregate eligibility for Unsubsidized Loans would be \$65,000 (\$73,500 - \$8,500).

## **Dependency Status Changes and PLUS Loan Eligibility Changes**

If a borrower received loans as an independent student for one year or more, but then becomes a dependent student, special calculations are required to determine the borrower's remaining loan eligibility. A borrower's status could change from independent to dependent if a financial aid administrator (FAA) had used professional judgment to grant an otherwise dependent borrower independent status because of special circumstances and those circumstances have changed or the FAA at another school chooses not to make the same professional judgment decision. In addition, if a borrower (under the age of 24) qualified as independent in a previous year because the borrower had a dependent or was married and that condition changes, the borrower would now be considered dependent.

In calculating the now dependent borrower's remaining aggregate eligibility, the school should total only those portions of loans previously received that represent "base" amounts. Any "additional" Unsubsidized Loan amounts that the borrower received are not included because they were provided only because of the prior independent status. In order to include only the loan amounts that were part of the base, schools should determine the borrower's total base amount received (annual base loan limits are shown on the chart below) and count only those base amounts against the dependent undergraduate aggregate limit of \$23,000.

If a dependent borrower was previously eligible for the independent borrower loan limits because his or her parent did not qualify for a PLUS Loan and then becomes eligible only for the lower dependent borrower limits because the parent becomes eligible for PLUS, the same calculations discussed above for changes in dependency are required to determine the student borrower's remaining eligibility. The example on the following pages illustrates the calculations necessary to include only the "base" loan amounts that the borrower received while his or her parent did not qualify for a PLUS Loan.

The chart below shows base and additional amounts that should be used to calculate loan eligibility for a borrower who changes dependency status or who was previously eligible for additional Unsubsidized Loan amounts because a parent did not qualify for PLUS Loans.

Direct Loan and FFEL Program Loan Maximums		
	ANNUAL LIMITS	
Undergraduates Limits	Base (Subsidized Unsubsidized Combined)	Additional Unsubsidized Amount
Grade Level 1	\$2,625	\$4,000
Grade Level 2	\$3,500	\$4,000
Grade Level 3 and Beyond	\$5,500	\$5,000
Graduate	\$8,500	\$10,000

Example: An otherwise dependent borrower who qualified as an independent student based upon a professional judgment determination during the first three years of the program received \$6,625 (\$2,625 Subsidized and \$4,000 Unsubsidized) in the first year of his program, \$7,500 (\$3,500 Subsidized and \$4,000 Unsubsidized) in the second year of the program, and \$10,500 (\$5,500 Subsidized and \$5,000 Unsubsidized) in the third year for a total of \$24,625. In the fourth year of the program, the borrower becomes dependent. Because the borrower is now a dependent student, the school must include only the base amounts of loans received in order to calculate the borrower's remaining **aggregate** eligibility. The school should calculate the total base amount the borrower has received, by totaling the annual base limits applicable to this borrower (assuming that the borrower had borrowed at least up to the base amount). Once the school has determined the total base amount the borrower has received, the school should subtract this amount from the dependent undergraduate limit of \$23,000 to determine the student's remaining eligibility.

In this example, the student has received a base amount of \$11,625 (\$2,625 + \$3,500 + \$5,500). Therefore, in the third year, the borrower has remaining **aggregate** eligibility of \$11,375 (\$23,000 - \$11,625) and is eligible for the grade level 4 dependent undergraduate **annual** loan limit of \$5,500 (Subsidized and/or Unsubsidized Loans). If this adjustment were not made the student would not have had any aggregate eligibility remaining.

Determining the Additional Amount a Dependent Borrower has Received	
base Subsidized/Unsubsidized Loan limit in year 1	2,625
plus base Subsidized/Unsubsidized Loan limit in year 2	3,500
plus base Subsidized/Unsubsidized Loan limit in year 3	<u>+ 5,500</u>
total base amount received	11,625

Determining a Dependent Borrower's Remaining Eligibility	
aggregate dependent undergraduate loan limit	\$23,000
minus base Subsidized/Unsubsidized Loans received	<u>- 11,625</u>
remaining base Subsidized/Unsubsidized Loan eligibility	11,375