



# NSLDS Newsletter

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## Revised Calculation for Direct Loan PLUS Denials

A provision of both the FFEL and Direct Loan programs is that a dependent undergraduate student can receive additional unsubsidized loans when the student's parent(s) is precluded from borrowing a PLUS loan due to exceptional circumstances. The additional loan amounts a student may receive vary by academic level. Further information about loan amounts can be found in the Federal Student Aid Handbook, Volume 8, Chapter 3, Determining the Loan Period and Amounts. In addition, NSLDS published Newsletter 6, Additional Student Eligibility Changes for Award Year 2003-2004, which includes details on the aggregate calculations.

COD determines if any part of an unsubsidized Direct Loan for a dependent student is the result of a denial of a PLUS loan. That information is passed to the Direct Loan Servicer which, in turn, passes the information to NSLDS to be used in its monitoring of aggregate limits. Previously, if a student had a Direct Loan PLUS denial indicator, NSLDS simply monitored against the \$46,000 combined subsidized/unsubsidized loan limit rather than the normal \$23,000 limit for dependent students. However, use of the higher limit had the unintended impact of allowing some dependent borrowers to exceed aggregate limits beyond the adjustment that should be made only for the "additional unsubsidized" funds.

To ensure compliance, starting with the 2003-2004 award year, NSLDS changed the calculation used when monitoring aggregate loan limits due to a Direct Loan PLUS denial. NSLDS will now monitor all dependent students based on the \$23,000 combined subsidized/unsubsidized limit, but will exclude any amount of an unsubsidized loan attributed to a Direct Loan PLUS denial. As a result of this more precise evaluation, some students who previously had not been flagged with a potential aggregate problem based on the \$46,000 limit may now be flagged for exceeding the \$23,000 adjusted limit.

The formulas used to calculate the amount of an unsubsidized loan that will be excluded because of a Direct Loan Plus denial are:

- For first year (academic level 1), if the total subsidized and unsubsidized loans for the award year are more than \$2,625, the amount in excess of \$2,625 is excluded.
- For second year (academic level 2), if the total subsidized and unsubsidized loans for the award year are more than \$3,500, the amount in excess of \$3,500 is excluded.
- For third year and beyond (academic levels 3, 4, and 5), if the total subsidized and unsubsidized loans for the award year are more than \$5,500, the amount in excess of \$5,500 is excluded.

At the current time, information on FFEL PLUS denials is not available to NSLDS. As a result, it is not possible to perform the same calculation for FFEL loans. However, schools may apply the same formulas if they have documentation to show the student received additional unsubsidized loan amounts due to a PLUS denial.

*Note:* You can view previous NSLDS Newsletters under the NSLDS Reference Materials link at [www.ifap.ed.gov](http://www.ifap.ed.gov).