CHAPTER 4

Stafford/PLUS Loan Period and Amounts

The rules for awarding Stafford and PLUS loans are different than for Pell Grants and other FSA programs. Annual loan limits vary by grade level, and there are aggregate limits on the total amount that may be borrowed at one time. Also, the "loan period" and the disbursements within that period may not always correspond to the academic year and payment periods that you're using for Pell Grants. Finally, the requirement to prorate Stafford loan limits is different than the requirements for calculating Pell Grants.

The student's eligibility for a Stafford Loan (and a parent's eligibility for a PLUS Loan) are calculated differently than the Pell Grant. Although Stafford and PLUS awards are based on costs and EFC, there is no fixed table such as the Pell Grant Payment Schedule that determines award amounts. Stafford Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. This chapter will describe these loan limits and how they apply to the academic year in different types of programs.

Within the loan limits discussed in this chapter, Stafford and PLUS loan awards are based on the student's financial need *costs* minus *EFC*. Since you must consider a student's financial need for Stafford and PLUS in combination with other sources of aid, we'll discuss this topic in further detail in Chapter 6 on packaging.

LOAN PERIODS, ACADEMIC TERMS, & PROGRAM LENGTH

It's important to define the loan period (sometimes referred to as the *period of enrollment*) at the outset, because the length of the loan period will determine the timing and amount of disbursements. This discussion assumes that your school has already established its academic measurements. If you have not already done so, see Chapter 1 for a discussion of eligible programs, academic years, payment periods, and conversion of clock hours/credit hours.

If your school uses academic terms (such as semester, trimester, quarter terms; or nonstandard terms that are substantially equal in length), the loan period must coincide with one or more of its academic terms. The *minimum* loan period is a single academic term. For full discussion of academic terms, see page 3-1. Substantially equal in length means all the terms within the program are within two weeks of each other in length. As an example, if a student enrolls in a fall semester to complete his/her requirements for

CHAPTER 4 HIGHLIGHTS:

Measurements of academic and loan periods
- Loan periods, academic terms, & program length
- Scheduled Academic Year (SAY) may be used for term-based credit-hour programs.
- Borrower-based Academic Year (BBAY) must be used for clock hour and other non-term programs; may be used for term-based credit-hour programs as an alternative to the SAY.

Annual Loan Limits
- Stafford limits for dependent undergraduates
- Stafford limits for independent undergraduates & students whose parents who can't get PLUS
- Undergraduate limits based on grade level
- Undergraduate limits must be prorated for programs less than an academic year or remaining portion of a program less than an academic year
- Stafford limits for graduate and professional students
- Stafford limits for teacher certification coursework

Aggregate Loan Limits
- Loan information provided through "Financial Aid History" on SAR, ISIR, and on NSLDS Web site.
- NSLDS now identifies underlying amounts for FFEL as well as Direct Consolidation Loans.

Loan period

The period of enrollment for which a Stafford or PLUS loan is intended.The period of enrollment must coincide with an academic term established by the school for which institutional charges are generally assessed (e.g.semester, trimester,quarter, length of the student's program or academic year).
Definition from the DL regulations:
34 CFR 685.200(b)
(The FFEL definition refers to a "*bona fide* academic year"—see 34 CFR 682.200(b))

Minimum and Maximum Loan Periods

→ Maximum = generally school's academic year but not more than 12 months.
→ Minimum (term/credit hour program) = one academic term
→ Minimum (clock-hour or non-term program) = lesser of academic year, program length, or remaining portion of academic program

graduation, you may certify a loan for that term alone. (Remember, however, that the loan amount must be based on the reduced costs and EFC for that term, rather than for the full academic year; also, the loan limit must be prorated if the student is attending a final term in the program.)

Loan periods for programs that do not use terms, or programs with non-standard terms that are not substantially equal in length. are based on the length of the *program* or the length of the *academic year*. The **minimum** loan period for such programs is the shortest of:

- *The academic year as defined by the school.* (At least 30 weeks of instructional time providing 900 clock hours, 24 semester hours, or 36 quarter hours for an undergraduate program.)
- *The length of the student's program at the school for programs of less than an academic year.* (For purposes of Stafford and PLUS loans, the shortest eligible programs are programs at a proprietary school or a postsecondary vocational school that provide at least 10 weeks of instruction and at least 300 clock hours, 8 semester hours, or 12 quarter hours.)
- *The remaining portion of the student's program when the program exceeds the school's academic year.* (This includes cases such as transfer students or students who are re-enrolling after withdrawing, where the student has already completed some of the coursework to earn a degree or certificate and whose remaining period of study at your school is less than an academic year.)

The **maximum** loan period is generally the school's academic year but cannot exceed a 12-month period. However, you can have more than one loan in an academic year up to the annual loan limit.

ACADEMIC YEAR & LOAN LIMITS

The academic year is used as the basis for the student's annual loan limits. (The award year concept for Pell and the Campus-based programs is not a factor for Stafford and PLUS loans.)

Once the student has reached the annual loan limit, he or she cannot receive, depending on the program, another Stafford Loan until he or she either begins another academic year, or progresses to a grade level with a higher annual loan limit.

The loan period is often equivalent to an academic year, but there are also many situations where this is not the case. In this section, we'll discuss how you can match the student's loan periods to his/her enrollment and your school's academic calendar. (If you are not familiar with the definitions for academic year, see Chapter 1 of this Volume.)

Two types of academic years for loans

There are two types of academic years that you may use for Stafford and PLUS loans: a scheduled academic year (SAY) or a Borrower-Based Academic Year (BBAY). Clock-hour and non-term credit-hour programs *must* use borrower-based academic years.

If a term-based credit hour program provides at least 30 weeks of instructional time, you have the option of using a Borrower-Based Academic Year for students in that program. In this case, you may use BBAYs for all the students in such programs or just for students enrolled in certain programs, or use BBAYs on a student-by-student basis. You can even alternate BBAYs with SAYs for a student, provided the academic years don't overlap. A school that has these choices for academic year standards must have a written policy that explains how it applies these options when calculating loan eligibility.

Only term-based credit-hour programs can use a Scheduled Academic Year. Traditional schools may find the SAY a convenient way to standardize loan awards and payments for its students. In some cases, however, a student may have reduced eligibility under an SAY as opposed to a BBAY.

Borrower-based Academic Year (BBAY).

The BBAY's beginning and end dates depend on an individual student's enrollment and progress. For example, a nonterm school that has new students beginning enrollment every month would use a BBAY for each student that begins in the month the student enrolls. A term-based school could use a BBAY for a student attending the spring and summer terms, rather than using an SAY that always begins with the fall semester. Like an SAY, the BBAY must meet the minimum statutory requirements for an academic year. (However, for a program using terms and credit hours, the BBAY can be shorter than 30 weeks if it includes a summer term that is shorter than its regular terms.)

In a program using terms and credit hours, the BBAY must include the same number of terms as the SAY the school would otherwise use (not including any summer session as a "trailer" or "header"). The BBAY may include terms the student does not attend if the student could have enrolled **at least half time** in those terms. However, unlike an SAY, the BBAY must begin with a term in which the student actually enrolled. Also, any mini-sessions (summer or otherwise) that run consecutively **must** be combined and treated as a single term.

For a clock-hour or nonterm program, the BBAY begins when the student enrolls. Because the BBAY must meet the minimum statutory requirements for an academic year, the BBAY must contain at least 30 weeks of instructional time and the appropriate number of credit or clock hours (24 semester or trimester hours, 36 quarter hours, or 900 clock hours). The BBAY does not end until the student has completed the number of weeks **and** the number of hours in the academic year. A

Stafford/PLUS at multiple schools

Unlike Pell Grants, it is possible for a student to get a Stafford (and the parent to receive a PLUS) at more than one school for the same period. But the second school would have to eliminate living costs from the cost of attendance, because those were already accounted for in the first loan. The second school would also have to count the loan at the first school as "estimated financial assistance." If the second school only finds out about the situation later, and it turns out the student received more than the annual maximum, the second school should adjust its aid package to the student to eliminate the overborrowing. If the school is unable to eliminate the overpayment, it must report it to the lender (or to DL Servicing, in the case of a Direct Loan). The lender/servicer will demand payment from the borrower, who can pay the amount in full or make arrangements satisfactory to the lender to repay that amount over a longer period.

student who is attending part-time will take longer to complete the academic year than a full-time student.

Non-term BBAYs based on full-time progress

In many non-term programs, students are allowed to progress at an individual pace. Thus, one student might complete 900 clock hours in 26 weeks, another in 30 weeks, and a third student in 34 weeks. The 30-week academic year minimum is based on the length of time it normally takes a full-time student to complete the coursework for the academic year. Thus, if most of the full-time students take 30 weeks to complete a 900 clock hour program, you do not have to pro-rate the loan amount for the occasional student who completes the program in less than 30 weeks.

Scheduled Academic Year (and treatment of summer terms)

A Scheduled Academic Year is a fixed period of time that generally begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of the spring semester). The SAY generally corresponds to the academic year or calendar that is published in the school's catalog or other materials. An SAY must meet the statutory requirements of an academic year, as described in Chapter 1.

For a program that uses SAYs, a summer term may be part of the academic year that precedes that term (that is, it may be a "trailer"), or it may be part of the academic year that follows that term (that is, it may be a "header"). Your school has the option to establish a policy that designates its summer term as either a trailer or header of the Scheduled Academic Year for all students. It can also choose to make different designations for different educational programs.

Note that a fixed designation of the summer period can limit a student's eligibility. For instance, if you define your Standard Academic Year as two semesters with the summer term as a trailer, a student who attends full-time for the Fall and Spring semesters would have no remaining loan eligibility for Summer.

Borrower-based academic year: Non-term program

Springfield Academy also has an 1800 clock-hour extension program, and defines its academic year as 900 clock hours and 30 weeks of instructional time. The BBAY always begins with the student's actual enrollment date, whether programs start each month, quarter, etc. An enrolling student may receive two Federal Stafford Loans during the program (provided all eligibility criteria are met) because the program exceeds one academic year. The period of enrollment for the first loan would be the time it will take the student to complete 900 clock hours and 30 weeks. The period for the second loan would be the time it takes to complete the final 900 hours/30 weeks.

Note that the student cannot receive the second loan until he/she has completed the first 900 hours of the program AND 30 weeks of instruction. In addition, if the student completes thefirst 900 hours in less than 30 weeks, then the remaining portion of the program will be less than a full academic year, and must be prorated. For instance, if the student has completed 1100 clock hours at the point where 30 weeks of instructional time has elapsed, then the remaining portion of the program is 700 clock hours, and the loan limit for the second academic year would have to be prorated by 700/900. In effect, the remaining portion of the program becomes 2 payment periods of 350 hours each.

550	550	350	350
30 weeks		22 weeks	

Borrower-based academic year: Term examples

The BBAY can also be used by credit-hour term programs—especially in cases where a student is enrolling in a different sequence of terms than the Scheduled Academic Year for that program.

For instance, in example 1a, the Fall and Spring term could be considered either an SAY or BBAY. If the student attends summer session at the school, the aid administrator can elect to treat that term and the next Fall as a Borrower-Based Academic Year. In that case, the following Spring and Summer would also constitute a Borrower-Based Academic Year.

The maximum loan limit for an academic year applies to each of these academic years. If these were the first three years of study for a dependent student and the student progressed a grade level each academic year, he/she would be eligible for maximum Stafford amounts of $2,625, $3,500, and $5,500.

A student doesn't have to attend all of the terms in a BBAY, but the BBAY cannot begin with a term that the student doesn't attend. Thus, in example 1c, if the student does not attend a term that would have been the beginning of a BBAY, then the student's next academic year (either SAY or BBAY) cannot begin until the next term. In examples 1a and 1b, the Summer session can be the beginning of Year 2 of a BBAY for the student.

The same concepts apply to quarter-term programs. For instance, in example 2, the Fall, Winter, and Spring terms constitute the school's Scheduled Academic Year. If the student attends summer session at the school, it can be the first term of a Borrower-Based Academic Year that includes the following Fall and Winter terms.

1. BBAY where 2 semesters =academic year

1a.

Fall	Spring	Summer	Fall	Spring	Summer
Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

1b.

Fall	Spring	Summer	Fall	Spring	Summer
Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

1c.

Fall	Spring	Summer	Fall	Spring	Summer	Fall
Year 1: SAY or BBAY		Year 2: BBAY			Year 3: BBAY	

2. BBAY where 3 quarters =academic year

Fall	Winter	Spring	Summer	Fall	Winter
Year 1: SAY or BBAY			Year 2: BBAY		

Scheduled Academic Year (for programs using terms/credit hours only)

The Springfield Academy offers a two-year program measured in semesters and awarding credit hours. It defines its academic year as two semesters providing 30 weeks of instruction. Springfield has Fall, Spring, and Summer sessions. Springfield Academy defines the summer session as a "trailer" to the Scheduled Award Year.

Most of Springfield's students do not attend the summer session, so the aid office typically certifies Stafford loans for a period of enrollment that starts with Fall classes (August 27) and concludes at the end of Spring exams (May 2). However, there are some first-year students who decide to enroll in the Summer term in order to complete their studies sooner. Those students who were attending part-time or who have progressed to Grade Level 2 have remaining eligibility within Springfield's Scheduled Award Year, so the aid office will certify a loan for their additional eligibility, using a loan period of June 8 to August 21.

Academic year = 2 semesters + summer trailer

Fall	Spring	Summer
Year 1: SAY		

Fall	Spring	Summer
Year 2: SAY		

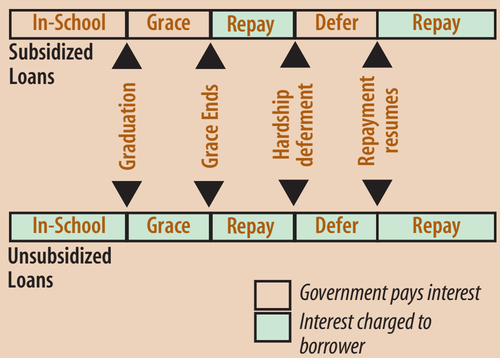
However, you're not required to use the summer term consistently as a trailer or header. For instance, you can use the summer term as a header or as a trailer for different students. You can even use a summer term as a header for one loan period and another summer term as a trailer for the same student, in which case, the SAY can function very much as a BBAY.

The choice of the application year to be used for need analysis purposes can be different than the designation of the term as a header or trailer in an SAY. For instance, you may have a policy that treats the summer term for 2004 as a header to the academic year for the loan, but you may use the EFC from the 2003-2004 FAFSA to determine the student's financial need. However, note that if a student in a summer school session that overlaps two award years is also receiving campus-based aid, you must use the same EFC (from the same application year) for both the campus-based aid and the FFEL/DL loan.

Summer mini-sessions can be grouped together as a single trailer or header, or they can be treated separately and assigned to different SAYs. (See Chapter 1 for treatment of mini-sessions as payment periods.) If the summer mini-sessions are grouped and treated as a single term, the summer cost of attendance cannot include costs for a mini-session for which the student was not enrolled.

A primer on subsidized and unsubsidized loans

There are two types of loans in the Stafford program: subsidized and unsubsidized. The federal government pays the interest on a **subsidized** student loan during in-school status, grace periods, and authorized deferment periods. As a result, subsidized loans are advantageous because they don't cost as much to repay. The borrower is responsible for paying the interest on an unsubsidized student loan during these loan periods, although payments of principal are not due until after the close of the borrower's grace period. The borrower has the choice of paying the interest during these periods or having it capitalized. Capitalization is adding accrued interest to the original loan principal. Capitalized interest increases the principal balance of the loan on which future interest will be calculated. Capitalization may occur as frequently as quarterly although many lenders capitilize less frequently. (i.e., annually or when the borrower's status changes such as from grace period to repayment).



As an example of how capitalization works, let's look at the case of a student in a 4-year program who defers the interest payments on a $2,500 unsubsidized Stafford loan that she received as a freshman. If she completes the program in 4 years and takes advantage of the 6-month grace period, she will begin repayment owing about $3,300 on her loan for the first year (based on the maximum 8.25% interest rate). If the loan was subsidized, or the student paid the interest as it accrued, the student would enter repayment only owing the original $2,500.

Using a standard 10-year repayment plan, the difference in interest payments between a subsidized and unsubsidized loan for her first year of study could amount to as much as $1,339 ($1,913 interest on the unsubsidized loan - $574 interest on the subsidized loan, based on the 8.25% maximum interest rate).

To minimize the debt burden for student borrowers, the law requires that you award subsidized Stafford loans before unsubsidized loans. (We'll discuss this in Chapter 6: Packaging). The need test for a subsidized Stafford Loan is:

Cost of attendance
- EFC
- Estimated financial assistance
Need for subsidized Stafford

It's easier for a student to qualify for an unsubsidized Stafford loan, because the unsubsidized loans can replace the family contribution (as represented by the EFC). This will be also be discussed further in Chapter 6: Packaging

ANNUAL LOAN LIMITS

Stafford Loans have annual loan limits, based on the student's dependency status and grade level. Annual means the academic year. The Stafford amounts that you can award are also limited by financial need, which will be discussed further in Chapter 6 ("Packaging").

Stafford limits for dependent undergraduates

The annual loan limits for a dependent student increase from $2,625 for a *first-year student*, to $3,500 for a *second-year student*, to $5,500 for a *third-, fourth-,* or *fifth-year undergraduate*. These loan limits represent the total of all subsidized and unsubsidized Stafford Loans a dependent undergraduate student may borrow at each level of study, for a single academic year.

Increased Stafford limits for independent students and students whose parents can't get PLUS

Independent undergraduate students may borrow unsubsidized loans with additional loan limits. The additional loan limits also apply to dependent undergraduate students whose parents are unable to borrow PLUS loans due to exceptional circumstances. The regulations give several examples of possible exceptional circumstances affecting the parents' ability to borrow—adverse credit history, incarceration, or income limited to public assistance and disability benefits. Another exceptional circumstance might be if the parents' whereabouts are unknown. However, the parents' refusal to take out a PLUS loan does not constitute an exceptional circumstance.

The following unsubsidized loan limits may be added to the borrower's combined subsidized and unsubsidized loan limits. An independent undergraduate student enrolled in a program of study that is at least an academic year in length may borrow additional unsubsidized loan amounts not to exceed an annual total of–

- up to $4,000 for a *first-* or *second-year student*,
- up to $5,000 for a *third-, fourth-,* or *fifth-year undergraduate*.

Since these additional amounts are unsubsidized, the student's subsidized Stafford limit is equal to the overall limit for a dependent student. For instance, an independent student in the second year of study would be eligible to borrow a total of $7,500 in subsidized and unsubsidized Stafford loans, but no more than $3,500 of this total may be in the form of a subsidized Stafford loan.

Stafford/PLUS Annual and Aggregate Loan Limits
FFEL — 34 CFR 682.204 and 682.201(a)(3)
DL — 34 CFR 685.203
"Dear Colleague" letter GEN 97-3

Example: additional unsub for independent undergraduate
Dottie is a first-year independent undergraduate student at Ferrar's Institute. Her COA is $9,500. Dottie qualifies for a subsidized Stafford Loan of $1,500. She may apply for an unsubsidized Stafford Loan of $5,125 ($1,125 remaining under her initial Stafford Loan limit, plus a $4,000 additional unsubsidized Stafford Loan). Her total loan limit for her subsidized Stafford Loan and her unsubsidized Stafford Loan is $6,625.

PLUS ineligibility
→ Bankruptcy law prohibits a school, lender, guaranty agency, or the Deptartment from considering a person ineligible for FSA loans, grants, or work study award solely because a person has filed for bankruptcy.
However, if the parent has a letter from an attorney stating that that person may not incur additional debt as a term of the bankruptcy filing, that would be sufficient documentation for the school to award additional unsubsidized loans on the basis that there are exceptional circumstances that preclude the parent from borrowing the PLUS.
Source: Bankruptcy Reform Act of 1994
→ A school that doesn't participate in the PLUS program may not award additional Stafford unsubsidized loan funds to dependent students based on parents' inability to get PLUS. (Effective for loan periods beginning on or after July 1, 2000.)
→ A school can refuse to certify a dependent student for additional Stafford based on a PLUS loan denial if the parent could have gotten a loan from an FFEL lender, but "shopped around" to find a lender who would refuse to make a loan.

Annual Loan Limits: Basic Principles

- Annual loan limits are for an academic year, which is not always tied to fixed calendar dates (unlike Pell, which bases its annual limit on a July 1-June 30 award year).
- For a term program, you may use either a Scheduled Academic Year (usually Fall-Spring with a separate summer session) or a "Borrower-based Academic Year" that varies from the student norm (such as Summer-Fall). You may use both the SAY and the BBAY at different times during the student's enrollment.
- For a non-term program, you may ONLY use a Borrower-based Academic Year.
- The loan period can be less than the academic year.
- If a loan period crosses between award years (June 30/July1), you may use the EFC for either application year to determine the student's financial need.
- The weeks of instructional time associated with the academic year (and credit/clock hours for a nonterm program) must elapse before the borrower is eligible for a new annual loan limit.
- The student's maximum annual loan limit increases as the student progresses to higher grade levels.
- In a term-based program using credit hours, the student will become eligible for a higher loan amount if he/she progresses to the next grade level during the loan period.

Grade level progression

As shown above, the annual loan limit for Stafford Loans increases as a student progresses in his/her studies. A student's grade level for loan limit purposes is set according to the school's standards for the time normally required to achieve that grade level. Note that a student must complete 30 weeks of instruction, in addition to the academic credit, in order to advance to the next grade level in a non-term program. For instance, a student who earns 36 quarter-credits over 24 weeks could not progress to the next grade level until another 6 weeks of instruction are completed.

If the student is enrolled at the same grade level and a full academic year has elapsed, the student may be eligible for a new annual maximum amount. For instance, if the student maintains satisfactory academic progress, he or she could conceivably receive two $2,625 Stafford loans while completing the first year of the program. (Your school has the authority to set a limit on the number of times a student can receive the maximum annual loan amount at one grade level, provided that the policy is the same for all students in the program.)

If a program can normally be completed in one year of full- time study, a student in that program can never receive more than the 1st-year annual loan limit in any given year, no matter how long it takes the student to finish. (Similarly, a student in a two-year program can never receive more than the 2nd-year limit for an academic year.)

A student who has already borrowed up to the annual limit within an academic year can receive additional loan funds if the annual limit increases because the student progresses to a grade level with a higher limit (or because his or her dependency status changes to independent.).

Grade level progression

While the law defines minimum coursework for an academic year, it doesn't define how much coursework a student must complete to progress from one grade level to another. A reasonable approach would be to base grade levels on the number of credits required for the program, divided by the number of academic years it takes a typical student to earn that number of credits. For instance, if your school has a baccalaureate program that requires 120 semester hours of work and is typically completed in four years, then you might use a standard of 30 hours completed at each grade level.

Increasing the loan amount when student changes grade level during the loan period

There are two ways to make this change for Direct Loans:
1. Change the grade level in the student's record and increase the award amount of the existing loan to the new amount. The remaining disbursements should be made in two equal amounts. Note, the grade level must be changed or the other actions will be rejected for going over loans limits for the current grade level.
2. Originate a new loan at the new grade level for the applicable amount (the difference between the new loan limit and the already disbursed amount for the year. If the loan period for the new loan is for one term only, it must be disbursed in two installments. (The school would also have to cancel the later disbursements of the first loan and reduce the amountof that loan to equal the amount actually disbursed.)

Remedial work & grade level

Remedial coursework can be counted towards the student's grade level progression, but only if the school's written and officially approved academic grade level progression policy specifies that remedial coursework can be counted for this purpose. Example: School requires that the student complete 30 semester hours to progress to second-year grade level, and specifies that up to 10 of the hours may be in the form of remedial coursework.

For instance, if a dependent student was classified as a 2nd-year student in the fall, he/she might have received as much as $1,750 in the first Stafford disbursement. If the student achieved 3rd-year status based on the coursework completed in the fall semester, the student would now be eligible for the $5,500 Stafford annual limit. If the student had sufficient financial need, you could disburse the difference between the amount the student already received and the new annual limit – $3,750 – in the spring term.

In all cases, the student may borrow the difference between the amount already borrowed within the academic year and the student's new loan limit. Usually, the increase in the loan amount can be made as an adjustment to the student's existing loan rather than making a new loan.

Note that for a nonterm program, the student will never progress to a higher grade level within an academic year and, thus, will only have a change in the loan limit if his or her dependency status changes. In a nonterm program that is longer than an academic year, the student moves to a higher grade level only when he or she completes the BBAY.

Annual limits & 30-week rule for students who change programs or transfer

The annual loan limits are based on an academic year, which is at least 30 weeks in length. The 30-week limit applies to students who change programs at a school or transfer to another school.

If the academic year at the first school overlaps with the academic year at the new school, and program at the new school *doesn't* use terms, the student is restricted to the original annual loan limit until the completion of the first academic year at the new school. For instance, if the student enrolls in a program that runs from Jan 5 to June 15, but then transfers to a 900 clock hour program that begins on April 7, the Stafford amount for the academic year in the new program cannot exceed $2,625, minus the amount received at the first school.

If a student enrolls in a *term-based program* after already having taken out a loan in another program, the student may not receive more than the original annual loan limit until 30 weeks have elapsed from the beginning of the original loan period. For instance, if a student takes out a Stafford loan in late August, and then transfers in January to a program that has a Spring semester (Jan-May), the student could only receive the remainder of the annual loan amount for the Spring semester. If at least 30 weeks have elapsed since the start of the loan period at the first school when the Summer term begins at the second school, the student would be eligible for a new annual loan maximum beginning in the summer. (However, if the second school has a fixed policy that treats the summer as a trailer to its SAY for all students in that program, the student would not regain eligibility for a full annual loan limit until the Fall term.)

Transfers & grade level

If you're awarding a Stafford loan to a student who is transferring from an associate or bachelor's degree program to a program at your school, you may use the loan limits for a student in the 2nd-year or higher level of study if your school classifies the student at that level based on the number of academic credits it accepts from the prior school. (If an associate or bachelor's degree is required for entry into a program at your school, you *must* use the 3rd-year loan limits for a student who transfers to that program.)

Note that the "Eligibility and Certification Approval Report" lists "1-year" as the highest educational program offered by the school if its longest program is 1 year or more, but less than two years in length. Students in programs longer than 1 year can be paid as 2nd year students even though the ECAR lists the school's highest offering as "1-year." For instance, if a student is enrolled in a 1500-hour program, he/she would be eligible for the 2nd-year loan limits after completing 900 clock hours and 30 weeks of instruction. (However, the loan limit would have to be prorated for the final 600 hours.)

Stafford Loan limits for graduate and professional students

The subsidized loan limit for a graduate or professional student is $8,500 per academic year. The additional unsubsidized loan limit for graduate or professional students is $10,000 per academic year. (See the box on the next page for a discussion of situations where a program combines graduate and undergraduate study, or a student with a degree is pursuing an undergraduate program.)

The regulations define a graduate/professional student as a student who is enrolled in a postbaccalaureate or professional degree program *and* has completed the equivalent of 3 academic years of full-time study at an institution of higher education. (Also, note that as student who is receiving aid as an undergraduate student can't be considered a graduate/professional student for that period of enrollment.)

There are several rules to consider if a student is simultaneously taking undergraduate and graduate courses. A student in an undergraduate program can't get the graduate loan limits based on taking graduate coursework as a part of the undergraduate program. In contrast, a graduate student who is taking some undergraduate coursework is eligible for the graduate loan limits if the student is enrolled at least 1/2-time in courses (either graduate or undergraduate) that can be applied to the graduate program requirements. However, the student must already be admitted into the graduate program—a student with a bachelor's degree who is taking preparatory work for graduate school is not eligible for graduate loan limits.

PLUS Loan limits

A PLUS Loan may not exceed the student's estimated cost of attendance minus other financial aid awarded for the period of enrollment. This is the only borrowing limit for PLUS Loans.

Loan limits and work in a prior certificate program

A school may not link two stand-alone 1-year programs by making one a prerequisite for admission to the other so that students beginning the second 1-year program could be classified as second-year students for loan limit purposes. However, hours or credits earned in a prior certificate program could be used to classify a transfer student at a grade level higher than grade level 1, if the student transfers into a program that is greater than one academic year in length and the new school accepts a year's worth of credits/hours from the prior program. For instance, if a school admits a transfer student from a certificate program and accepts 900 clock hours that the student earned towards its 1500-hour program, the student could be eligible for the 2nd-year loan limits if other students in the program are eligible for 2nd-year loan limits after completing the first 900 hours of the program.

Graduate & professional cites

➔ FFEL grad/prof limits:
34 CFR 682.204(a)(5), (c)(2), and (d)(5)

➔ DL grad/prof limits
34 CFR 685.203(a)(5), (b), and (c)(2)(v)

➔ Definition of graduate/professional student:
• is enrolled in a program that is above the baccalaureate level or leads to a first professional degree,
• has completed the equivalent of at least 3 academic years of full-time study at an institution of higher education (either before entrance to the program or as part of the program itself), and
• is not receiving undergraduate aid as an undergraduate student for the period of enrollment.
34 CFR 682.200(b)

Graduate vs undergradate limits: special cases

◆ **Combined undergraduate/graduate programs.** Some programs combine undergraduate and graduate study, where the years of undergraduate study are part of the same program as the period of graduate study. For instance, in a 5-year program, the school may define the first 3 or 4 years of study as being undergraduate level. Or in the case where the school admits a student into a 5-year program leading to a graduate degree, accepting 2 years of academic credit for prior education coursework, the student could reach graduate/ professional status for Stafford Loans after 1 additional year of study.

There can be even more complicated "dual degree" program scenarios where the school decides at what point the student has achieved graduate status, based on the definition of a graduate/professional student. To simplify matters, you may designate when students in a given program are considered graduate students, rather than tracking the individual courses a student is taking. (Exceptions can be made on a case-by-case basis—your decision should be consistent with your school's overall treatment of the student's graduate status.)

◆ **Students returning for second degree.** If a student with a baccalaureate degree enrolls in another baccalaureate program, his/her loan limits would be based on the amount of work that the school counts towards satisfying the requirements of the new program. For instance, if your school decides to accept 30 hours of a student's work in her previous baccalaureate program towards the requirements for a BS in Chemistry at your school, then the student would be eligible for second-year undergraduate loan limits.

◆ **Undergraduate student with graduate degree.** If a student who previously received undergraduate and graduate degrees returns to school to complete a second undergraduate program, only the loans that the student received for the first undergraduate program are included in determining the student's remaining loan eligibility for the second undergraduate program. If the total amount received for the first undergraduate program does not exceed the undergraduate aggregate loan limits, the student may receive additional funds for the second program, up to the undergraduate aggregate limits.

Although loans received for graduate study are not counted toward a student's undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits.

◆ **BA or AA but not a grad/professional student.** A student who has an associate or baccalaureate degree that is required for admission into a program, but is not a graduate or professional student, is eligible for the highest undergraduate loan limits ($5,500 for dependent student; additional $5,000 in unsubsidized Stafford for independent students & students without PLUS.)

Preparatory & teacher certification coursework

In Volume 1, Chapter 6, we discussed three instances where a student may receive a Stafford loan for coursework that is not part of an eligible program. If the student and the academic program meet the conditions described in that Volume, and the annual loan limits are:

◆ *Preparatory coursework required for enrollment in an undergraduate degree or certificate program—course of study not to exceed 12 consecutive months.* $2,625 sub/unsub Stafford for a dependent student; and $4,000 additional unsub Stafford for a student without recourse to PLUS.

◆ *Preparatory coursework required for enrollment in a graduate or professional program—does not have to be prorated in cases where the program is less than an academic year.* $5,500 sub/unsub Stafford for a dependent student; and $5,000 additional unsub Stafford for a student without recourse to PLUS.

◆ *Coursework necessary for state certification (or professional credential) required for teaching—students who already have a baccalaureate degree.* $5,500 in subsidized Stafford Loans and $5,000 additional in unsubsidized Stafford Loans.

PRORATING ANNUAL LOAN LIMITS FOR STAFFORD LOANS (UNDERGRADUATE ONLY)

The maximum amount an undergraduate student may borrow must be prorated in certain situations:

- when the student is enrolled in a program that is shorter than a full academic year, and
- when the student is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

If a student drops or adds a course after you have originated a prorated loan, you *may* readjust the loan amount if the cost changes because of the dropped courses, but you are not required to do so. Of course, a student who drops courses must still be enrolled *at least half time* to be eligible for any loan amount.

Please bear in mind that proration does not necessarily affect the amount of the loan. For instance, if a student's prorated loan limit is $2,100, but the student was only eligible for a $2,000 subsidized Stafford Loan based on costs, EFC, and other aid, then the proration would not affect the amount of the subsidized Stafford Loan.

Prorating loan limits for programs of study shorter than a full academic year

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the *lesser* of —

$$\frac{\text{Semester, trimester, quarter or clock hours enrolled in program}}{\text{Semester, trimester, quarter or clock hours in academic year}}$$

or

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year (at least 30)}}$$

The result is the adjusted annual loan limit for that program. (You may express these fractions as decimals to see more easily which is less or to calculate the prorated limit.)

Prorating loan limits for remaining periods of study shorter than an academic year

You must also prorate loan limits for students enrolled in remaining periods of study shorter than an academic year. This can occur when a student is enrolled in a program that is one academic year or more in length, but the remaining period of study needed to complete the program will be shorter than an academic year. (It does not apply to cases where the actual period of enrollment

Using school's definition of academic year if > FSA minimum

A school may choose to define its academic year as longer in weeks or hours than the minimum statutory requirements. If so, then it's the school's standard – not the statutory minimum – that applies when determining whether a program or a final period of study is shorter than an academic year.

turned out to be less than an academic year because the student withdrew.)

At a *term-based credit-hour* school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a remaining period of study is considered shorter than an academic year if the remaining period consists of fewer terms than the school's scheduled academic year. For example, a student might have completed two academic years of study at a community college and received two Stafford Loans, but need to attend an additional quarter term to complete his/her program requirements. The final quarter term would fall in a new academic year, and thus the loan maximum would have to be prorated, because the remaining period of study is less than a full academic year. Terms within the same academic year as the student's final term are considered part of the final period of study, even if separated from the final term by a term in which the student is not enrolled.

At a *term-based clock-hour* school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a remaining period of study is considered shorter than an academic year if the final period consists of fewer terms than the school's scheduled academic year **or** fewer clock hours than the minimum statutory requirement for a full academic year. As with credit-hour terms, all terms within the same academic year are considered part of the final period of study, even if separated from the final term by a term in which the student is not enrolled.

At a *non-term* school (where programs are measured only in clock or credit hours), a remaining period of study is considered less than an academic year if the remaining period consists of fewer clock or credit hours than the minimum statutory requirement for a full academic year.

In each of the cases where there is a remaining portion less than an academic year, the annual loan limit for the student's grade level is multiplied by the following fraction to determine the prorated loan limit. There is no comparison of weeks and hours. *Hours are always used.*

$$\frac{\text{Semester, trimester, quarter or clock hours enrolled in program}}{\text{Semester, trimester, quarter or clock hours in academic year}}$$

Stafford Loan proration

FFEL: 34 CFR 682.204(a), (d)
Direct Loans: 34 CFR 685.203(a), (c)

When and when not to prorate

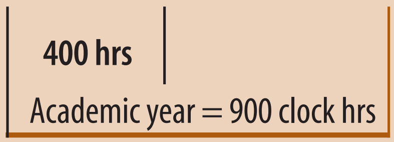
You must prorate a Stafford Loan:
- if the academic program is shorter than an academic year, or
- the student's remaining period of study is shorter than an academic year.

Note on fractions and decimals for prorating Stafford Loans

It is acceptable to convert the fraction to a decimal and then multiply the annual loan limit by the decimal, but this is not a requirement. You may still choose to multiply the annual loan limit by the original fraction. However, you should be consistent in the method you use, since the fraction and decimal calculations sometimes result in slightly different prorated loan limits. (The decimal method will generally—if not always—result in an amount that is equal to or slightly higher than the amount calculated using the original fraction.)

Proration examples for programs shorter than an academic year

Program = 400 clock hrs

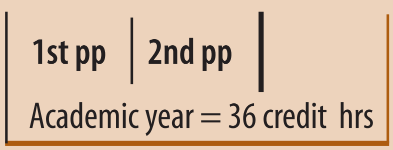


Jill is a dependent student enrolled in a 12-week program at Hancock Career College. HCC defines the academic year for this program as 900 clock hours providing 30 weeks of instruction. Measured in clock hours, Jill's program is 400 clock hours long.

To determine the maximum loan amount she can borrow, convert the fractions based on weeks (12/30 = .40) and hours (400/900 = .44) to decimals. Multiply the smaller decimal (.40) by the first-year annual loan limit: $2,625 x .40 = $1,050.

The maximum combined subsidized and unsubsidized loan amount Jill can borrow for the program is $1,050.

Program = 24 quarter hours



Morgan is an independent student enrolled in a program at Hancock Career College that provides 24 quarter hours and 20 weeks of instruction. HCC defines the academic year for this program as 36 quarter hours providing 30 weeks of instruction.

To determine the maximum loan amount she can borrow, convert the fractions based on weeks (20/30 = .67) and quarter hours (24/36 = .67) to decimals. Multiply the smaller decimal (in this case, both are .67) by the first-year annual loan limits for subsidized and unsubsidized Stafford:

$6,625 x .67 = $4,439 total Stafford
$2,625 x .67 = $1,759 subsidized

The maximum combined subsidized and unsubsidized Stafford amount Morgan can borrow for the program is $4,439, with the subsidized loan amount limited to $1,759.

Proration example for remaining period less than an academic year

Academic year= 3 quarters
Remaining period = 1 quarter

Fall	Winter	Spring
Academic year = 3 quarters		

Fall	Winter	Spring

Fall	Winter	Spring

Rudy has attended 6 quarters in a 2-year program at Beulah Community College, but to finish the program, he needs to attend an additional quarter as a half-time student (6 quarter hours). Rudy is a dependent undergraduate student, and BCC defines its academic year as 36 quarter hours and 30 weeks of instruction.

To determine the prorated Stafford loan limit, convert the fraction based on hours (6/36 = .17) to a decimal. Multiply this decimal by the second-year undergraduate annual loan limit: $3,500 x .17 = $595.

Academic year= 2 semesters
Remaining period = 1 semester

Fall	Spring	Summer

Fall	Spring	Summer

Rudy transfers to a BA program at Lacy Springs College. By taking 18 hours a semester, he will be able to graduate in the Fall term of his second year. Rudy is a dependent undergraduate student, and Lacy Springs defines its academic year as 24 credit hours providing a total of 30 weeks of instruction.

To determine the prorated Stafford loan limit, convert the fraction based on hours (18/24 = .75) to decimal. Multiply this decimal by the fourth-year undergraduate annual loan limit:
$5,500 x .75 = $4,125.

Proration example for remaining period with separated terms

Fall	Winter	Spring
enrolled	not enrolled	enrolled

O'Donnell Institute has an academic year that consists of three quarters: fall, winter, and spring. Rosie will be enrolling in the fall and spring quarters, but not the winter quarter, and will graduate at the end of the spring quarter.

Because the fall quarter is in the same academic year as Rosie's final quarter, it is part of the final period of study, even though there is a term between the final quarter and the fall quarter in which she will not enroll. Because the fall quarter is part of the final period of study, the loan Rosie receives in the fall must be prorated, just as her spring loan must be prorated.

AGGREGATE LOAN LIMITS

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional Stafford Loans.

The maximum outstanding **total subsidized and unsubsidized** Stafford Loan debt is:

- $23,000 for a dependent undergraduate student,
- $46,000 for an independent undergraduate student (or a dependent undergraduate student whose parents do not qualify for PLUS loans). No more than $23,000 of this aggregate amount may be in the form of subsidized loans.
- $138,500 for a graduate or professional student (including loans for undergraduate study). No more than $65,500 of this aggregate amount may be in the form of subsidized loans.

The loan amounts counted towards these maximums include any outstanding amounts borrowed in the form of Stafford Loans or Supplemental Loans for Students program (the discontinued SLS program). In the case of Consolidation Loans, the outstanding amounts of any underlying Stafford or SLS loans are counted towards the loan limits.

Checking loan amounts on NSLDS

If a student at your school has FSA loans that were received at other schools, you may need to check the National Student Loan Data System (NSLDS) Web site to make sure the student still has remaining eligibility under the loan limits.

As long as there is no conflicting information, you may rely on the financial aid history (provided on the ISIR as well as the NSLDS Web site) and the Transfer Student Monitoring process to tell you if a student is about to exceed the aggregate Stafford loan limits. (The NSLDS financial aid history may affect eligibility for other FSA programs, so it is discussed in more detail in Volume 1, Chapter 3.)

If you find out, through the NSLDS or any other means, that a student is not eligible and/or was not eligible for aid previously disbursed, you may not disburse additional funds and must help the lender or the DL Servicing Center in requiring the student to make arrangements to repay any funds the student was not eligible to receive.

If you need to review your student's loan history on NSLDS , keep in mind that the loan amounts for any Stafford or SLS loans that were once in repayment status may include accrued interest, collection cost, fees, and/or capitalized interest. None of these charges should be included when you're checking to see how much the student has borrowed against the aggregate limits for subsidized Stafford loans and total Stafford borrowing.

Aggregate Loan Limits

FFEL: 34 CFR 682.204(b), (e)
DL: 34 CFR 685.203(d), (e)
Note that the Higher Education Amendments of 1998 provided that interest capitalized on unsubsidized Stafford Loans is not counted against the borrower's aggregate loan limits.

Effect of change in student status on aggregate loan limits

In some cases, a student may qualify for higher loan limits, but then lose the eligibility for the higher limits. This could happen because the parents received a PLUS loan after having been denied in previous years, because the student reverted to dependent status, or because a student with a graduate degree entered an undergraduate degree program.

In these cases, you only count the loan amounts that the student would have gotten under their *current* eligibility as an undergraduate or dependent student. For instance, if a dependent student received additional unsubsidized Stafford amounts for the first 3 years at your school because a parent was denied a PLUS loan for each of those years, but a parent was eligible to borrow PLUS for the student's fourth year, the student would be eligible for the following Stafford amounts:

1st year (independent)= $6,625
2nd year (independent) = $7,500
3rd year (independent) = $10,500
4th year (dependent) = $5,500

Only $11,625 of the loans received in the first 3 years are counted against the $23,000 aggregate loan limit for a dependent undergraduate student, so the student may receive the entire 4th-year maximum loan amount, even though it brings the overall loan total to $30,125.

If you can document that the student is eligible for FSA funds despite the information shown on NSLDS, you may award and disburse aid. An example would be if the NSLDS Financial Aid History page of the SAR or ISIR shows that the student has a defaulted loan, but you have obtained documentation from the holder of the loan that the borrower had made "satisfactory arrangements to repay."
GEN-96-13, Q&A 37

To avoid counting interest and other charges, use the **aggregate outstanding principal balance (Agg OPB)** shown in NSLDS for each of the student's outstanding Stafford loans. For instance, if the student has been making payments on a $2,625 loan and the outstanding principal balance is now $2,100, count the $2,100 towards the student's aggregate loan limit.

Using NSLDS to establish the subsidized and unsubsidized Stafford portions of a Consolidation Loan

The **Agg OPB** shown in NSLDS for a Consolidation Loan may include payoff amounts on the underlying loans that should not be counted toward the aggregate loan limits.

The subsidized and unsubsidized amounts of Direct Consolidation Loans have always been reported to NSLDS along with the total loan amount. The specific amounts for underlying subsidized and unsubsidized loans are not available for FFEL Consolidation Loans from private lenders, but NSLDS now provides an estimate of the Subsidized, Unsubsidized, and "Unallocated" amounts included in an FFEL Consolidation Loan.

Since Stafford and Perkins loans are reported to NSLDS, the system will be able to properly categorize those loans. (Perkins Loans are not counted towards the Stafford loan limits, but loans from the SLS program in the 1980s are included, because SLS was a forerunner of today's unsubsidized Stafford Loan.)

However, the FFEL Consolidation Loan may include some loans that NSLDS can't identify, such as loans from the Health and Human Services programs. If NSLDS can't determine from the reported underlying loans whether part of a FFEL Consolidation Loan should be counted as subsidized or unsubsidized, it will report that portion as "Unallocated."

When to review "unallocated" amounts for an FFEL Consolidation Loan

In general, you only need to review unallocated amounts if the student is near the aggregate limits and reducing the unallocated amount would enable the student to borrow additional loans.

For example, if the "unallocated amount" would not affect the award limit even if it turned out to be composed of subsidized Stafford amounts, you could make a new subsidized Stafford loan to a student without checking further.

Excluding capitalized interest or a PLUS or HHS loan

If the unallocated or subsidized amounts in the Consolidation Loan could make a difference in the student's remaining loan eligibility, then you must find out if any of the unallocated amount includes loan debts that don't count towards the Stafford limits.

If you can identify the source of the subsidized or unallocated portions of the Consolidation Loan, you can determine whether

NSLDS on the Web

You can review the complete student loan history for your students and generate reports on the NSLDS Web site for aid professionals:
https://www.nsldsfap.ed.gov/

NSLDS guides & help center

Guides for Enrollment Reporting, Transfer Student Monitoring and other user documentation are currently posted on IFAP under "Current FSA Publications" or "On Line References."
Also see NSLDS Newsletter #6 on IFAP for more specific information on how the OPB and Agg OPB are calculated in NSLDS.
Technical assistance for NSLDS is available by calling :
1-800-999-8219

Status codes that indicate loan has been consolidated

- **PC**—Paid in Full Through Consolidation Loan
- **PN**—Non-defaulted; Paid in Full Through Consolidation Loan
- **DN**—Defaulted, Paid in Full Through Consolidation Loan
- **PF**—Paid-in-Full ***NEW***
- **DP** —Defaulted Paid-in-Full ***NEW***

You can find a list of status codes and their definitions by clicking on "?" located in the upper right-hand corner of the NSLDS screen.

PF and DP loan status codes now assumed to be "underlying" loans

Because many data providers have been using PF (Paid-in-Full) and DP (Defaulted Paid-in-Full) to identify loans that have been consolidated, NSLDS now treats loans with these codes as underlying loans that have been consolidated. The new treatment of PF and DP loans began on August 25, 2003.

Previously, only loans identified as PC, PN, and DN were counted as underlying loans. This change means that NSLDS will not include loans with Status Codes of PF and DP, as well as PC, PN, and DN, when calculating the student's Outstanding Aggregate Principal Balance. (Dear Partner Letter GEN-03-12 describes how this change was made in the NSLDS system.)

those amounts count against the aggregate Stafford limit. The following types of indebtedness may be included in the "unallocated" or "subsidized" amounts, but should not be counted towards the aggregate Stafford limit:

- capitalized interest on the underlying loans (NSLDS will exclude these amounts if they are identifiable),
- underlying loans from the borrower's spouse,
- an HHS loan (HHS loans are not reported to NSLDS, so we are unable to automatically exclude them), and/or
- PLUS loans (NSLDS is being modified to exclude PLUS loans from the FFEL Consolidation Loan calculations).

Using Disbursed Amount or Aggregate OPB to establish the amounts borrowed through underlying loans

Since students generally consolidate all of their open loans at one time, you can usually find the underlying FSA loans by looking at the disbursement date and amount disbursed of the consolidation loan and comparing it to the student's earlier loans. (If the payoff is completed on those loans, they will have a code of PC, PN, DN, PF, or DP.) If the underlying loan is paid off, you may use the Disbursed Amount to determine the aggregate subsidized Stafford and unsubsidized Stafford amounts within the Consolidation Loan. (This will exclude any capitalized interest.) For loans that have not been paid off, use the Aggregate Outstanding Principal Balance. You should document your findings or calculations for audit purposes.

In some instances, because of timing or coding problems by the entities reporting to NSLDS, not all of the loans that made up a Consolidation Loan will be included in the NSLDS. *Schools are only responsible for data that is available in the NSLDS.* However, if you have doubts, it would be prudent to review the student's Consolidation Loan paperwork to determine the portion of the consolidated loan that must be considered subsidized or unsubsidized.

Situations where NSLDS may double-count the Consolidation Loan and the underlying loans

To avoid double-counting the Consolidation Loan and its underlying loans, we've modified NSLDS to exclude a Consolidation Loan from the aggregate amount if it was made in the previous 60 days and none of the underlying loans have yet been reported as paid off (NSLDS Loan Status Code of PC, PN, DN, PF, or DP). Since the underlying loans are still in an open status, they will be reflected in the aggregate totals, but the consolidation loan will not.

You may find cases where some but not all of the underlying loans are shown as consolidated, thus triggering the inclusion of the Consolidation Loan. In this case, NSLDS is also including the outstanding principal balance of the underlying loans that have not

Financial Aid History Requirement & NSLDS

To ensure that a student doesn't exceed the annual and aggregate Stafford Loan limits, the student's FAFSA data is matched with the National Student Loan Data System and the student's loan history is included in the ISIR. If a student transfers to your school, you must inform NSLDS so that it can begin the Transfer Student Monitoring process. More detailed information on how this requirement applies to all of the FSA programs can be found in Volume 1, Chapter 3 of the FSA Handbook.

School's responsibilities for checking NSLDS data

In some instances, because of timing or coding problems by lenders and guaranty agencies, all of the loans that made up a consolidation loan will not be included in the NSLDS. Schools will be responsible only for the data contained in the NSLDS and are not expected to research further or to make assumptions regarding other non 'PC' loans contained in the NSLDS.

...a school could also review the consolidation paperwork that the student has to determine the portion of the consolidated loan that must be considered subsidized or unsubsidized.

GEN-96-13, Q&As 54 and 55

Example: Consolidation and Stafford Loan Limits

An independent undergraduate student transfers to your school to complete her fourth year of baccalaureate study. She applies for a Stafford Loan and has financial need for the maximum annual loan amount ($5,500 in subsidized Stafford and $5,000 in unsubsidized Stafford). Her NSLDS record indicates that she has an Agg OPB of $24,625 on a Consolidation Loan made by a FFEL lender. Because the undergraduate aggregate subsidized limit is $23,000, you cannot disburse any subsidized loan funds unless you can determine that the total amount of subsidized Stafford loans represented in the consolidation amount is less than $23,000.

The student's loan record shows that her Consolidation Loan was made on August 30, 2000. She previously had three subsidized loans that were paid through consolidation (PC) earlier in July and August. The Disbursed Amounts for her loans are: $2,625 for her first-year loan, $3,500 in her second year, and $5,500 in her third year. The NSLDS record also shows two unsubsidized loans, paid-in-full in July and August, which she received in her second and third years, when she qualified as an independent student.

STAFFORD LOANS (CONSOLIDATED)		STAFFORD LIMIT	REMAINING ELIGIBILITY
Subsidized	$2,625		
Subsidized	$3,500		
Subsidized	$5,500		
TOTAL SUBSIDIZED	$11,625	$23,000	$11,375
Unsubsidized	$4,000		
Unsubsidized	$5,000		
TOTAL SUB + UNSUB	$20,625	$46,000	$25,375

Adding the loans up, we can see that the student has received a total of $11,625 in subsidized Stafford and an overall total of $20,625 in Stafford funds.* Therefore, you may pay the student her full loan amounts ($5,500 subsidized and $5,000 unsubsidized) without exceeding the aggregate Stafford loan limits for an independent undergraduate.

*There are several possible reasons why the $25,000 Consolidation Loan is greater than the total Stafford borrowed ($20,625)— the Consolidation amount may include Perkins or health loans that have been consolidated, and it may include capitalized interest or other charges.

Loan History

Aggregate Loan Information

Loan Type	Outstanding Principal Balance	Pending Disbursements	Total
Subsidized Loans	$11,625	N/A	$11,625
Unsubsidized Loans	$9,000	N/A	$9,000
FFEL Consolidation Loans, Unallocated	0		2,625
Combined Loans	$20,625	N/A	$20,625
FFEL Consolidation Loans	?		2,625
Perkins Loans	$2,000		$2,000

yet been consolidated. Rather than waiting until the rest of the underlying loans have been updated in NSLDS, you can use NSLDS to find the underlying FSA loans, re-calculate the aggregate totals, and award new loans as may be appropriate for that student.

Unallocated loan amounts that are counted towards the aggregate limit

Unallocated amounts can also include underlying loan balances that *do* count towards the student's aggregate loan limits –

- The underlying loan may have been closed with a PF or DP status code instead of a PC, PN, or DN code and therefore was not included in the computation.
- An FFEL or Direct Loan did not yet get added to NSLDS because of an edit condition.

EFFECT OF OVERBORROWING

If you find out that a student has inadvertently received more than the annual or aggregate Stafford loan limits, you cannot award *any* FSA funds until the overborrowing is resolved. The student can regain eligibility for aid from other FSA programs (such as Pell Grants) by making satisfactory arrangements with the Stafford lender (or the DL servicer) to repay the amount that exceeded the Stafford annual or aggregate loan limits.

A student is ineligible for additional aid from the FSA programs if he or she has borrowed in excess of an annual or aggregate loan limit. If the receipt of the excess loan funds was inadvertent on the student's part, only the amount that exceeded the annual or aggregate program maximum must be repaid by the borrower. The student may also regain eligibility for additional FSA funds by making arrangements, satisfactory to the holder of the loan, to repay the excess loan amount. The holder of the loan may choose to develop a repayment plan that has the borrower reaffirm that he or she will repay the excess according to the terms and timing of the original promissory note.

Note that you cannot award further Stafford loan funds to the student until he or she has repaid enough of the previous loans to once again be eligible to borrow under the applicable subsidized and total loan limits. For example, a dependent undergraduate who inadvertently exceeded the $23,000 subsidized limit could not receive any additional loan funds as a dependent undergraduate unless the outstanding debt was paid down below the $23,000 limit. However, an independent undergraduate who inadvertently exceeded the $23,000 subsidized limit might be able to borrow additional unsubsidized Stafford once he or she makes satisfactory arrangements to repay the subsidized amount that exceeds $23,000.

Method used in NSLDS to estimate subsidized and unsubsidized FFEL amounts

- **Calculated Subsidized Agg. OPB**
- **Calculated Unsubsidized Agg. OPB**
- **Calculated Unallocated Agg. OPB**

NSLDS takes the total amount originally disbursed for all of the identified underlying subsidized loans and divides that amount by the originally disbursed amount of the Consolidation loan, which approximates the percentage of the total original consolidation loan that can be attributed to the subsidized loans. This percentage is then applied to the current outstanding balance of the Consolidation loan with the result being the amount that is included in the NSLDS calculation of the total amount of Subsidized loans for the student.

A similar process is followed to allocate the unsubsidized amount.

NSLDS subtracts the total of the calculated subsidized and unsubsidized outstanding balance amounts from the actual outstanding balance of the consolidation loan. Any balance is considered to be "unallocated."

NSLDS assumes the amount was borrowed from the FFEL or Direct Loan programs and is included in the total combined balance. However, none of the "unallocated" amount is included in the Subsidized balance as it is unlikely to have come from a Subsidized Loan.

Example: Resolving cases of overborrowing

Beth, an undergraduate student, is applying for a Stafford loan for her fifth and final year of baccalaureate study at your college. At first, she appears to be within the aggregate limit for undergraduate subsidized Stafford loans.

However, you have recently become aware that Beth previously borrowed Stafford loans while attending a community college several years prior to coming to your college.

STAFFORD LOANS

Subsidized BANKONE 1991 .... $2,625
Subsidized BANKONE 1992 .... $3,500

Subsidized BANKTWO 1998 .... $2,625
Subsidized BANKTWO 1999 .... $3,500
Subsidized BANKTWO 2000 .... $5,500
Subsidized BANKTHREE 2001 .... $5,500

TOTAL SUBSIDIZED $23,250

In fact, your review of her NSLDS records indicates that Beth has borrowed $250 in subsidized Stafford loans in excess of the aggregate undergraduate limit. Because the loan made by BANKTHREE was the one that exceeded the loan limit, Beth needs to make arrangements with BANKTHREE to repay the amount for which she was not eligible.

When BANKTHREE has confirmed that Beth has made satisfactory arrangements to repay the excess loan amount, you may make other FSA awards to Beth, including unsubsidized Stafford loans.

You can't make a subsidized Stafford loan to Beth until she has repaid the $250 that exceeds the aggregate subsidized Stafford loan limit *and* further repaid enough of her outstanding balance to be eligible for the Stafford amount that you intend to award to her. (For instance, you could not award her a new $5,500 Stafford Loan until she has reduced her outstanding balance to $17,500.)

Annual Limits for Stafford Loans

	Subsidized	*Total (subsidized & unsubsidized)*
Dependent Undergraduates		
First Year	$ 2,625	$ 2,625
Second Year	$ 3,500	$ 3,500
Third Year and Beyond	$ 5,500	$ 5,500
Independent Undergraduates, &tc.		
First Year	$ 2,625	$ 6,625
Second Year	$ 3,500	$ 7,500
Third Year and Beyond	$ 5,500	$ 10,500
Graduate & Professional Students		
All Years of Study	$ 8,500	$ 18,500

Note: All undergraduate annual loan amounts are subject to proration.

Aggregate Limits for Stafford Loans

	Subsidized	*Total (subsidized & unsubsidized)*
Dependent Undergraduates	$ 23,000	SAME
Independent Undergraduates, &tc.	$ 23,000	$ 46,000
Graduate & Professional Students	$ 65,500	$ 138,500

Note: Certain health professions students may qualify for higher annual & aggregate limits—see discussion at the end of this chapter.

Example: Combined Loan Limits

An independent student receives the following loan amounts for a first undergraduate program and a graduate program:

	First undergraduate program:	**Graduate program:**	**Total:**
subsidized	**$20,500**	**$45,000**	**$65,500**
unsubsidized	**$10,000**	**$40,000**	**$50,000**

The student has now enrolled in a second undergraduate program. Only the loans received for the first undergraduate program are counted toward the student's *undergraduate* aggregate loan limit. Because the total amount received for the first undergraduate program ($30,500) does not exceed the aggregate loan limit for an independent undergraduate ($46,000, maximum $23,000 subsidized), the student has remaining loan eligibility of up to $15,500 for the second undergraduate program.

However, the loans received for the graduate program must be considered in determining whether the student has exceeded the *total* aggregate loan limits. In this case, the total subsidized amount already received ($65,500) is the maximum subsidized amount that a student may receive for undergraduate and graduate study combined. Therefore, the student may receive only unsubsidized loans for the second undergraduate program.

Stafford/PLUS Award Rules & Summer Sessions

* The Stafford maximum loan limit is applied to an academic year, not an award year or a calendar year.

* In a program offered in terms, the program's academic year is defined by the number of semester, quarters, or trimesters (at least two).

* A school may use either an SAY or a BBAY for students in a term program.

* Unless a school doesn't have a summer term, an SAY would normally be assumed to include a summer trailer or header. A school may designate the summer term as a header or trailer on a student-by-student basis. The school may use both designations at different times in the program for the same student, paying one summer as an SAY trailer and another as an SAY header.

* There can be more than one loan period in an academic year, but the sum of the Stafford loans given in that academic year may not exceed the annual maximum.

* A school using an SAY with a summer trailer may process one loan with a fall-spring loan period, and a second loan with a summer-only loan period, if the student hasn't already received the annual limit of Stafford in fall/spring.

* In a traditional fall-spring-summer semester program, a student could have remaining loan eligibility in the summer term if he/she did not request the full amount in fall/spring, or if the school declined to certify the loan for fall/spring in the full amount (this would have to be a case-by-case decision).

* If the student doesn't have remaining eligibility (under the annual loan limit) for a summer trailer in an SAY, the school could start a new academic year, either as an SAY with the summer as a header, or as a BBAY.
If the summer is considered the header of a new SAY, in a semester program, the annual loan limit will apply to the summer-fall-spring semesters. If the summer is the beginning of a BBAY, the annual loan limit would only apply to summer-fall semesters, provided that 30 weeks of instructional time has elapsed in that period.

Increased Eligibility for Health Professions Students

The Health Education Assistance Loan (HEAL) Program, a loan program for health professions students administered by the Department of Health and Human Services, was gradually phased out beginning in 1995. The phaseout has now been completed, and no further HEAL Program loans are being made. To replace loan funds that otherwise would have been available under the HEAL Program, certain health professions students may borrow increased unsubsidized Stafford Loan amounts.

With the complete phaseout of HEAL, the Department has removed the earlier restrictions that limited participation to schools that had disbursed HEAL loans in fiscal year 1995 and to students who, as of October 1, 1995, were not HEAL borrowers.

Increased unsubsidized amounts

For any loan period beginning on or after May 1, 1999, schools may award the increased unsubsidized amounts to students who are enrolled full-time in a health professions discipline that (1) was eligible under the HEAL Program and (2) is accredited by an approved accrediting agency. (See "Dear Partner" Letter GEN-99-21.) The disciplines that were eligible under the HEAL Program and the approved accrediting agencies for these disciplines are shown in the loan limit chart on the next page for the increased unsubsidized amounts. Note that the HEAL Program required a need analysis test, while need analysis (represented by the EFC) is not required for unsubsidized Stafford loans.

Increased annual loan limits

Because the increased annual unsubsidized Stafford Loan limits are intended to replace funds that would have been available previously under the HEAL Program, the annual loan limits for the increased unsubsidized amounts are the same as the HEAL Program annual loan limits. The chart on the next page shows the annual loan limits for the increased unsubsidized amounts, which vary by discipline and academic year (AY) length, as well as the approved accrediting agency for each discipline.

Increased aggregate loan limits

Graduate and Professional. The combined subsidized/unsubsidized aggregate loan limit for graduate and professional health professions students who are eligible to receive the increased unsubsidized amounts is $189,125 (not more than $65,500 of this amount may be in subsidized loans).

This increased aggregate loan limit would permit a student to receive the current maximum Stafford annual loan limits for four years of undergraduate study ($6,625 + $7,500 + $10,500 + $10,500) and four years of graduate/professional study ($18,500 x 4), plus the maximum increased unsubsidized loan limit for a 9-month academic year for four years of graduate/professional study ($20,000 x 4).

Undergraduate. The combined subsidized/unsubsidized aggregate loan limit for undergraduate health profession students (Bachelor of Science in Pharmacology) who are eligible to receive the increased unsubsidized amounts is $70,625 (not more than $23,000 of this amount may be in subsidized loans).

This increased aggregate loan limit would permit a student to receive the current maximum Stafford annual loan limits for five years of undergraduate study ($6,625 + $7,500 + $10,500 + $10,500 + $10,500), plus the maximum increased unsubsidized loan limit for a 9-month academic year for the fourth and fifth years of undergraduate study ($12,500 x 2).

Effect of transfer to non-health profession program of study

If a student receives the additional Stafford loan amounts on the basis of study in a health profession program, but then leaves that program and enters a program in a different field, the student is no longer eligible for the increased Stafford loan limits. However, the additional loan amounts received on the basis of health professions study are not counted toward the normal aggregate Stafford loan limit for that student.

Programs Eligible for:

Additional $20,000 in Unsubsidized Loans for a 9-month Academic Year
Additional $26,667 in Unsubsidized Loans for a 12-month Academic Year

Doctor of Allopathic Medicine	Accreditation: Liaison Committee on Medical Education
Doctor of Osteopathic Medicine	Accreditation: American Osteopathic Association, Bureau of Professional Education
Doctor of Dentistry	Accreditation: American Dental Association, Commission on Dental Accreditation
Doctor of Veterinary Medicine	Accreditation: American Veterinary Medical Association, Council on Education
Doctor of Optometry	Accreditation: American Optometric Association, Council on Optometric Education
Doctor of Podiatric Medicine	Accreditation: American Podiatric Medical Association, Council on Podiatric Medical Education

Additional $12,500 in Unsubsidized Loans for a 9-month Academic Year
Additional $16,667 in Unsubsidized Loans for a 12-month Academic Year

Master of Science in Pharmacology (also 4th & 5th yr. Bachelor's & some Doctorate students)*	Accreditation: American Council on Pharmaceutical Education
Graduate in Public Health	Accreditation: Council on Education for Public Health
Doctor of Chiropractic	Accreditation: Council on Chiropractic Education, Commission on Accreditation
Doctoral Degree in Clinical Psychology	Accreditation: American Psychological Association, Committee on Accreditation
Masters or Doctoral Degree in Health Administration	Accreditation: Accrediting Commission on Education for Health Services Administration

EXAMPLE OF ANNUAL LOAN LIMIT: The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular Stafford annual loan limits. For example, a student enrolled in a 9-month Doctor of Dentistry program is eligible for the regular Stafford subsidized/unsubsidized annual loan maximum for a graduate/professional student ($18,500, not more than $8,500 of which may be subsidized), plus the maximum increased unsubsidized amount of $20,000, for a total Stafford loan maximum of $38,500.

* Consistent with HEAL's rules, students enrolled in a Doctor of Pharmacology program may receive the increased unsubsidized amounts only if they are not required to have a Bachelor or Master of Science in Pharmacology as a prerequisite for the Doctorate degree. A Pharmacology doctorate student who meets this condition is eligible for the same annual loan limits as students enrolled in a Bachelor or Masters of Pharmacology program.

Only one undergraduate program (Bachelor of Science in Pharmacology) was eligible under the HEAL Program. In accordance with HEAL Program rules, a student enrolled in a Bachelor of Science in Pharmacology program may receive the increased unsubsidized amounts only for the fourth and fifth years of the program. In addition (consistent with general FSA requirements), a dependent undergraduate may receive the increased unsubsidized amounts only if the student's parent is unable to borrow a PLUS loan.