

Direct Loan Scenarios

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Types of scenarios we'll discuss

- Proration for less than an academic year
- Preparatory Coursework
- Non-degree teacher certification
- NSLDS close to loan limit
- Change in status
- Aggregate limits with PLUS denial
- PLUS denial and subsequent approval
- Bankruptcy PLUS denial without application
- Graduate “+1” programs
- Overlapping award years



Proration for less than an academic year

- Enrollment in a program that is less than one academic year
- Program is at least one academic year, but student completes requirements in less than one year.
 - Fall graduates
- No proration for graduate programs.
 - Annual limit or COA limit, whichever is smaller.

Proration (continued)

Shorter than Academic year

- Weeks in program divided by
Weeks in academic year

OR

- Credit hours in program divided
by credit hours in academic year

- Multiplied by annual loan limit

Use whichever is smaller

Completion of degree

- Credit hours enrolled divided by
credit hours in academic year
- Multiplied by annual loan limit

Proration example

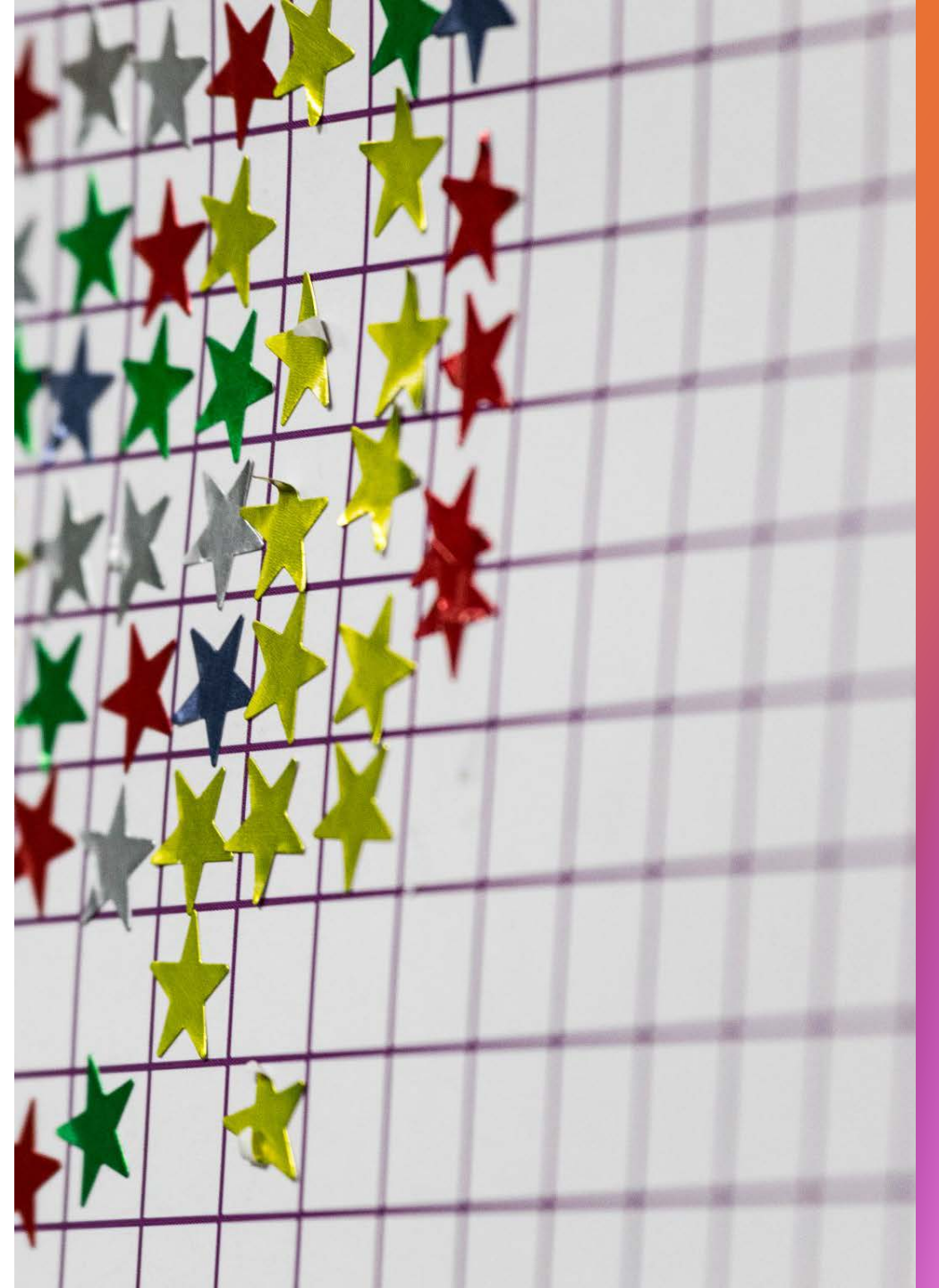
- You have a student who needs 15 more credit hours to graduate. The student wants to complete those 15 hours in the fall semester. Your school's academic year consists of 24 credit hours in an academic year. The student is a senior and is dependent. The aggregate loan amount used to date is \$26,000.
- How much can you award the student for the fall semester?
- $15/24 = 0.625 \times 7,500 = \$4,688$ (\$5,000 remaining in agg. limit)

Preparatory Coursework

- Coursework documented as necessary to enroll in an eligible degree program.
- Courses must be part of an eligible program
- Cannot take courses just to serve as preparatory coursework
- Must be enrolled at least half-time and coursework cannot exceed a 12-month period.
- Annual limits
 - Dependent: \$2,625
 - Independent: \$8,625
 - Max subsidized: \$2,625

Non-degree Teacher Certification

- Professional credential or certificate from a state that is required for employment as an elementary or secondary school teacher in that state.
- Even if the coursework does not lead to a degree or certificate by the school.
- Maximums: Dependent \$5,500; Independent: \$12,500
- Maximum subsidized: \$5,500
- 34 CFR 668.32(a)(1)(iii)



NSLDS Close to Loan Limit



Accrued interest does not count.



Capitalized interest does not count toward aggregate limit.



If returning to an undergraduate degree (after enrolling in a graduate program), back to the undergraduate aggregate limit.



Aggregate Outstanding Principal Balance is what counts toward aggregate lifetime limit.

Change in Status

- Loan must be originated, and the student must be meeting all other eligibility requirements prior to the point when the student became ineligible.
- Student can keep their loan disbursement as long as they attend at least one class, and the loan was disbursed before the student dropped below half-time enrollment.
- Repayment begins when the student drops below half-time status. The student only gets one grace period.

Aggregate Limit with PLUS Denial

- When a Parent PLUS loan is denied, the student's aggregate limit changes from the dependent limit to the independent limit.
- This can be confusing if the student is close to their dependent aggregate limit.
- Example: A dependent student's aggregate loan total is \$27,000. The student is awarded \$4,000 in loans, but the parent has since been denied for the PLUS loan. How much more in loan funds can the student receive?
- What if the student is still dependent next year and the PLUS loan is denied again?

PLUS Denial and Subsequent Approval

- If a student's parent is denied the Parent PLUS loan and the student requests the additional unsubsidized loan, what happens if the parent, or another parent is later approved for the Parent PLUS loan?
- Any portion of the additional unsubsidized loan that has already disbursed can remain, but any amounts not disbursed yet must be canceled.
 - Even if the parent chooses not to pursue the approved PLUS loan.

PLUS Bankruptcy Denial (no application)

- Professional Judgment rules allow FAAs to deny loans if we can document that the student or parent is unwilling to repay the loan. This guidance extends to PLUS loans where the parent is in an active bankruptcy.
- The bankruptcy ruling must state that the individual is barred from incurring or applying for more debt.
- Must be done on a case-by-case basis.

- GEN 11-07
- 34 CFR 685.203(c)(1)(ii)

Graduate “+1” Programs

- Examples
 - MBA 4+1,
 - Law 3+2
- School defines the breakpoint when student matriculates to the graduate level.
 - Must be the same point for all students in the program.
- Student may take graduate level courses while still officially considered an undergraduate, but cannot take undergraduate courses after proceeding to the graduate portion of the program.

Overlapping Award Years

- Transfer students whose prior school's award year ends *after* the beginning of the new school's award year.

Prior School Award Year (August 10 – May 10)

New School Award Year (May 1 – April 25)

- Student is initially limited at the new school to the original annual loan amount from the award year at the prior school.
- Once the prior school's award year ends, the student at the new school can begin a new annual loan amount when the second payment period begins within the same academic year.

In English, please!?!?

- For example, the prior school's award year ends on May 10. The student is a dependent sophomore and has received the full \$6,500 annual loan limit at the prior school.
- The new school has a summer header that the student is enrolled in that starts on May 1. This “overlaps” the prior school's award year, where the student has already received the maximum amount of annual loan limit.
- The student must wait until the fall semester starts at the new school before a new annual loan limit may start.

Other
situations?

