LASFAA
150% Limit on DL Subsidy

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October 23, 2013
LASFAA

- ED presentations will be available at www.lasfaa.org
Law & Regulations
Statutory Change

  - Amended the HEA to establish a limit on Direct Subsidized Loan eligibility
  - Waived requirement for negotiated rulemaking and master calendar
Interim Final Regulations

- ED published Interim Final Rule on May 16, 2013
  - Regulations effective immediately upon publication
  - Revises 34 CFR 685.200, 685.202, and 685.304
  - Comment period ended July 1, 2013
- Additional guidance can be found in the May 16, 2013 Electronic Announcement on IFAP
First-Time Borrower

- Affects only first-time borrowers, as of July 1, 2013
- First-time borrower has no outstanding balance of principal or interest on a Direct Loan or FFEL loan –
  - On July 1, 2013, or
  - On the date the borrower obtains a Direct Loan after July 1, 2013
- Example: Borrower had a balance on July 1, 2013 but paid it off in full prior to receiving loans after July 1, 2013
Loss of Subsidized Loan Eligibility

- **First-time borrower** is no longer eligible for Direct Subsidized Loans once the borrower has received Direct Subsidized Loans for a period that is 150% of the published length of the borrower’s current educational program.
  - **No effect on Unsubsidized Loan or PLUS Loan eligibility**
  - **May also lose interest subsidy** (discussed later)
Components

- **Maximum Eligibility Period** - 150% of the published length of the educational program in which borrower is currently enrolled
- **Subsidized Usage Period** – Period of time for which a borrower received a Direct Subsidized Loan (permanent)
- **Remaining Eligibility Period** – Difference between the Maximum Eligibility Period and the total of all Subsidized Usage Periods
Determining When 150% Limit Is Met

Maximum Eligibility Period, less Total of Subsidized Usage Periods equals Remaining Eligibility Period.

*150% Limit Met when Remaining Eligibility Period equals zero (or less than zero)
Academic Years

• Defined Academic Year for Title IV
  – Statutory minimums
    • 24 semester credit hours and 30 weeks of instruction
    • 900 clock hours and 26 weeks of instruction

• Academic Year used for DL progression purposes
  – When can student borrow again
  – SAY or BBAY
  – Starts at beginning of AY and ends when that student’s year is over
  – Includes breaks
  – AY that is reported to COD using actual dates
Maximum Eligibility Period
Maximum Eligibility Period

- **Maximum eligibility period** is 150% of the published length of educational program in which borrower is currently enrolled
  - Each academic program has a maximum eligibility period that is based on the published length of the program
  - May be reported in years, months, or weeks
  - Take published length of program in academic years and multiply by 1.5
  - COD will determine based on school-provided information
# Maximum Eligibility Period Examples

<table>
<thead>
<tr>
<th>Program Length</th>
<th>Maximum Eligibility Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-Year Bachelor’s Degree</td>
<td>X 1.5</td>
</tr>
<tr>
<td>3.00 Years</td>
<td>6.00 Years</td>
</tr>
<tr>
<td>2-Year Associate’s Degree</td>
<td>X 1.5</td>
</tr>
<tr>
<td>3.00 Years</td>
<td>3.00 Years</td>
</tr>
<tr>
<td>1-Year Certificate Program</td>
<td>X 1.5</td>
</tr>
<tr>
<td>1.50 Years</td>
<td></td>
</tr>
<tr>
<td>18-Week Certificate Program</td>
<td>X 1.5</td>
</tr>
<tr>
<td>27 Weeks</td>
<td></td>
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</tbody>
</table>
Converting Months or Weeks To Years

- If the published length of the program is measured in months or weeks, ED will convert the school reported months or weeks to years (or portions of years) –

\[
\text{Number of days in the months or weeks} \div \text{Number of days in the program’s defined Title IV academic year}
\]

- Month = 30 days
- Week = 7 days
Converting Months or Weeks To Years

- **Months Example –**
  - Credit hour school has defined Title IV Academic Year as 30 weeks: 210 days
  - Program A’s published length is 7 months: 210 days
    - 210 days divided by 210 days = 1.00 years
  - Program B’s published length is 15 months: 450 days
    - 450 days divided by 210 days = 2.14 years
  - Program C’s published length is 12 months: 360 days
    - 360 days divided by 210 days = 1.71 years
Converting Months or Weeks To Years

- Weeks Example –
  - Clock hour school has defined Title IV Academic Year as 26 weeks: 182 days
  - Program A’s published length is 18 weeks: 126 days
    - 126 days divided by 182 days = 0.69 years
  - Program B’s published length is 35 weeks: 245 days
    - 245 days divided by 182 days = 1.35 years
  - Program C’s published length is 48 weeks: 336 days
    - 336 days divided by 182 days = 1.85 years
Subsidized Usage Period
Subsidized Usage Period

- Subsidized Usage Period – The period of time for which a borrower receives a Direct Subsidized Loan
  - Calculated on loan-by-loan basis
  - With one exception, not related to amount of loan
  - Measured in academic years and rounded down to the nearest quarter of a year
  - Includes only periods when Direct Subsidized Loan was received
  - COD will calculate based on school-provided information
Calculating Subsidized Usage Period

- Number of days in the loan’s loan period divided by number of days in the loan’s academic Year
  - Loan period – Beginning and ending dates of period covered by loan
  - Academic year – Beginning and ending dates of the academic year used for annual loan limit progression
    - Either a Scheduled Academic Year (SAY) or a Borrower Based Academic Year (BBAY)
    - Likely not the same as the Title IV academic year because of breaks and summers
Calculating Subsidized Usage Period

- Example 1 – Semester-based school’s SAY/BBAY academic year is the fall and spring terms
  - Fall begins on August 27, spring ends on May 17
  - 264 calendar days in the academic year
- Student receives a Direct Subsidized Loan to cover attendance for both fall and spring
  - Loan period begins August 27 and ends May 17
  - 264 calendar days in the loan period.
- Subsidized Usage Period = 264/264 = 1.00
Calculating Subsidized Usage Period

- Example 2 – Semester-based school’s SAY/BBAY academic year is the fall and spring terms
  - Fall begins on August 27, spring ends on May 17
  - 264 calendar days in the academic year
- Student receives a Direct Subsidized Loan to cover attendance for fall term only
  - Loan period begins August 27 and ends Dec 21
  - 117 calendar days in the loan period
- Subsidized Usage Period = \( \frac{117}{264} = 0.44 \)
  - Rounded down to next lowest .25 = 0.25
Enrollment Status Exception

- If student’s enrollment status is less than full-time –
  - Calculated Subsidized Usage Period prorated for less than full-term enrollment
    - Three-quarter time enrollment: Calculated Subsidized Usage Period x .75
    - Half-time enrollment: Calculated Subsidized Usage Period x .50
Enrollment Status Exception - Example

- Semester-based school’s academic year is the fall and spring terms. Student receives a Direct Subsidized Loan to cover attendance for both fall and spring on a three-quarter time basis.
- There are 264 calendar days in the academic year
- There are also 264 calendar days in the loan period
- Calculated Subsidized Usage Period = 1.00
- Usage Period = 0.75
Full Annual Amount Borrowed Exception

- If full annual loan amount borrowed for a loan period that is less than a full academic year Subsidized usage period set to 1.0
  - Only applies to standard term and non-standard terms substantially equal and at least 9 weeks
Exceptions Example

- Semester-based school’s SAY/BBAY academic year of the fall and spring terms = 264 days
- 3rd year student receives DL Subsidized of $5,500 for three-quarter time attendance for fall semester only
- 117 calendar days in the loan period.
- Calculated Subsidized Usage Period: \( \frac{117}{264} = 0.44 \)
- Apply enrollment status exception: \( 0.44 \times 75\% = 0.33 \), rounded down to 0.25
- **Apply Full Loan Amount Exception**: Subsidized Usage Period: 1.00
Remaining Eligibility Period
Direct Subsidized Loan Limitation

- Student’s maximum time to receive Direct Subsidized Loans is established based on the length of the program in which the student is currently enrolled.

- Remaining Direct Subsidized Loan eligibility is calculated by subtracting from maximum eligibility for the program, the time the student has already received Direct Subsidized Loans for enrollment in any program.
Calculation of Remaining Eligibility: Example 1

Student receives 3 full years of Direct Subsidized Loans while enrolled in two-year program

- Maximum Eligibility Period for program is 3 years
- Less
- Total of subsidized usage periods of 3 years
- Equals
- Zero years of remaining subsidized loan eligibility for continued enrollment in the two-year program
Calculation of Remaining Eligibility: Example 2

Student receives 3 full years of Direct Subsidized Loans while enrolled in two-year program

- Student transfers to a four-year program
  - Maximum Eligibility Period for program is 6 years
  - Less
  - Total of subsidized usage periods of 3 years
  - Equals
  - *Three years of remaining subsidized loan eligibility for continued enrollment in the four-year program*
Calculation of Remaining Eligibility: Example 3

Student receives 2 full years of Direct Subsidized Loans while enrolled in four-year program

- Student transfers to a two-year certificate program
  - Maximum Eligibility Period for new program is 3 years
  - Less
  - Total of subsidized usage periods of 2 years
  - Equals

*One year of remaining subsidized loan eligibility for enrollment in the two-year certificate program*
Loss of Interest
Subsidy
Benefits
Jason Black

Loss of Interest Subsidy Benefits

- A first time borrower who has no remaining eligibility for subsidized loans, loses interest subsidy on subsidized loans if the borrower -
  - Did not complete the program
  
  AND

- Continues enrollment on at least a half-time basis in same program;

OR

- Enrolls in another undergraduate program of the same or shorter length on at least a half-time basis
Loss of Interest Subsidy Benefits

- Borrower responsibility for interest triggered from the date of continued or subsequent (at least half-time) enrollment in an eligible undergraduate program of equal or lesser length
- Responsibility for interest whether or not student continues Direct Loan borrowing
- Loan remains a Direct Subsidized Loan
- Unpaid accrued interest is capitalized in same manner as for Direct Unsubsidized Loans
Loss of Interest Subsidy Benefits

- After losing interest subsidy, responsible for future accruing interest during -
  - Periods of at least half-time enrollment
  - Grace period
  - Deferment periods
  - Certain periods when repaying under Pay As You Earn or Income-Based Repayment Plans

*Lost interest subsidy on a loan cannot be regained*
Example #1

- Borrower enrolls in a four-year program - Maximum eligibility period is 6 years
  - Receives 6 years of Direct Subsidized Loans - Subsidized usage period is 6 years
  - Has no remaining eligibility in that program.
- Borrower continues enrollment in the same program
  - Borrower loses interest subsidy because of continued enrollment in same program.
  - Effective on date of continued enrollment in the same program
Example #2

- Borrower enrolls in a four-year program - Maximum eligibility period is 6 years
  - Receives 4 years of Direct Subsidized Loans - Subsidized usage period is 4 years
  - Has 2 years remaining eligibility in that program
  - Borrower did not complete the four-year program
- Borrower transfers to a two-year program – Maximum eligibility period is 3 years
  - Borrower has no remaining eligibility
  - Borrower loses interest subsidy because of enrollment in a shorter program, *even with no additional loans*
  - Effective on enrollment in the shorter program
Example #3

- Borrower enrolls in a four-year program - Maximum eligibility period is 6 years
  - Receives 4 years of Direct Subsidized Loans - Subsidized usage period is 4 years
  - Has 2 years remaining eligibility in that program.
  - Completes the four-year program

- Borrower transfers to a two-year program – Maximum eligibility period is 3 years
  - Borrower has no remaining eligibility
  - Borrower does not lose interest subsidy because borrower completed the earlier program
Example #4

- Borrower enrolls in a four-year program - Maximum eligibility period is 6 years
  - Receives 6 years of Direct Subsidized Loans - Subsidized usage period is 6 years
  - Has no remaining eligibility in that program
- Borrower enrolls in a graduate/professional program
  - Borrower does not lose interest subsidy because loss only relates to enrollment in an undergraduate program
Example #5

- Borrower enrolls in a two-year program - Maximum eligibility period is 3 years
  - Receives 3 years of Direct Subsidized Loans – Subsidized usage period is 3 years
  - Has no remaining eligibility in that program
- Borrower transfers to a four-year program
  - Borrower does not lose interest subsidy because of transfer to a longer program
  - Borrower has remaining subsidized eligibility
ED and School Responsibilities
Department Responsibilities

- ED/FSA will calculate, and inform students and institutions
  - CPS - Codes and comments on SARs and ISIRs.
  - NSLDS – New Borrower
  - NSLDS – Subsidized Usage Period
  - NSLDS – Loss of Subsidy Indicator
  - COD – Reports to schools
  - COD – Editing and enforcement
  - Direct Loan Servicers – Loss of Subsidy Benefits.
COD Reporting Requirements
COD Reporting Requirements

- COD will -
  - Calculate and report to schools -
    - Maximum Eligibility Period
    - Subsidized Usage Periods
    - Remaining Eligibility Period.
  - Determine when student no longer eligible for Direct Subsidized Loans, based on program –
    - Will edit and reject
Loan Period and Academic Year Reporting

- Loan Date Reporting to COD – Effective for all 2013-2014 loans, schools must –
  - Correctly report to COD the SAY/BBAY dates and the Loan Period dates; and
  - Update such dates, when necessary
- For all loans for all borrowers where the loan has a first disbursement date of on or after July 1, 2013
- Incorrect reporting could result in a borrower improperly losing eligibility for Direct Subsidized Loans
Loan Period and Academic Year Reporting

- Guidance and examples related to how schools must report a Direct Loan’s academic year dates and loan period dates to COD are included on –
  - [Dear Colleague Letter GEN-13-13](#), posted to IFAP on May 10, 2013
  - 150% Loan Period and AY Reporting Webinar #1 Recording posted to IFAP under ANN-13-08
  - For all loans for all borrowers where the loan has a first disbursement date of on or after July 1, 2013
Academic Year Reporting

- A Direct Loan’s academic year tags in the COD schema are `<AcademicYearBeginDate>` and `<AcademicYearEndDate>`
- Schools must populate these tags with the exact beginning and ending dates of the loan’s academic year (the period to which the annual loan limit applies)
- A summer term that is treated as a header or trailer to a scheduled academic year may not be included in the academic year dates unless the student will actually be receiving a Direct Loan for the summer
Loan Period Reporting

- A Direct Loan’s loan period tags in the COD schema are `<FinancialAwardBeginDate>` and `<FinancialAwardEndDate>`.
  - These tags must be populated with the exact dates of the loan period of the loan, and may need to be updated based on the student's actual enrollment or other eligibility issues.
Borrower and Program Information

- Beginning with 2014-2015, schools will report to COD additional student and program information –
  - Student’s Enrollment Level (FT, TQT, HT)
  - Classification of Instructional Program Code (CIP)
  - Credential Level (Certificate, Diploma, Degree)
  - Length of Program – years, months, weeks
  - Special Program Flag – Teacher Certification or Preparatory Coursework*

*34 CFR 685.200(f)
5/16/13 interim final register on page 28970
Subsidized Usage Period – 2013-2014

- Electronic Announcement - 8/30/13
- Alternative method for COD to obtain enrollment statuses for loans made for the 2013-2014 year
  - NSLDS does not currently have a three-quarter time enrollment status (will add a 3/4 status in future)
- All Subsidized Usage Periods for 13/14 Direct Subsidized Loans with an enrollment status of H in NSLDS for any portion of a loan period will be prorated on the basis of “half-time” enrollment even if the borrower is or was actually enrolled on a 3/4 -time basis
- COD calculation of Sub Usage starts March 2014
NSLDS Reporting Requirements
NSLDS Reporting Requirements

- NSLDS will determine when continued or new enrollment results in loss of interest subsidy benefits.
  - If yes, NSLDS will notify federal loan servicer that borrower is responsible for accruing interest
  - Federal loan servicer will notify borrower of interest responsibility
New NSLDS Reporting Requirements

- When reporting enrollment information to NSLDS, school must include for program in which the borrower is enrolled -
  - CIP Code
  - Credential Level
  - Length of program in years, months, or weeks
  - If applicable, preparatory coursework or teacher certification coursework for which school does not award an academic credential
Loan Counseling
Entrance Counseling

- Interim final regulations require schools to provide robust entrance counseling to first-time borrowers before making the first disbursement of a Direct Subsidized or Unsubsidized Loan to such borrowers on or after July 1, 2013.

- See 5/16/13 EA for PDF attachment outlining 150% DL Subsidized Limitation information which may be utilized in school entrance counseling process.
Entrance Counseling

- Departmental Entrance Counseling
  - Beginning June 28, 2013, entrance counseling materials on StudentLoans.gov will, as a temporary measure, include a link to information regarding the 150 percent limit in the attached documents.
  - In October 2013, those materials will be integrated into the full Direct Loan entrance counseling features of StudentLoans.gov.
Resources/References

• Electronic Announcements – 5/16/13; 6/20/13
• ANN-13-08 (Webinar Recordings)
  – COD Reporting of Academic Year and Loan Period
  – 150% Direct Subsidized Loan Time Limit
  – Third webinar postponed due to Government Shutdown and will be rescheduled
• Future plans to create a webpage linked to IFAP (similar to GE webpage) containing:
  – Training materials
  – DCLs, EAs and policy guidance
  – Q & As
  – Email address for questions
Please Take Our Short Survey About Training

s.zoomerang.com/s/KevinCampbell-TX

No WWW in URL
Thank You!

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