

RISE Committee

Loan Limits + Schedule of Reductions Questions

Jenna Colvin Questions:

- Scenario: Student A is scheduled to attend full time (12 credits) for two payment periods for an annual full-time loan amount of \$5,500. Student A receives \$2750 for payment period 1, which is validated at the point of disbursement. Student A subsequently drops to 9 credits for payment period 1. **Is there an immediate requirement to recalculate and return funds for payment period 1?**

ED Response: No, you do not have to reduce the disbursement for payment period 1. However, if this student enrolls in spring or summer, you must reduce the spring or summer disbursement to bring the student in line with the loan limit for less than full-time status for the award year. We added proposed regulatory text to clarify alignment with existing disbursement rules.

- **Is there a requirement to adjust Subsidized and Unsubsidized equally? Or can we disburse as much as possible for the Subsidized Loan program and then adjust the Unsubsidized Loan after?**
 - a. Scenario: Student B has an annual loan limit of \$3,500 Subsidized, and \$2,000 Unsubsidized for a total amount of \$5,500. Student B enrolls in 6 credits in payment period 1, and 6 credits in payment period 2. Which of these calculations is correct:
 - i. Adjusted annual loan limit of \$2,750, of which \$1,750 is Subsidized and \$1,000 is Unsubsidized, or:
 - ii. Adjusted annual loan limit of \$2,750, of which \$2,750 is Subsidized.

ED Response: Each loan the student receives is subject to the annual loan limit based on less than full-time status for the award year. If the borrower receives both Direct Subsidized and Direct Unsubsidized Loans, and if the borrower was less than full-time, each loan is subject to the schedule of reductions. We've clarified the proposed language. See revised regulatory text at 685.203(m)(1).

Jeffrey Bodimer Suggestions:

- Suggestion: Add "as measured at the time of each disbursement" after "during any academic year" at 685.203(m)(1).
- Suggestion: Insert exception at 685.203(m)(1) to exclude non-term credit hour, clock hour, and subscription-based programs. Because non-term credit hour, clock hour, and subscription-based

programs already account for progression before subsequent disbursements are made, such programs are already subject to sufficient safeguards against over-disbursement and adequately ensure accountability.

ED Response: We did not accept your language as measured at the time of disbursement or during any academic year. We did clarify in our proposed regulatory text that we have aligned this provision with the other disbursement provisions.

Scott Kemp Scenarios/Questions:

Requesting ED to confirm annual loan eligibility based upon the following scenarios (assumes 18 credits/annual, program length 2 years, COA of \$33,270):

Scenario 1a: (FT Baseline)

- 9 credits in the fall; 9 credits in the spring
- Student is eligible for loans up to \$10,250 in the fall & \$10,250 in the spring
- Just need numbers confirmed

ED Response: Yes, because this is a graduate student and there is only one type of loan, the student is eligible for a full-time disbursement for fall and a full-time disbursement for spring term (\$10,250 + \$10,250 = \$20,500)

Scenario 1b: (PT Baseline)

- Exception to the above parameters to confirm a planned less than FT baseline
- 6 credits in the fall; 6 credits in the spring
- Under the proposed regulations, the student is 66% for the year
- Student is eligible for loans up to \$6,867.50 for the fall & \$6,867.50 in the spring
- Just need numbers confirmed

ED Response: The law requires the percentage derived from the schedule of reductions to be rounded to the nearest whole percentage point. It is 67% (not 66%) for the year. The loan disbursement amounts are \$6,868 and \$6,867, respectively, to ensure there is not an overaward. In this case, this student is enrolled three-quarter-time because 9 hours is full-time.

Scenario #2a:

- 9 credits in the fall; Student is eligible for \$10,250
- Student has a medical emergency on December 31 and can only take 3 credits in the spring
- Under the proposed regulations, the student is now 67% for the year, and only eligible for \$3,403 in the spring based on the fact that the student AY eligibility decreased to 67% of FT, or \$13,653. Since \$10,250 was already issued in the fall, they could only take out \$3,403 in the spring, or else they would be over the annual loan limit for a less than FT enrolled student.
- Just need numbers confirmed

ED Response: This borrower is not eligible for a spring disbursement. Borrowers must be enrolled at least half-time to receive federal student loans. They are enrolled in 3 credit hours in the spring term, which is less than half-time. The student is therefore not eligible for a Direct Loan award in the spring term.

Scenario #2b:

- 9 credits in the fall; Student is eligible for \$10,250
- Student has a medical emergency on December 31 and can only take 3 credits in the spring
- Under the new formula, student is only eligible for \$3,403 in the spring (see above)
- Student receives approval from the institution to catch up to FT status and take 6 credits in the summer
- Question: Since the student is now officially FT for the year, can they borrow up to \$6,847 for the summer, which is still within the \$20,500 annual limit.

ED Response: Assuming the summer term is a trailer—which means a loan period from August through July—the student is ineligible for a Direct Loan disbursement in the spring term (3 credit hours) because they are less than half-time in the spring. However, the student is again eligible for a disbursement of Direct Loans in the summer term, based upon 6 credit hours of enrollment. When the school recalculates the annual loan limit, the student will be eligible to receive up to \$10,250 for the summer term, reflecting their total enrollment of 9 hours between spring and summer term. This also assumes that all other eligibility requirements are met (e.g., satisfactory academic progress, annual loan limits, cost of attendance).

Scenario #3a:

- Using the parameter for a PT student as illustrated in 1b
- Student intends to take 6 credits in the fall and 6 credits in the spring (67% of FT)
- Student is eligible for loans up to \$6,867.50 in the fall
- Student meets with school who approves that the student can take 12 credits in the spring to catch up to the FT pace of the program
- Question: Since the student is now officially FT for the year, can they borrow up to \$13,632.50 for the spring, which is still within the \$20,500 annual limit?

ED Response: Yes. Provided all other eligibility requirements are met, the student is permitted to borrow up to \$13,632 for the spring (assuming they received \$6,868 in fall), which does not exceed the maximum annual limit of \$20,500 in Direct Loans.

Scenario #3b:

- Using the parameters for a PT student as illustrated in scenario 1b
- Student intends to take 6 credits in the fall and 6 credits in the spring (66% of FT)
- Student is eligible for loans up to \$6,867.50 for the fall & \$6,867.50 in the spring

- Student receives program approval to take 6 credits in the summer to catch up, meaning the student is now FT for the academic year.
- Question: Since the student is now officially FT for the year, can they borrow up to \$6,765 for the summer, which is still within the \$20,500 annual limit?

ED Response: The law requires the percentage derived from the schedule of reductions to be rounded to the nearest whole percentage point. It is 67% (not 66%) for the year. Otherwise, you are correct. The full annual limit is allowed (\$20,500) since all terms include enrollment greater than or equal to half-time. Again, this assumes all other eligibility requirements are met (e.g., satisfactory academic progress, annual loan limits, cost of attendance).

In addition, one of the institutional financial aid directors I met with indicated that 17% of their undergraduates take 18 or more credits per semester. If the undergraduate baseline for FT status is 12 credits a semester, or 24 credits for the year, if the student decides to only take 6 credits in the spring, Pell calculations require that the student receive a pro-rated amount, but the proposed Less Than FT Enrollment regulations indicate that the student would still be able to borrow up to the undergraduate loan limit for the spring, even though they are technically listed as PT.

*ED Response: As written and making no assumptions (i.e., only taking 6 credit hours in the spring term), the borrower is eligible for up to 50% if they enroll in 6 hours in the spring (assuming all other eligibility requirements are met). This schedule of reductions is an **annual award year loan limit**. Whereas the Federal Pell Grant Program is awarded based upon **enrollment status per payment period**.*

However, based upon the structure of the question posed, we assume the student enrolled in 18 credit hours in the fall, and decided to only take 6 credit hours in the spring. This means the student was full-time for the award year (24 total credit hours for the year) and is therefore eligible to borrow up to the undergraduate loan limit for the spring, even though they were technically enrolled part-time (6 credit hours) in the spring term. Again, this assumes all other eligibility requirements are met (e.g., satisfactory academic progress, annual loan limits, cost of attendance).