



**NASFAA**

# **ANNUAL STATE & REGIONAL TRAINING MATERIALS**



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# 150% Subsidized Loan Limitation—Are We Doing It Right?

# 150% Subsidized Loan Limitation

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Applies to first-time borrowers who have no outstanding balance on a Direct Loan or Federal Family Education Loan (FFEL) on

- July 1, 2013 or;
- Date obtains a Direct Loan AFTER July 1, 2013



# Training Goals

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## Enhanced understanding of:

- How 150% subsidized loan limitation calculated and applied
- When eligibility to borrow a subsidized loan and the interest subsidy on previously borrowed Direct Subsidized Loans are lost
- School reporting requirements to the Common Origination and Disbursement (or COD) and National Student Loan Data System (or NSLDS) systems
- Information about the limitation that must be provided during entrance and exit counseling
- How schools can advise students about the 150% subsidized loan limitation outside of entrance and exit counseling



# Calculating the 150% Direct Subsidized Loan Limitation

# Components Used to Determine Eligibility Under 150% Limitation

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- Maximum Eligibility Period (MEP)
- Subsidized Usage Period (SUP)
- Remaining Eligibility Period (REP)



# Maximum Eligibility Period (MEP)

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- Period of time, measured in academic years, equal to 150% of published length of student's program of study
- Reported by school to COD
- ED calculates MEP based on school reported



# Published Length of Program

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- Based on how long takes full-time student to complete program
- May report length in academic years, months, or weeks



# Published Length of Program

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- Preparatory coursework does not increase MEP
  - If required for undergraduate program, MEP based on program for which coursework required
  - If required for graduate/professional program, based on most recent program for which subsidized loan received



# Published Length of Program

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- If simultaneous enrollment in more than one program at same school, report:
  - Length of longest program; or
  - May choose which program to report when programs are the same length
- If dual degree program, MEP based on portion of program during which student considered an undergraduate



# Published Length of Program

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- If teacher certification program (i.e., state awards credential required for employment in elementary or secondary school in that state), MEP based on school published length of that program
  - If student later enrolls in an undergraduate program, loans received for teacher certification program do not count against MEP for undergraduate program



# Published Length of Program

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- Regulations define program length of four years for purpose of calculating MEP if program is:
  - Bachelor's degree completion program; or
  - Selective admission associate degree program



# Converting Months or Weeks to AYs

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Length of Program =

$$\frac{\text{\# of days in program}}{\text{\# of days in program's Title IV academic year (AY)}}$$

- Week = 7 days
- Month = 30 days
- Days in Title IV AY for credit-hour program = 210 (i.e., 30 weeks X 7 days)
- Days in Title IV AY for clock-hour program = 182 (i.e., 26 weeks X 7 days)



# MEP Formula

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$$\begin{array}{r} \text{Published length of student's program} \\ \times \quad 150\% \\ \hline = \quad \text{MEP} \end{array}$$



# MEP Examples

Reported Program Length (PL)	Conversion of PL to AYs	Multiplier	MEP
5-Year Bachelor's Degree	N/A	X 1.5	7.5 Years
4-Year Bachelor's Degree	N/A	X 1.5	6.0 Years
2-Year Associate Degree	N/A	X 1.5	3.0 Years
1-Year Certificate Program	N/A	X 1.5	1.50 Years
18-Month Certificate Program (credit-hour program)	$\frac{(18 \text{ months} \times 30 \text{ days})}{210 \text{ days}} = 2.57$	X 1.5	3.85 Years
10-Week Certificate Program (clock-hour program)	$\frac{(10 \text{ weeks} \times 7 \text{ days})}{182 \text{ days}} = .38$	X 1.5	.57 Years



# Subsidized Usage Period (SUP)

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- Period of time, measured in years, for which a student receives a Direct Subsidized Loan
- Includes only periods when Direct Subsidized Loan received
- Rounded, up or down, to nearest tenth of a year



# SUP Formula

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$$\frac{\text{Number of days in loan period}}{\text{Number of days AY (i.e., SAY or BBAY)}} = \text{SUP}^*$$

\*rounded to nearest tenth of a year



# SUP Formula Exceptions

1. If credit-hour program, prorate SUP by student's enrollment status before rounding using:
  - 1 for full time,
  - 0.75 for three-quarter time, or
  - 0.5 for half time
2. SUP = 1 year if:
  - Credit-hour program offered in standard terms or in nonstandard terms not substantially equal and no term less than 9 weeks; and
  - Full-time student receives loan for full annual loan limit for loan period greater than AY



# Remaining Eligibility Period (REP)

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- Amount of time for which a student may receive a Direct Subsidized Loan under 150% subsidized loan limitation
- Calculation formula:
  - Maximum eligibility period (MEP)
  - Total of subsidized usage periods (SUPs)
  - = Remaining eligibility period (REP)



# Remaining Eligibility Period (REP)

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- If teacher certification program for which state awards credential, total SUPs includes only SUPs calculated for teacher certification program
- If  $REP \leq 0$ , eligibility to borrow additional subsidized loans lost
- If REP greater than 0 but less than full AY, cannot borrow full annual loan limit
- If REP less than minimum loan period applicable to student's program of study, cannot originate a subsidized loan



# Loss of Interest Subsidy

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- Occurs when student:
  - Has no remaining REP for current program but continues at least half-time enrollment in the program;
  - Reaches 150% MEP for current program and then enrolls at least half time in another undergraduate program of same or shorter length; or
  - Has a REP greater than zero for current program, enrolls at least half-time in shorter undergraduate program but total SUP is equal to or greater than new program's MEP
- Effective from date of enrollment that caused the loss



# REP: Example 1

A full-time student has borrowed subsidized loans for 8 semesters of a 4-year bachelor's degree program. After graduating, student enrolls in a community college for a two-year certificate.

	End of year 4 of 4-year program	Upon transfer to 2-year program
MEP	6 Years	3 Years
SUP	4 Years	4 Years
REP	2 Years	-1 Year
Subsidy Loss	No, borrower has remaining eligibility	Student retains subsidy for prior loans as they graduated from 4-year program on time, but is not eligible to borrow additional subsidized loans for 2-year program.



# REP: Example 2

Full-time student, enrolled in a 4-year degree program at a semester-based institution, only has subsidized loans for 11 of the 12 semesters of that program. During each of the six years, the student borrowed only a \$2,000 subsidized loan. Student has not completed the program and enrolls for a 7th year, requesting a subsidized loan for fall and spring semesters of the 7th year.

	Start of fall semester of 7th year	Start of spring semester of 7th year
MEP	6 Years	6 Years
SUP	5.5 Years (Student did not borrow subsidized loan in 1 of the 12 semesters attended)	6 Years
REP	.5 Year	0 Years
Subsidy Loss	No, borrower has remaining eligibility	Yes, borrower enrolled with no remaining eligibility and without completing program



# REP: Example 3

Student has completed 3 years of full-time enrollment in a 2-year program, having borrowed subsidized loans each semester. Student enrolls for one more semester in 2-year program before transferring to a 4-year program.

	Before transfer to 4-year program	Upon transfer to 4-year program
MEP	3 Years	6 Years
SUP	3 Years	3 Years
REP	0 Years	3 Years
Subsidy Loss	Yes, student continued at least half-time enrollment in the 2-year program after reaching the 150% limit for that program	Not on a loan for the new program since it is a longer program (prior subsidized loans that lost subsidy do not regain subsidy)



# REP: Example 4

Student received 6 years of subsidized loans while enrolled in a 4-year program. After graduation, student enrolls in a 1.5-year teacher certification program where the state awards the credential.

	End of year 6 of 4-Year program	Upon enrollment in teacher certification program
MEP	6 Years	3 Years
SUP	6 Years	0 Years, SUP includes only loans received while enrolled in a teacher certification program
REP	0 Years	3 Years, total SUP includes only loans received while enrolled in a teacher certification program
Subsidy Loss	No, student did not remain enrolled in the 4-year program after reaching the program's 150% MEP	No, because enrollment is in teacher certification program for which the state awards the credential



Questions?