

The background features a gradient from dark purple at the top to a deep blue at the bottom. Overlaid on this are several faint, light-colored circular elements. On the left side, there is a large circular scale with tick marks and numbers ranging from 140 to 260. Other circular patterns, some with arrows indicating direction, are scattered across the background.

NEW DIRECT LOAN CHANGES

150% DIRECT SUBSIDIZED LOAN LIMIT

WHO IS AFFECTED?



- First time borrowers as of July 1, 2013.
- First time borrowers also refer to students that have no outstanding balance of principal or interest on a Direct Loan or Federal Family Education Loan (FFEL) :-
 - On July 1, 2013 or on the date the loan is received after July 1, 2013.

MAXIMUM ELIGIBILITY PERIOD

- The maximum eligibility is 150% of the length of the educational program in which the student is currently enrolled.
- This length of program may be reported in weeks, month or years.
- To calculate:- Use the published length of the program in academic years and multiply by 1.5, for example 1. If the student is enrolled in a 4- year Bachelor's Degree * 1.5. the maximum eligibility period will = 6 years.
2. If student is enrolled in a 10-week Certificate Program * 1.5, the maximum eligibility period = 15 weeks.

CONVERSION OF PROGRAMS TO YEARS

- If the published length of program is measured in months or weeks DOE will convert the months or weeks reported to years or portion of years.
 - Formula:-
$$\frac{\text{number of days in the months or weeks}}{\text{number of days in the AY}}$$

WHEN IS THE 150% LIMIT MET?

- When the remaining eligibility period equals zero.
 - Maximum eligibility period – period of time for which borrower received Direct Subsidized Loan = remaining eligibility period.

CALCULATION OF REMAINING ELIGIBILITY

- If a student receives 3 years of Direct Subsidized Loans while enrolled in a 2-year program then student transfers to 4-year program...maximum eligibility for the program is 6 years – the usage period of 3 years= 3 years of eligibility for the 4-year program.
- If a student receives 2 years of Direct Subsidized loan while enrolled in a 4-year program, then transfers to a 2-year certificate program....

...Maximum eligibility for new program is 3 years – total of usage period (2 years) = 1 year of remaining eligibility.

- If a student receives a Direct subsidized loan while enrolled in an **18-week certificate program, then enrolls in a 2-year program...maximum eligibility for program is 3 years – total usage period (0.50 years) = 2.5 years or remaining eligibility.
- **18*7=126/264 days in AY= 0.48

LOSS OF ELIGIBILITY



A first time borrower becomes ineligible to receive Direct Subsidized Loan when he/she has received the loan for a period that is 150% of the published length of the borrower's educational program.

It should be noted that this has no effect on Unsubsidized or Plus loans eligibility.

If the borrower loses eligibility for additional subsidized loans he loses interest subsidy on the Subsidized loans received on or after July 1, 2013 on the condition that student did not complete the program and:

1. Continues enrollment in the same program; or
2. Enrolls in another program of the same or shorter length on at least a half time basis.

- The borrower is responsible for interest triggered from the date of continued or subsequent enrollment in an eligible undergraduate program of equal or lesser length.
- Whether or not the student continues Direct loan borrowing, student is responsible for interest.
- The loan will remain a Direct Subsidized Loan.
- The unpaid accrued interest will be capitalized in the same way as a Direct Unsubsidized Loan.

After losing interest subsidy, the borrower is responsible for the interest accruing during:-

1. Periods of at least half time enrolment
2. Grace period
3. Deferment periods
4. Certain other periods when repaying under Pay As You Earn or Income-Based Repayment Plans

*Lost interest subsidy on a loan cannot be regained.

Examples:-

- If a borrower enrolls in a 4-year program (max. eligibility 6 yrs...he receives 6 yrs. of Subsidized Loans, then he has no remaining eligibility in that program...he continues enrollment in the same program- the loses interest subsidy due to continued enrolment in the same program.
- A borrower enrolls in a 4-year program and receives 4 yrs. of Subsidized Loan...he has 2 years of remaining eligibility in that program...if he did not complete the 4-yr. program, but transfers to a 2-yr. program...he has no remaining eligibility and loses interest subsidy due to enrollment in a shorter program.

- A borrower enrolls in a 4- yr. program and receives 6 years of Subsidized Loan...he has no remaining eligibility in that program...he enrolls in a graduate/professional program...he does not lose interest subsidy since the loss only relates to enrolment in an undergraduate program.

NEW REPAYMENT OPTION- PAYE (PAY AS YOU EARN)



- PAYE became available on December 21, 2012
- Available only on Direct Student Loan
- Not available for Parent Plus Loan
- Link on how to apply:-

<http://ifap.ed.gov/dpcletters/GEN1222.html>

WHO SHOULD CONSIDER CHOOSING PAYE:

1. Government and Non-profit employees.
2. High debt borrowers.
3. Borrowers with low income compared to debt.
4. Borrowers who have partial hardship.

- The formula that is used looks at the debt to income ratio.
- Amount owed annually on a 10 year repayment plan is more than 10% of discretionary income (the formula looks at adjusted gross income and family size)
- The borrower can have no balance on a Federal loan on October 1, 2007.
- Borrowed a Federal loan on or after October 1, 2011.
- 20 years loan forgiveness, except for public service – 10 years
- The cancelled unpaid balance at the end of the loan forgiveness is taxable

INTEREST RATES – NEW DIRECT LOANS

Student Loan Certainty Act of 2013 ties federal student loan interest rates to financial markets.

Under this Act, interest rates will be determined each June for new loans being made for the upcoming award year (July 1 to June 30).

Each loan will have a fixed interest rate for the life of the loan.

LOAN	INTEREST RATE
Direct Subsidized Loans (Undergraduates)	3.86%
Direct Unsubsidized Loans (Undergraduates)	3.86%
Direct Unsubsidized Loans (Graduate or Professional Students)	5.41%
Direct PLUS Loans (Parents and Graduate or Professional Students)	6.41%

QUESTIONS

