CASE STUDY SOLUTIONS

PRORATED LOAN LIMITS

Solution 1

- Because Anne is enrolled in a program that is shorter than the statutory minimum academic year, her loan must be prorated.

- First, create two fractions, one based on hours, and the other on weeks:

(A) $$\frac{\text{750 clock hours in the program}}{\text{900 clock hours in the school's AY}}$$

(B) $$\frac{\text{15 weeks in the program}}{\text{30 weeks in the statutory definition of an AY}}$$

- Reduce the fractions and compare to find the smaller:

750/900 = 5/6 15/30 = 1/2

- Using the smaller fraction (1/2), refer to the "Loan Proration" chart to find the appropriate proportional program length.

- Anne's program is less than 2/3, but greater than or equal to 1/3 of an academic year. She is eligible to borrow $875 in base subsidized/unsubsidized loans.

Solution 2

- Bill's loan will have to be prorated ONLY if he completes his program at the end of the fall quarter or at the end of the winter quarter. In either case, his final period of study (fall or fall/winter) is shorter than the school's 3-quarter length scheduled academic year.

- The proportional proration required in this situation is based on the number of hours remaining in the program. Therefore, assuming that Bill enrolls for a total of 12 hours in either one final or in two terms, his prorated loan amount will be the same whether he completes his program at the end of the fall quarter, or the end of the winter quarter.

- Create a fraction as follows:

$$\frac{\text{12 credit hours in the remaining portion of the program.}}{\text{36 credit hours in the school's academic year}}$$

- To determine the base prorated loan limit, multiply this fraction by $5,500 (the base annual loan limit for a fifth-year undergraduate):

  12/36 x $5,500 = $1,833 (or: 12 x $5,500 ÷ $1,833)

- To determine the additional unsubsidized loan limit, multiply the fraction by $5,000 (the additional unsubsidized loan limit for a fifth-year undergraduate):

  12/36 x $5,000 = $1,667 (or: 12 x $5,000 ÷ 36 = $1,667)

- If Bill completes his program at the end of the fall quarter or at the end of the winter quarter, he can borrow $1,833 in base subsidized/unsubsidized loans, and an additional unsubsidized amount of $1,667.

- If Bill decides to enroll for the full academic year, he can borrow the maximum annual loan limits for a fifth-year undergraduate.

Solution 3

- Proration is required because Carl will be enrolled in a final period of study that is shorter than an academic year.

- Create a fraction as follows:

$$\frac{\text{450 clock hours in the remaining portion of the program}}{\text{900 clock hours in the school's academic year}}$$

- To determine the prorated base subsidized/unsubsidized loan limit, multiply this fraction by $3,500 (the base annual loan limit for a second-year undergraduate):

  450/900 x $3,500 = $1,750 (or: 450 x $3,500 ÷ 900 = $1,750)

- Carl may borrow a base subsidized/unsubsidized amount of $1,750.

- Carl's additional unsubsidized loan limit is determined by fixed proration.

- Use the following fractions to determine the length of the remaining portion of his program:

  (A) $$\frac{\text{450 clock hours in the remaining portion of the program}}{\text{900 clock hours in the school's academic year}}$$

  (B) $$\frac{\text{15 weeks remaining in the program}}{\text{30 weeks in the statutory definition of an academic year}}$$

- Reduce the fractions and compare to find the lesser:

  450/900 = 1/2 15/30 = 1/2

- In this example, the fractions are equal. Since the remaining portion of Carl's program is less than 2/3 but greater than or equal to 1/3 of an academic year, he is eligible to borrow an additional unsubsidized amount of $1,500.