LOAN LIMITS: DIRECT AND FFEL

BASE - SUBSIDIZED & UNSUBSIDIZED

STUDENT YEAR	ANNUAL	CUMULATIVE
1st-year undergrad.	$2,625	
2nd-year undergrad.	$3,500	
3rd, 4th, 5th-year undergrad.	$5,500	$23,000
graduate student	$8,500	$65,500 (includes undergrad. & graduate total)

ADDITIONAL - UNSUBSIDIZED ONLY

STUDENT YEAR	ANNUAL	CUMULATIVE
1st-year undergrad.	$4,000	
2nd-year undergrad.	$4,000	
3rd, 4th, 5th-year undergrad.	$5,000	$23,000 (Dependent) $46,000 (Independent)
graduate student	$10,000	$138,500 (includes undergrad. & graduate sub. and unsub. total)

Loan Proration: Direct Loan and FFEL Programs

Program Length or Final Enrollment Period	Grade Level					
	First-Year Undergraduate		Second-Year Undergraduate		Third-Year, Fourth-Year, and Fifth-Year Undergraduate	
	Base Stafford (sub and unsub)	Additional Unsub Stafford	Base Stafford (sub and unsub)	Additional Unsub Stafford	Base Stafford (sub and unsub)	Additional Unsub Stafford
1 academic year	$2,625	$4,000	$3,500	$4,000	$5,500	$5,000
Less than 1 and greater than or equal to 2/3 academic year	$1,750	$2,500	Proportional Proration	$2,500	Proportional Proration	Proportional Proration
Less than 2/3 and greater than or equal to 1/3 academic year	$875	$1,500	Proportional Proration	$1,500	Proportional Proration	Proportional Proration
Less than 1/3 academic year	0	0	Proportional Proration	0	Proportional Proration	Proportional Proration

Calculation Notes:

- Pre-set loan amounts represent **fixed proration**. To prorate, take the lesser of the two fractions (see below), find the appropriate box in the first column that matches your fraction, and find the dollar amount that represents your new loan maximum in the appropriate grade level column.

Compare $\frac{\text{clock/credit hours in program}}{\text{clock/credit hours in the schools}}$ and $\frac{\text{\# of weeks in program}}{\text{\# of weeks in academic year}}$ academic year

- For proportional proration, simply multiply the regular maximum with the fraction below. You can ignore the first column altogether when doing proportional proration.

Use $\frac{\text{\# credit/clock hours left in the program}}{\text{\# credit/clock hours in schools academic year}}$

Direct Loan Program and FFEL Program Interest-Rate Provisions as of July 1, 1994

	Subsidized and Unsubsidized Loans	PLUS Loans
Interest Rate	Variable rate; maximum annual rate 8.25%	Variable rate; maximum annual rate 9%
Interest Rate Formula	***For loans first disbursed on or after 07/01/94 through 06/30/95:*** • Bond equivalent rate of 91-day Treasury bills auctioned at final auction prior to 06/01 plus 3.1% ***For loans first disbursed on or after 07/01/95 through 06/30/98:*** • **Prior to repayment,** bond equivalent rate of 91-day Treasury bills auctioned at final auction prior to 06/01 plus 2.5% • If borrower is **in repayment,** bond equivalent rate of 91-day Treasury bills auctioned at final auction prior to 06/01 plus 3.1%	***For loans first disbursed on or after 07/01/94 through 06/30/98:*** • Bond equivalent rate of 52-week Treasury bills auctioned at final auction prior to 06/01 plus 3.1%

Grace Periods for Direct Loan Program and FFEL Program

Federal (Subsidized) Stafford Loan[1] and Direct Subsidized Loan[1]	Federal Unsubsidized Loan[2] and Direct Unsubsidized Loan	Federal PLUS Loan and SLS[2,3] and Direct PLUS Loan
6 months for all loans for periods of enrollment 01/01/81 and after. 9-12 months for all loans for periods of enrollment before 01/01/81.	6 months on repaying principal. Interest may be paid or accrued and capitalized during in-school and grace periods.[4]	None. The repayment period begins on the date the loan is fully disbursed. Interest begins to accrue on the date of the loan's first disbursement. For Federal SLS borrowers and new borrowers of Federal PLUS Loans on or after 07/01/93, repayment may be deferred while the students for whom the funds are borrowed are enrolled at least half time. Interest may be capitalized.

[1]If the grace period has not already been used, the loan's grace period begins on the date the student ceases to be enrolled at least half time.
[2]Also applied to Federal SLS loans, which were discontinued 07/01/94.
[3]Combined Federal SLS/federal sub/unsub borrowers have the option to defer Federal SLS repayment for up to 6 months after at least half-time enrollment ceases. This provision applies only when the borrower's loans have not entered repayment.
[4]Paying accrued interest is postponed by adding it to the loan principal as the interest comes due. (This is called "capitalization.")

NOTE: There are no grace periods for Consolidation Loans.

Cancellation and Loan Forgiveness

Borrower	Direct and FFEL Loans
Loan Cancellation	• death of borrower • death of student on whose behalf a parent borrowed a PLUS Loan • permanent and total disability of borrower • discharge of loan in bankruptcy
Loan Forgiveness	• students unable to complete their programs of study because their schools closed[1] • students whose schools falsely certified their loans

[1]These students are only eligible for forgiveness if their schools do not provide them with an alternate way to complete their program. This may include attendance at another nearby school that has an agreement in place with the closing school.

Entrance/Exit Loan Counseling For Direct Loans and FFEL Programs Loans

HOW to cover:

ENTRANCE COUNSELING

◊ In-person presentation or by videotape or by computer-assisted technology. Individual with Title IV expertise must be available to answer borrower questions

◊ Written counseling materials permissible for students enrolled in correspondence study or study-abroad programs

OR

◊ "Alternative Entrance Counseling Approach" for Direct Loan borrowers only:
- Written counseling material provided to first-time Direct Loan borrowers
- Counseling efforts targeted to certain groups of borrowers
- Entrance-counseling plan must be part of school's quality assurance plan

EXIT COUNSELING

◊ In-person presentation

◊ Written counseling materials:
- Mandatory for students who have withdrawn without notifying the school or have failed to attend scheduled exit counseling
- Permissible for students enrolled in correspondence study or study-abroad program

WHEN to cover:

ENTRANCE COUNSELING

◊ Prior to delivery of the first disbursement of the first Stafford loan that a borrower will receive at your school

EXIT COUNSELING

◊ Shortly before any borrower ceases at least half-time enrollment or (by mail) within 30 days:
- After learning that the student has withdrawn without notifying the school
- After the student has failed to attend scheduled exit counseling
- After student completed correspondence program or study-abroad program

WHAT to cover:

REQUIRED CORE ITEMS

ENTRANCE COUNSELING

◊ Emphasize seriousness and importance of repayment

◊ Emphasize consequences of default, including adverse credit reports, garnishment of wages, and litigation

◊ Emphasize obligation to repay full amount of loan, regardless of borrower's ability to gain employment after leaving school or dissatisfaction with the program

◊ For Direct Loan, provide data on average indebtedness and average monthly repayment of students who obtained loans at that school or in borrower's program of study

EXIT COUNSELING

◊ Provide the name and address of the borrower's lender(s)

◊ Inform student of average monthly repayment amount based on student's indebtedness

◊ Review available repayment options & obligations

◊ Provide borrower with debt-management strategies that would facilitate repayment

◊ Explain how to contact the party servicing the student's

◊ Emphasize seriousness and importance of repayment

◊ Emphasize consequences of default, including adverse credit reports, garnishment of wages, and litigation

◊ Review deferment, forbearance, and cancellation conditions

◊ Require borrower to provide corrections to school's records concerning name, address, Social Security number, references, driver's license number with state where it was issued, and name and address of expected employer