



150% Direct Subsidized Loan Limit

WVASFAA
Charleston, WV
October 30 – November 1, 2013



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Key Points

- Higher Education Act has changed
- Imposes a limit on Direct Subsidized Loan eligibility
 - 150% of published length of the educational program
- Makes borrowers who exceed the limit responsible for accruing interest
 - Borrower becomes responsible for accruing interest as of the date he/she exceeds 150% limit
- ED, not institutions, will be responsible for all tracking and notification of borrowers
- Institutions will be required to report additional program and borrower information
- ED will make necessary changes to its financial aid systems



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Change in the Law

- Public Law 112-141, Moving Ahead for Progress in the 21st Century Act, enacted July 6, 2012
- Amended the HEA to set a new limit on Direct Subsidized Loan eligibility
- Statutory requirement for negotiated rulemaking and publication of regulations in accordance with master calendar are waived
- ED published Interim Final Rule
 - Regulations effective immediately upon publication
 - Revises 34 CFR 685.200, 685.202, and 685.304
 - Comment period ends on 7/01/13



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Applies Only To First Time Borrowers

- Sets limit on Direct Subsidized Loan eligibility for first-time borrowers as of July 1, 2013
 - No effect on unsubsidized or PLUS eligibility
- First-time borrower is a borrower who has no outstanding balance of principal or interest on Direct Loan/FFEL on July 1, 2013, or on the date the borrower obtains a Direct Loan loan after July 1, 2013
 - Borrower who had loan balance and paid off in full prior to receiving loans on/after July 1, 2013, becomes "first-time borrower"



"First Time Borrower" Examples

- Student never borrowed FFEL or Direct Loan. Begins school in October 2013 and borrows Direct Subsidized Loan. **Student is "new borrower" and new rules apply.**
- Student had loan balance owed on July 1, 2013. Student pays off entire balance in 2015. Begins school and borrows Direct Subsidized Loan in September 2016. **Student is "new borrower" and new rules apply.**



First Time Borrower Examples

- Student is enrolled prior to July 1, 2013 and has loan balance owed on July 1, 2013. Student continues in school for fall 2013 term and borrows Direct Subsidized Loan. **Student is not a "new borrower and new rules do not apply.**
- Student had loan balance owed on July 1, 2013. Does not repay in full prior to beginning school in January 2014. Borrows Direct Subsidized Loan in 2014. **Student is not "new borrower" and new rules do not apply.**





Loss of Subsidized Loan Eligibility

- First time borrower is no longer eligible for Direct Subsidized Loans once the borrower has received Direct Subsidized Loans for a period that is 150% of the published length of the borrower's current educational program



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Loss of Interest Subsidy

- A borrower who loses eligibility for additional subsidized loans loses interest subsidy on subsidized loans received on or after July 1, 2013 during all periods, if the borrower -
 - Did not complete the program and -
 - Continues enrollment in same program; or
 - Enrolls in another program of the same or shorter length on at least half-time basis
- ★ Effective on date of the continued or new enrollment that triggered the loss of subsidy



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Components

- Maximum Eligibility Period = 150% of the published length of the educational program in which borrower is currently enrolled
- Subsidized Usage Period = Period of time for which a borrower received a Direct Subsidized Loan
- Remaining Eligibility Period = Difference between the Maximum Eligibility Period and the total of all Subsidized Usage Periods



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Determining When 150% Limit Is Met

Maximum Eligibility Period
less
Total of Subsidized Usage Periods
equals
Remaining Eligibility Period.

*150% Limit Met when Remaining Eligibility Period equals zero (or less than zero)



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Maximum Eligibility Period

Maximum eligibility period is 150% of the published length of educational program in which borrower is currently enrolled.

- ✓ Each academic program has a maximum eligibility period that is based on the published length of the program
- ✓ May be reported in years, months, or weeks
- ✓ Take published length of program in academic years and multiply by 1.5
- ✓ COD will determine based on school-provided information



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Maximum Eligibility Period Examples

Program Length		Maximum Eligibility Period
5-Year Bachelor's Degree	X 1.5	7.50 Years
4-Year Bachelor's Degree	X 1.5	6.00 Years
2-Year Associate's Degree	X 1.5	3.00 Years
2-Year Certificate Program	X 1.5	3.00 Years



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Maximum Eligibility Period Examples

Program Length		Limitation on Subsidized Loan Eligibility
1-Year Certificate Program	X 1.5	1.50 Years
18-Week Certificate Program	X 1.5	27 Weeks
10-Week Certificate Program	X 1.5	15 Weeks



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Converting Months or Weeks To Years

- If the published length of the program is measured in months or weeks, ED will convert the school reported months or weeks to years (or portions of years) –

$$\frac{\text{Number of days in the months or weeks}}{\text{Number of days in the Title IV academic year}}$$

- Month = 30 days
- Week = 7 days



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Converting Months or Weeks To Years

Months Examples

- Credit hour school defines its Title IV Academic Year as 30 weeks: 210 days
 - Program A's published length is 7 months: 210 days
 - 210 days divided by 210 days = 1.00 years
 - Program B's published length is 15 months: 450 days
 - 450 days divided by 210 days = 2.14 years
 - Program C's published length is 12 months: 360 days
 - 360 days divided by 210 days = 1.71 years



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Converting Months or Weeks To Years

Weeks Examples

- Clock hour school defines its Title IV Academic Year as 26 weeks: 182 days
- Program A's published length is 18 weeks: 126 days
 - 126 days divided by 182 days = 0.69 years
- Program B's published length is 35 weeks: 245 days
 - 245 days divided by 182 days = 1.35 years
- Program C's published length is 48 weeks: 336 days
 - 336 days divided by 182 days = 1.85 years



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Subsidized Usage Period

Subsidized Usage Period is period of time for which a borrower receives a Direct Subsidized Loan

- ✓ Calculated on loan-by-loan basis
- ✓ Looking at time for which loans were borrowed, not dollar amount (with one exception)
- ✓ Measured in academic years and rounded down to the nearest quarter of a year
- ✓ Includes only periods when Direct Subsidized Loan was received.
- ✓ COD will calculate based on school-provided information



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Calculating Subsidized Usage Period

$$\frac{\text{Number of days in the loan's loan period}}{\text{Number of days in the loan's academic year}}$$

- Loan period is beginning and ending dates of period covered by loan
- Academic year is beginning and ending dates of the academic year used for annual loan limit progression.
 - Either a Scheduled Academic Year (SAY) or a Borrower Based Academic Year (BBAY)



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Calculating Subsidized Usage Period

Example 1 – Semester-based school's SAY/BBAY academic year is the fall and spring terms

- Fall begins on August 27, spring ends on May 17
- 264 calendar days in the academic year
- Student receives a Direct Subsidized Loan to cover attendance for both fall and spring
 - Loan period begins August 27 and ends May 17.
 - 264 calendar days in the loan period
- Subsidized Usage Period = $264/264 = 1.00$



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Calculating Subsidized Usage Period

Example 2 – Semester-based school's SAY/BBAY academic year is the fall and spring terms

- Fall begins on August 27, spring ends on May 17
- 264 calendar days in the academic year
- Student receives a Direct Subsidized Loan to cover attendance for fall term only
 - Loan period begins August 27 and ends Dec 21
 - 117 calendar days in the loan period.
- Subsidized Usage Period = $117/264 = 0.44$
- Rounded down to next lowest .25 = 0.25



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Enrollment Status Exception - Example

- Semester-based school's academic year is the fall and spring terms. Student receives a Direct Subsidized Loan to cover attendance for both fall and spring on a three-quarter time basis.
 - There are 264 calendar days in the academic year.
 - There are also 264 calendar days in the loan period.
 - Calculated Subsidized Usage Period = 1.00
 - Usage Period = 0.75.



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Full Annual Amount Borrowed Exception

If full annual loan amount borrowed for a loan period that is less than a full academic year Subsidized usage period set to 1.0.

- Only applies to standard term and non-standard terms substantially equal and at least 9 weeks.



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Full Annual Loan Exception Example

- Semester-based school' s SAY/BBAY academic year of the fall and spring terms = 264 days.
- 3rd year student receives a Direct Subsidized Loan of \$5,500 for attendance in fall semester only.
- 117 calendar days in the loan period.
- Calculated Subsidized Usage Period: $117/264 = 0.44$, rounded down to 0.25.
- Exception: Subsidized Usage Period: 1.00



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Both Exceptions Example

- Semester-based school' s SAY/BBAY academic year of the fall and spring terms = 264 days.
- 3rd year student receives a Direct Subsidized Loan of \$5,500 for three-quarter time attendance for the fall semester only.
- 117 calendar days in the loan period.
- Calculated Subsidized Usage Period: $117/264 = 0.44$.
- Apply enrollment status exception: $.44 \times 75\% = 0.33$
- Apply Full Loan Amount Exception: Subsidized Usage Period: 1.00



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Direct Subsidized Loan Limitation

- Student's maximum time to receive Direct Subsidized Loans is established based on the length of the program in which the student is currently enrolled

- Remaining Direct Subsidized Loan eligibility is calculated by subtracting from maximum eligibility for the program, the time the student has already received Direct Subsidized Loans for enrollment in any program.




Calculation of Remaining Eligibility

Maximum Eligibility Period
 less
 Total of Subsidized Usage Periods
 equals
 Remaining Eligibility Period

*150% Limit Met when Remaining Eligibility Period equals zero (or less than zero)




Calculation of Remaining Eligibility: Example 1

- Student receives 3 full years of Direct Subsidized Loans while enrolled in two-year program.
- Maximum Eligibility Period for program is 3 years
Less
 - Total of Subsidized Usage Periods of 3 years
Equals
 - Zero years of remaining subsidized loan eligibility for continued enrollment in the two-year program.



Calculation of Remaining Eligibility: Example 2

Student receives 3 full years of Direct Subsidized Loans while enrolled in two-year program

- Student transfers to a four-year program
 - Maximum Eligibility Period for program is 6 years
 - Less
 - Total of Subsidized Usage Periods of 3 years
 - Equals
 - Three years of remaining subsidized loan eligibility for continued enrollment in the four-year program



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Calculation of Remaining Eligibility: Example 3

Student receives 2 full years of Direct Subsidized Loans while enrolled in four-year program

- Student transfers to a two-year certificate program
 - Maximum Eligibility Period for new program is 3 years
 - Less
 - Total of Subsidized Usage Periods of 2 years
 - Equals
 - One year of remaining subsidized loan eligibility for enrollment in the two-year certificate program



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Calculation of Remaining Eligibility: Example 4

Student receives 5 full years of Direct Subsidized Loans while enrolled in a four-year program

- Student enrolls in another four-year program
 - Maximum Eligibility Period for new program is 6 years
 - Less
 - Total of Subsidized Usage Periods of 5 years
 - Equals
 - One year of remaining subsidized loan eligibility for enrollment in the second four-year program



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Calculation of Remaining Eligibility: Example 5

Student receives 6 full years of Direct Subsidized Loans while enrolled in a four-year program

- Student continues enrollment in the same four-year program

- Maximum Eligibility Period for program is 6 years
Less
- Total of Subsidized Usage Periods of 6 years
Equals
- Zero years of remaining subsidized loan eligibility for the four-year program



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Calculation of Remaining Eligibility: Example 6

Student receives one Direct Subsidized Loan while enrolled in an 18-week certificate program

- Student then enrolls in a two-year program

- Maximum Eligibility Period for program is 3 years
Less
- Total of subsidized usage periods of 0.50
Equals
- 2.5 years of remaining subsidized loan eligibility for enrollment in the two-year program



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Loss of Interest Subsidy Benefits

A borrower who has no remaining eligibility for subsidized loans, loses interest subsidy on subsidized loans if the borrower -

- Did not complete the program and -
 - Continues enrollment on at least a half-time basis in same program; or
 - Enrolls in another program of the same or shorter length on at least a half-time basis



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Loss of Interest Subsidy Benefits

- Borrower responsibility for interest triggered from the date of continued or subsequent (at least half-time) enrollment in an eligible undergraduate program of equal or lesser length
- Responsibility for interest whether or not student continues Direct Loan borrowing
- Loan remains a Direct Subsidized Loan
- Unpaid accrued interest is capitalized in same manner as for Direct Unsubsidized Loans

Loss of Interest Subsidy Benefits

After losing interest subsidy, responsible for future accruing interest during -

- Periods of at least half-time enrollment
- Grace period
- Deferment periods
- Certain periods when repaying under Pay As You Earn or Income-Based Repayment Plans

★Lost interest subsidy on a loan cannot be regained

Example #1

- Borrower enrolls in a four-year program with Maximum Eligibility Period of 6 years.
 - Receives 6 years of Direct Subsidized Loans so Subsidized Usage Period is 6 years
 - Has no remaining eligibility in that program
- Borrower continues enrollment in the same program.
 - Borrower loses interest subsidy because of continued enrollment in same program
 - Effective on date of continued enrollment in the same program.

Example #2

- Borrower enrolls in a four-year program with Maximum eligibility period of 6 years
 - Receives 4 years of Direct Subsidized Loans so Subsidized Usage Period is 4 years
 - Has 2 years remaining eligibility in that program
 - Borrower did not complete the four-year program
- Borrower transfers to a two-year program with Maximum Eligibility Period of 3 years
 - Borrower has no remaining eligibility
 - Borrower loses interest subsidy because of enrollment in a shorter program, even with no additional loans
 - Effective on enrollment in the shorter program



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Example #3

- Borrower enrolls in a four-year program with Maximum Eligibility Period of 6 years
 - Receives 4 years of Direct Subsidized Loans - Subsidized Usage Period is 4 years
 - Has 2 years remaining eligibility in that program.
 - Completes the four-year program
- Borrower transfers to a two-year program – Maximum eligibility period is 3 years
 - Borrower has no remaining eligibility
 - Borrower does not lose interest subsidy because borrower completed the earlier program



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Example #4

- Borrower enrolls in a four-year program with Maximum Eligibility Period of 6 years
 - Receives 6 years of Direct Subsidized Loans so Subsidized Usage Period is 6 years
 - Has no remaining eligibility in that program
- Borrower enrolls in a graduate/professional program
 - Borrower does not lose interest subsidy because loss only relates to enrollment in an undergraduate program



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Example #5

- Borrower enrolls in a two-year program with Maximum Eligibility Period of 3 years.
 - Receives 3 years of Direct Subsidized Loans so Subsidized Usage Period is 3 years.
 - Has no remaining eligibility in that program
- Borrower continues enrollment in the same program.
 - Borrower loses interest subsidy because of continued enrollment in same program.
 - Effective on date of continued enrollment in the same program



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Example #5 - continued

- Same borrower enrolls in a four-year program with Maximum Eligibility Period of 6 years
 - Subsidized usage period is 3 years (from two-year program)
 - Has 3 years of eligibility in four-year program
- Borrower remains responsible for interest on loans from the two-year program
- Any new Direct Subsidized Loans borrowed for enrollment in the four-year program keep interest subsidy



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Example #6

- Borrower enrolls in a two-year program with Maximum Eligibility Period of 3 years
 - Receives 3 years of Direct Subsidized Loans so Subsidized Usage Period is 3 years
 - Has no remaining eligibility in that program.
- Borrower transfers to a four-year program
 - Borrower does not lose interest subsidy because of transfer to a longer program



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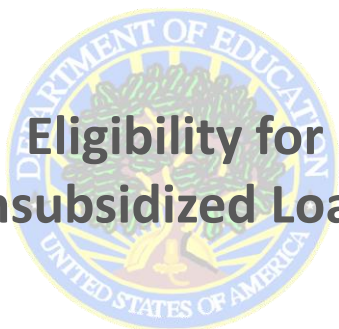
Example #7

- Borrower enrolls in a two-year program with Maximum Eligibility Period of 3.0 years
 - Receives 2.50 years of Direct Subsidized Loans so Subsidized Usage Period is 2.5 years
 - Has 0.50 years remaining eligibility in that program
- Borrower transfers to a one-year clock-hour program
 - Borrower cannot get remaining .50 because program is non-term
 - No loss of interest subsidy because borrower has remaining eligibility - does not matter that no loan could be made



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Eligibility for Unsubsidized Loans



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Eligibility for Direct Unsubsidized Loans

- School may only originate an unsubsidized loan (base or additional) for a loan period if the student is borrowing the full amount of his or her eligibility for a subsidized loan
- Student who does not borrow his or her full subsidized loan eligibility may not borrow any unsubsidized loan for the same loan period



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Eligibility for Direct Unsubsidized Loans

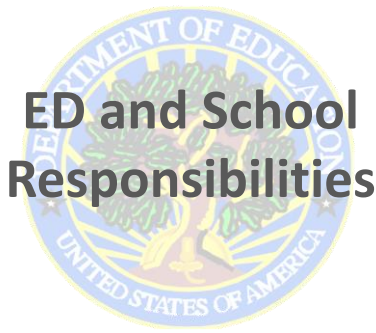
Example A: Based on COA and EFC a second year dependent student is eligible for the full annual subsidized loan amount.

- Scenario 1:
 - Base amount – subsidized loan = \$4,500
 - Base amount unsubsidized loan = n/a
 - Additional amount unsubsidized Loan = \$2,000
- Scenario 2:
 - Base amount – subsidized loan = \$4,000
 - Base amount unsubsidized loan = \$ 0
 - Additional amount unsubsidized Loan = \$ 0

Eligibility for Direct Unsubsidized Loans

Example B: Based on COA and EFC a second year dependent student is eligible for only \$4,000, less than the full annual subsidized loan amount.

- Scenario 1:
 - Base amount – subsidized loan = \$4,000
 - Base amount unsubsidized loan = \$ 500
 - Additional amount unsubsidized Loan = \$2,000
- Scenario 2:
 - Base amount – subsidized loan = \$3,800
 - Base amount unsubsidized loan = \$ 0
 - Additional amount unsubsidized Loan = \$ 0



Department Responsibilities

- ED/FSA will calculate, and inform students and institutions
 - CPS will have codes and comments on SARs and ISIRs.
 - NSLDS will determine and flag first time borrower
 - NSLDS will show Subsidized Usage Period
 - NSLDS will have a Loss of Subsidy Indicator
 - COD will send reports to schools
 - COD will have edits in place for enforcement
 - Direct Loan Servicers will notify borrower of Loss of Subsidy Benefits.



COD Reporting Requirements

- COD will -
- Calculate and report to schools -
 - Maximum Eligibility Period
 - Subsidized Usage Periods
 - Remaining Eligibility Period
 - Determine when student is no longer eligible for Direct Subsidized Loans based upon current program and will edit and reject



Loan Period and Academic Year Reporting

- Loan Date Reporting to COD – **Effective for all 2013-2014 loans**, schools must –
 - Correctly report to COD the SAY/BBAY dates and the Loan Period dates; and
 - Update such dates, when necessary.
- For all loans for all borrowers where the loan has a first disbursement date of on or after July 1, 2013.
- Incorrect reporting could result in a borrower improperly losing eligibility for Direct Subsidized Loans.





Loan Period and Academic Year Reporting

- Guidance and examples related to how schools must report a Direct Loan’s academic year dates and loan period dates to COD are included on –
 - 🔗 [DCL GEN-13-13](#)
 - 🔗 Recorded webinars soon to be posted to IFAP
- Reporting is required for all loans for all borrowers where the loan has a first disbursement date of on or after July 1, 2013.



Academic Year Reporting

- Direct Loan “academic year” tags in the COD schema:
 - <AcademicYearBeginDate>
 - <AcademicYearEndDate>
- Schools MUST populate these tags with the exact beginning and ending dates of the loan’s academic year (the period to which the annual loan limit applies).
 - ★ A summer term that is treated as a header or trailer to a scheduled academic year may not be included in the academic year dates **unless the student will actually be receiving a Direct Loan for the summer**



Loan Period Reporting

- Direct Loan “loan period” tags in the COD
 - <FinancialAwardBeginDate>
 - <FinancialAwardEndDate>
- Schools MUST populate these tags with exact dates of Direct Loan “loan period”
- Schools MAY need to update based on student’s actual enrollment or other eligibility issues





Borrower and Program Information

Beginning with 2014-2015, schools will report to COD additional student and program information –

- Student’s Enrollment Level (FT, TQT, HT)
- Classification of Instructional Program Code (CIP)
- Credential Level (Certificate, Diploma, Degree)
- Length of Program – years, months, weeks
- Special Program Flag – Teacher Certification, Preparatory



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COD Reporting Requirements

School’s failure to properly report may -

- Cause borrower’s record to reflect incorrect subsidized eligibility
- Cause COD to reject record
- Result in audit findings and potential fines or other sanctions



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NSLDS Reporting Requirements

- NSLDS will determine when continued or new enrollment results in loss of interest subsidy benefits.
- If yes, NSLDS will notify federal loan servicer that borrower is responsible for accruing interest
- Federal loan servicer will notify borrower of interest responsibility



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New NSLDS Reporting Requirements

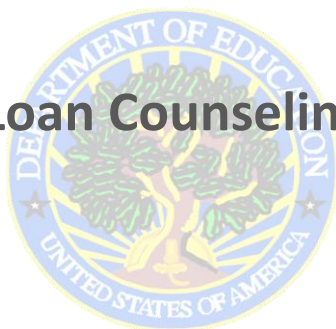
When reporting enrollment information to NSLDS, school must include for program in which the borrower is enrolled -

- CIP Code
- Credential Level
- Length of program in years, months, or weeks
- If applicable, indication that program is preparatory coursework or teacher certification coursework for which school does not award an academic credential



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Loan Counseling





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Why Entrance Counseling is Important

- ★ Lack of information may negatively impact first-time borrowers
 - Interim final regulations require schools to provide robust entrance counseling to first-time borrowers before making the first disbursement of a Direct Subsidized or Unsubsidized Loan to such borrowers on/after 7/01/13
- 📅 May 16, 2013 IFAP E.A.



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Entrance Counseling

To comply with the interim final regulations:

- Schools must ensure that first-time borrowers begin receiving counseling on the 150% limitation on 7/01/13
- Encourage schools to provide materials attached to May 16, 2013 IFAP E.A. to borrowers who complete entrance counseling prior to July 1, 2013



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FSA Entrance Counseling

- Entrance counseling on "StudentLoans.gov" includes a link to information regarding the 150% limitation
- October 2013 - those materials will be integrated into the Direct Loan entrance counseling features of "StudentLoans.gov"



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FSA Exit Counseling

- October 2013 - exit counseling on StudentLoans.gov" will be updated with 150% subsidized limitation information
- Prior to October 2013, use PDF materials from May 16, 2013 IFAP E.A. and COD info on Subsidized Usage Period



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Your Feedback Please

Please provide any comments to my supervisor-
Jo Ann Borel
Title IV Training Supervisor
joann.borel@ed.gov

AND/OR complete the survey at:
<http://s.zoomerang.com/s/JamieMalone>

Thanks much!



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QUESTIONS?

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