


**LOAN LIMITS:
WHY THEY MATTER**

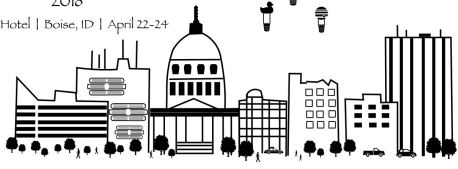
WASFAA TRAINING COMMITTEE



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WASFAA
Together We Rise
2018
Grove Hotel | Boise, ID | April 22-24



AGENDA

- Why is this important?
- Loan Trends and History
- Loan Limits & Special Situations
- 150% Subsidized Loan Limitation (SULA)
- Debt Management



WHY IS THIS IMPORTANT?

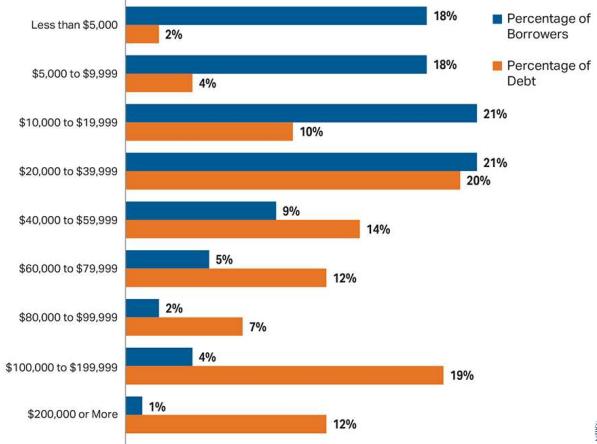
What do you think?
What are your expectations for this session?



TRENDS IN LOAN BORROWING


Perception:
Students are borrowing student loans at mortgage levels

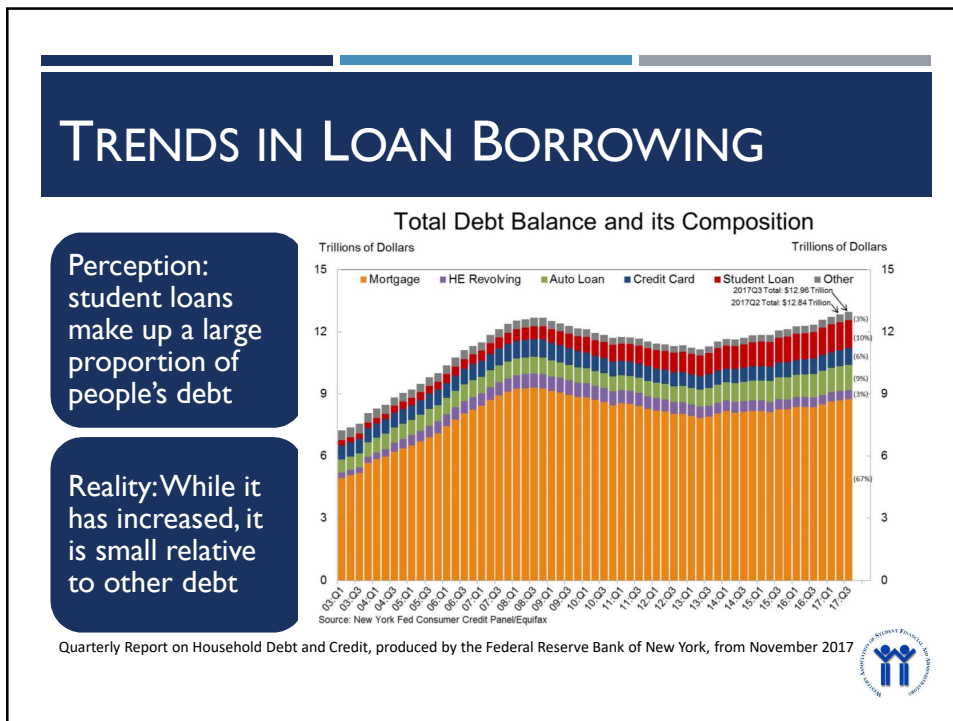
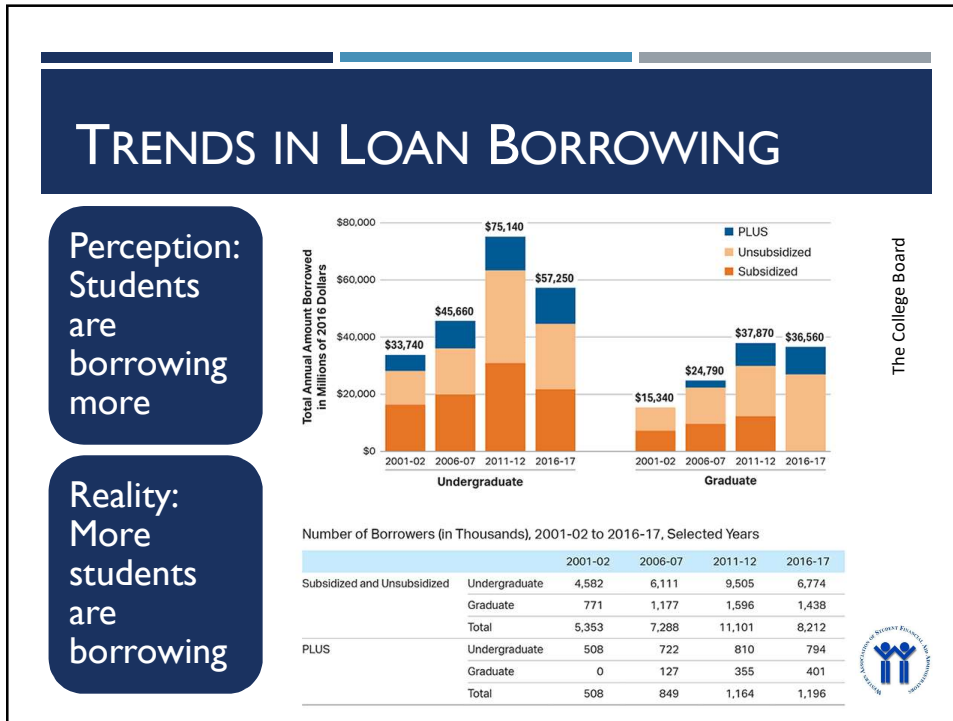
Reality: The majority of borrowers have a balance under \$20,000



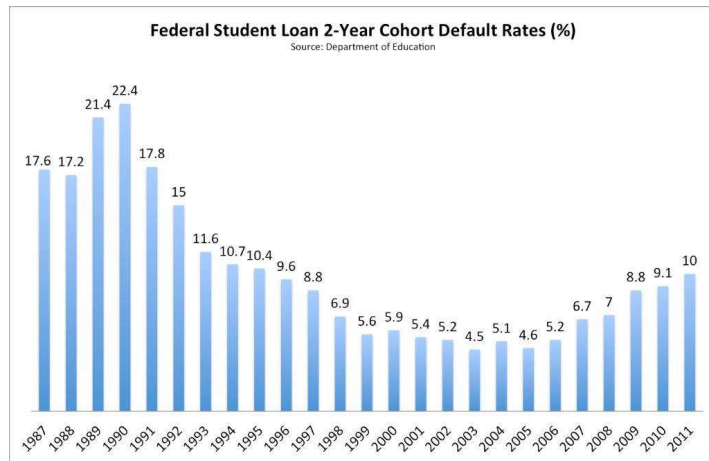
Loan Amount	Percentage of Borrowers	Percentage of Debt
Less than \$5,000	18%	2%
\$5,000 to \$9,999	18%	4%
\$10,000 to \$19,999	21%	10%
\$20,000 to \$39,999	21%	20%
\$40,000 to \$59,999	9%	14%
\$60,000 to \$79,999	5%	12%
\$80,000 to \$99,999	2%	7%
\$100,000 to \$199,999	4%	19%
\$200,000 or More	1%	12%

The College Board

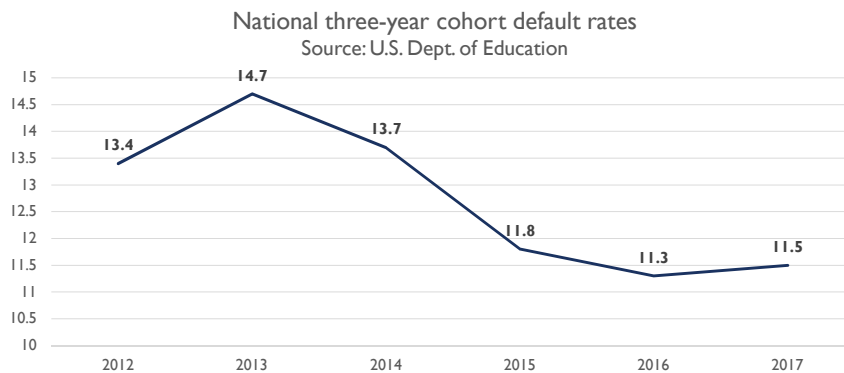


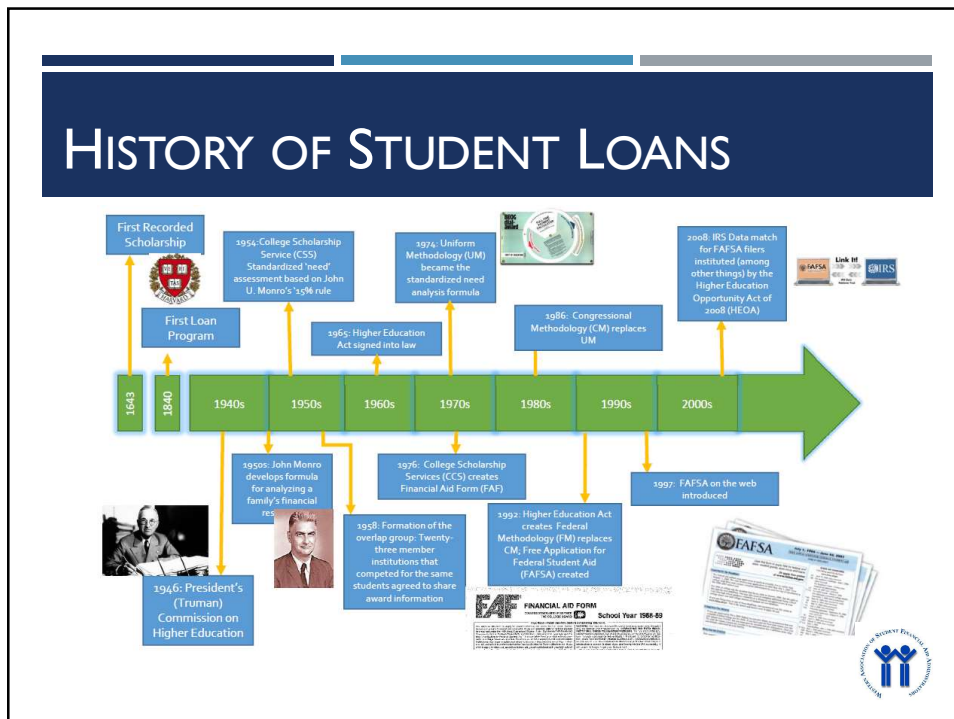
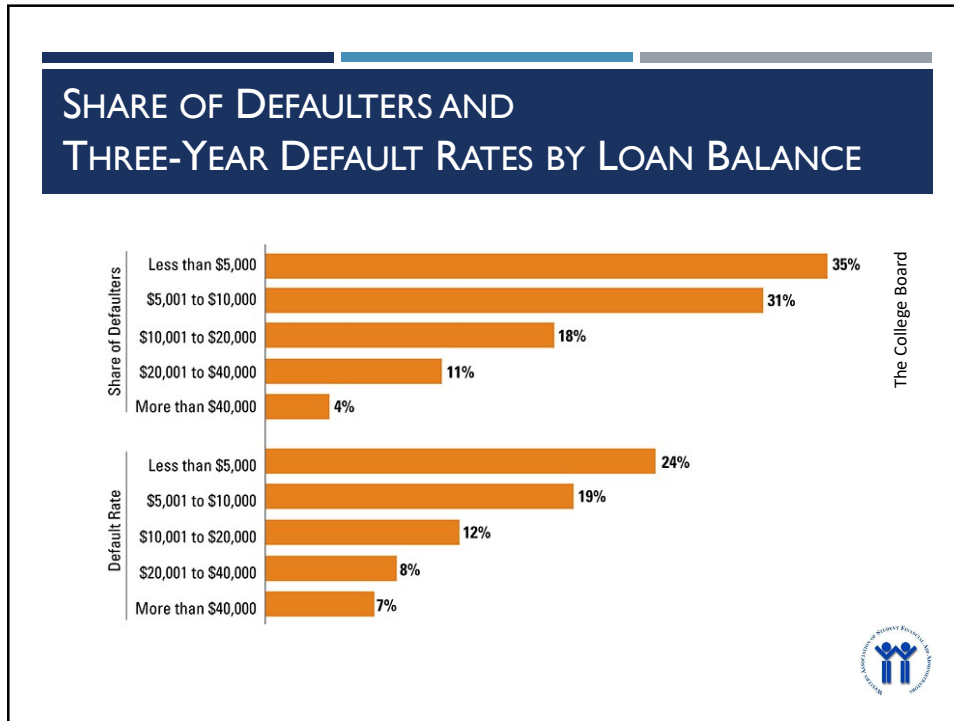


LOAN DEFAULT OVER TIME



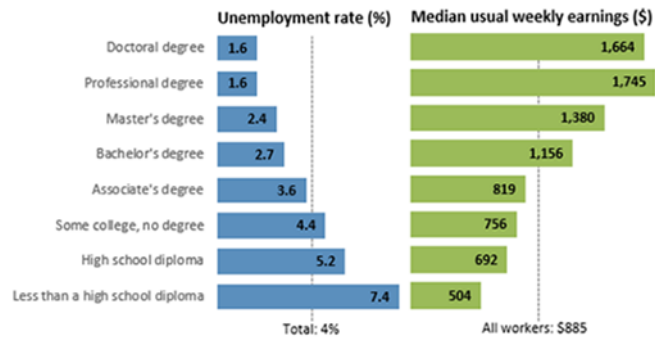
LOAN DEFAULT OVER TIME





IS IT WORTH IT?

Unemployment rates and earnings by educational attainment, 2016



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.



LOAN PUZZLE

Grade Level	Base Amount (Sub limit)	Total (Sub + unsub)
DEPENDENT UNDERGRADUATES		
First Year		
Second Year		
Third Year and beyond		
Aggregate Limit		
INDEPENDENT UNDERGRADUATES		
First Year		
Second Year		
Third Year and beyond		
Aggregate Limit		
GRADUATE & PROFESSIONAL		
All years		
Aggregate Limit		



LOAN LIMITS: SPECIAL CASES

- PLUS Denials • Determining Aggregate Limits
- Loan Proration • When and Why
- Consolidation • Unallocated
- Graduate to Undergraduate • Determining Aggregate limits



ADDITIONAL UNSUBSIDIZED WHEN PARENT CANNOT BORROW PLUS

“Dependent students whose parents are unable to borrow Direct PLUS Loans... may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students.” 15-16 FSAH Vol. 3, Ch. 5, p. 3-109

“Before originating a loan for increased loan amounts, you must document the basis of the dependent student’s eligibility.” 15-16 FSAH Vol. 3, Ch. 5, p. 3-109

“The additional Direct Unsubsidized Loan amount that the student received as a result of the parent PLUS denials... does not count against the \$31,000 dependent aggregate limit.” 15-16 FSAH Vol. 3, Ch. 5, p. 3-127



PRORATING ANNUAL LOAN LIMITS

“The annual maximum loan amount an undergraduate student may receive must be prorated when the borrower is:

- enrolled in a program that is shorter than a full academic year; or
- enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.”

15-16 FSAH Vol. 3, Ch. 5, p. 3-113



PRORATING ANNUAL LOAN LIMITS

Prorating loan limits for programs of study shorter than a full academic year

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the *lesser* of —

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, or clock-hours in academic year}}$$

or

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

The result is the prorated annual loan limit for that program. (You may express these fractions as decimals to see more easily which is less or to calculate the prorated limit.)

15-16 FSAH Vol. 3, Ch. 5, p. 3-113



UNALLOCATED CONSOLIDATION AMOUNTS

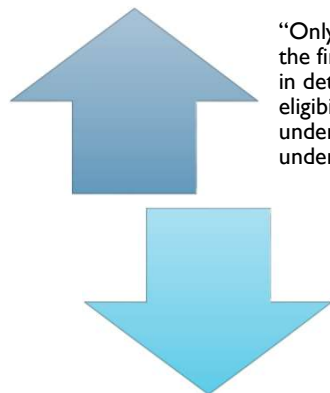
You **do not** have to review unallocated amounts in NSLDS.

NSLDS does not add the amount of unallocated loans when triggering the 'close to or exceeds aggregate limits' flags.

- See *NSLDS Newsletter 11*, February 2006. FSAH Vol. 3, Ch. 5, p. 3-109



GRADUATE TO UNDERGRADUATE



“Only the loans that the student received for the first undergraduate program are included in determining the student’s remaining eligibility for loans for the second undergraduate program, up to the undergraduate aggregate limits.”

Although loans received for graduate study are not counted toward a student’s undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits.”

FSAH Vol. 3, Ch. 5, p. 3-109



LOAN LIMITS: SULA

Limits the eligibility of a first-time borrower for Direct Subsidized Loans to a period not to exceed 150 percent of the length of the borrower's educational program

Under certain conditions, the provision also causes first-time borrowers who have exceeded the 150 percent limit to lose the interest subsidy on their Direct Subsidized Loans



DEBT MANAGEMENT

Authority

- DCL ID: GEN-15-06

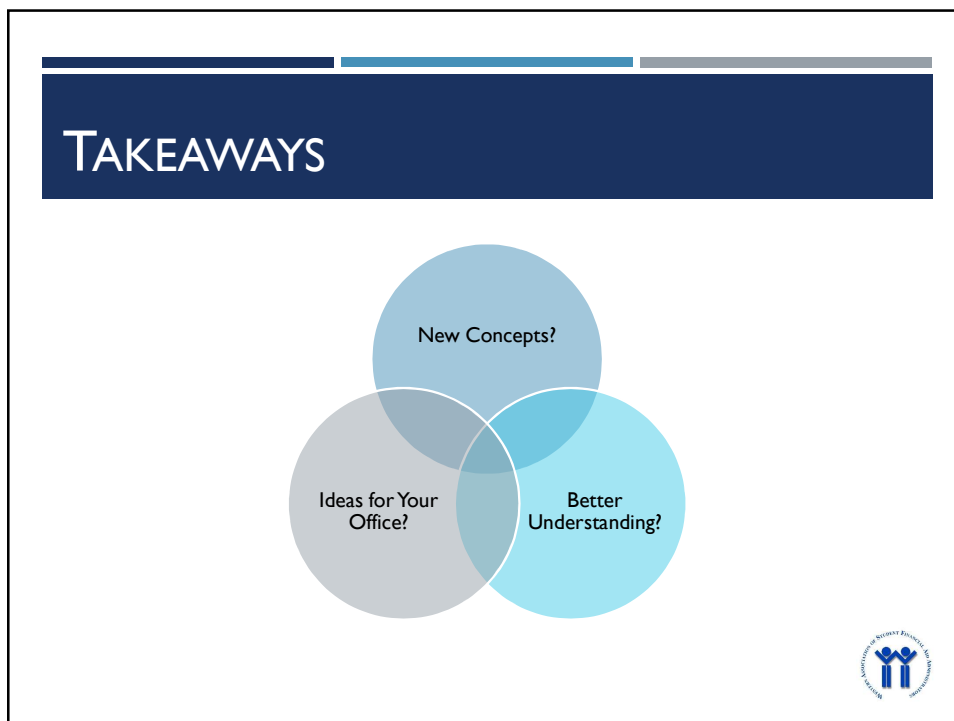
Counseling

- Only required for first time borrowers

Professional Judgment

- May limit or decline on a case-by-case basis





QUESTIONS?

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