SESSION 8

CALCULATING DIRECT LOAN AND FFEL ELIGIBILITY

OVERVIEW

Sources for Further Study

- Title IV of the Higher Education Act of 1965, as amended through June 1994
- Federal Regulations 34 CFR, Parts 682 and 685
- Federal Register, December 1, 1995 (FFEL conforming regulations)
- Federal Register, December 1, 1995 (Direct Loan Program conforming regulations)
- Federal Student Financial Aid Handbook, 1996-97 Chapter 10

MATHEMATICAL NOTE REGARDING CALCULATIONS

Some of the calculations schools must perform involve the multiplication of a whole number and a fraction. When performing these calculations, schools first should multiply the whole number by the fraction's numerator, and then divide that result by the fraction's denominator.

INTRODUCTION

Session will discuss problem areas related to Direct Loan and Federal Family Education Loan (FFEL) including factors influencing annual and aggregate loan limits, loan proration, when a student regains eligibility to borrow, treatment of summer terms, and transfer student loan eligibility.

DETERMINING LOAN ELIGIBILITY

If student borrows in excess of loan limits, student loses Title IV eligibility.

Factors That Influence Amount Student Can Borrow

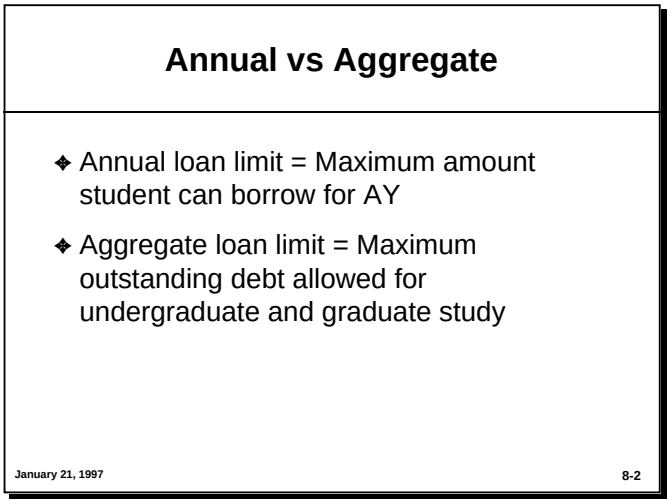
- Annual and aggregate loan limit
- Whether loan must be prorated
- How often student is allowed to borrow

January 21, 1997 8-1

Notes

Notes

Annual and Aggregate Loan Limits



Program's aggregate loan limit includes loans made under that program as well as under corresponding Direct Loan or FFEL program.

Loan limits for programs of study that are at least one academic year long are shown in chart "Loan Limits: Direct Loan and FFEL Programs." Chart "Important Facts About Direct Loan and FFEL Limits" describes additional loan limits requirements.

Loan Limits: Direct Loan and FFEL Programs
for Students Enrolled in Programs of at Least One Academic Year in Length

Direct Subsidized/Unsubsidized and Federal Stafford Subsidized/Unsubsidized	
Annual	**Aggregate**
Base subsidized and unsubsidized loan limits for all Direct Loan and FFEL recipients:	
$2,625 First-year undergraduate (in current program of study) $3,500 Second-year undergraduate (in current program of study) $5,500 Third-, fourth-, or fifth-year undergraduate (in current program of study) $8,500 Graduate/professional degree or certificate study	$23,000 Undergraduate $65,500 Graduate study (including amounts borrowed for undergraduate study)
Additional unsubsidized loan limits. For independent students, graduate/professional degree or certificate students, and dependent students whose parents are not eligible to borrow a PLUS loan, the student has additional unsubsidized loan eligibility of:	
$4,000 First-year undergraduate (in current program of study) $4,000 Second-year undergraduate (in current program of study) $5,000 Third-, fourth-, or fifth-year undergraduate (in current program of study) $10,000 Graduate/professional degree or certificate study	$23,000 Undergraduate $73,000 Graduate study (including amounts borrowed for undergraduate study)

Direct PLUS and Federal PLUS	
Annual	**Aggregate**
Cost of attendance minus other aid per eligible dependent student	Not Applicable

IMPORTANT FACTS ABOUT DIRECT LOAN AND FFEL LIMITS

- A student with a bachelor's degree who is completing coursework for a second undergraduate major for which he or she ***will not*** receive a second bachelor's degree is not eligible for any Direct Loan or FFEL program assistance. A second major does not meet the definition of "educational credential"; thus the student would not meet the "regular student" definition.
- A student with a diploma, a certificate, or a degree who is enrolled in a program for which he or she will receive another diploma, a certificate, or a degree is eligible for Direct Loan or FFEL assistance provided he or she has remaining loan eligibility under the applicable aggregate limit. For example, a student with a bachelor's degree, enrolled in an associate degree program, may receive loan assistance for the associate degree program if his or her total outstanding Direct Loan and FFEL balance is less than the undergraduate aggregate limit.
- For base amounts, the loan limit includes both subsidized and unsubsidized loans.
- A student enrolled in a 2-year undergraduate program is eligible each year for only the appropriate first-year or second-year annual loan limit, regardless of the number of years he or she attends.
- A student enrolled in a program that is shorter than 1 academic year in length cannot borrow more than the applicable prorated annual limit regardless of how long it takes the student to complete the program.
- A student who has received an associate or bachelor's degree and is enrolled in a new eligible program for which the prior degree was required for admission must be given credit for the prior undergraduate education in determining the appropriate undergraduate annual loan limit.
- A student enrolled in preparatory coursework for a single period up to 12 months may borrow at the loan level determined for first-year undergraduates, if that student is taking the preparatory coursework to prepare for an undergraduate program.
  - A student with a bachelor's degree, who must take additional courses to prepare for a graduate or professional program, can borrow up to the third-, fourth-, or fifth-year loan limits.

  - Graduate loan limits apply only when the student has been admitted as a degree candidate in a graduate program and has begun to take enough courses to qualify as at least half-time on the graduate level.
- A student enrolled at least half-time in a program required by a state for teacher certification or recertification at the elementary or secondary level may borrow a Direct Loan or FFEL at undergraduate fifth-year limits without being enrolled as a regular student.
- Aggregate loan limits include both Direct Loan and FFEL program loans.
- Aggregate loan limits do not include capitalized interest.

Prorated Annual Loan Limits

Notes

What is Proration?

Annual Loan Limits

- Base amount – dependent or independent student may borrow subsidized and unsubsidized loans up to annual limit for student grade level
- Additional unsubsidized amount
  - Independent student may borrow up to higher annual loan limit
  - Dependent student is also eligible to borrow if parents are ineligible for PLUS

January 21, 1997 8-3

If student's program or final period of study is shorter than an academic year, amount that undergraduate student may borrow in both base subsidized / unsubsidized and additional unsubsidized loans must be reduced (i.e., prorated).

Methods of Proration

- ***Fixed proration*** has set dollar amount based on length of student's program or final period of study relative to full AY
- ***Proportional proration*** uses calculated amounts based on ratio of number of credit or clock hours in student's final period of study to number of credit or clock hours in school's AY

January 21, 1997 8-4

Following chart shows formulas for fixed and proportional proration.

METHODS OF PRORATION

Fixed Amount Proration

The **lesser** of:

(A) $\dfrac{\text{Credit or clock hours in program or final period of study}}{\text{Credit or clock hours in school's AY*}}$

**within statutory requirements*

OR

(B) $\dfrac{\text{Weeks of instructional time in program or final period of study}}{\text{30 weeks in statutory definition of an AY}}$

Proportional Proration

(C) $\dfrac{\text{Credit or clock hours in final period of study}}{\text{Credit or clock hours in school's AY*}}$

**within statutory requirements*

What Types of Loans Are Subject to Proration?

Notes

Proration

- Applies only to undergraduate borrowers for:
  - Direct subsidized and unsubsidized loans
  - Federal subsidized and unsubsidized loans
- Graduate loans and PLUS not subject to proration

January 21, 1997 8-5

When is Proration Required?

Proration Required

- Borrower's program has fewer weeks or hours of instructional time than statutory minimum AY
- Borrower's program is 1 AY or longer, and borrower is in final period of study shorter than 1 AY

January 21, 1997 8-6

School is not required to adjust loan after it has been certified if student adds or drops a course. However, student must be enrolled at least half-time.

What Are the Minimum Statutory Requirements for an Academic Year?

School must define "academic year" for each of its academic programs.

Notes

Academic Year:
Minimum Statutory Requirement

- Must contain at least:
  - 30 weeks of instructional time; and
  - 24 semester or trimester hours; or
  - 36 quarter hours; or
  - 900 clock hours

Final period of study for term-based credit-hour program is shorter than an academic year even if terms in final period of study are separated by a period of nonenrollment within the same academic year.

Notes

Group Discussion 1

Determining When Loan Proration Is Required

Exercise A

Background: Aaron has completed the first 900 hours and 30 weeks of a 1,250-clock-hour program. He has applied for a loan for the remaining 350 clock hours.

Question: Does the loan need to be prorated?

Exercise B

Background: Joyce is enrolled in the fourth year of a bachelor's degree program. The school has a scheduled academic year that consists of three quarters (fall, winter, and spring). Joyce has been taking additional courses each quarter to graduate at the end of two quarters. She has several enrollment options for completing her final two quarters.

Questions:

1. If she enrolls at least half-time each quarter, would a fall/winter loan need to be prorated?
2. If she enrolls at least half-time each quarter, would a fall/spring loan need to be prorated? What would be the beginning and ending dates of the loan?
3. If she enrolls full-time during fall and less than half-time during winter, how would the loan period and amount be affected?

Exercise C

Background: Joyce enrolled full-time in the fall and planned to enroll less than half-time in the winter. The fall loan was processed for fall only. She then dropped below half-time before her loan proceeds were delivered to her, and the school returned the funds to ED or the lender. Joyce then reenrolled full-time in the winter.

Questions: Could a new loan period include fall dates? Could the original full-time credit hours from fall be used to calculate the prorated annual loan limit?

Group Discussion 1 (contûd)

Exercise D

Background: The scenario is the same as that in Exercise C except that Joyce received one-half of the disbursement of the fall-only loan and then dropped to less-than-half-time status before the second disbursement was made.

Questions: Could the new loan include fall dates? When the prorated loan eligibility is calculated, would the disbursement Joyce already received in the fall need to be subtracted?

Group Discussion 1 Answers

Exercise A

Because Aaron is in a final period of study that contains fewer clock hours than the minimum 900 clock hours required by statute for an academic year, the loan must be prorated.

Exercise B

1. Joyce will complete the remainder of her program in two terms. The scheduled academic year for her school contains three terms. Because the final period of study is shorter than the school's academic year, proration is required.

2. Joyce is still completing the remainder of her program in two terms. Proration is required. The loan amount would need to be prorated as in B1 and then processed as a fall-only loan and a final loan for spring only.

3. Joyce would not be eligible for a loan during a term in which she is enrolled less than half-time. Because Joyce will be graduating at the end of the second quarter in an academic year that contains three quarters, proration would be required. The fall loan would have to be prorated based on the number of quarter hours for which she is enrolled during the fall. (Winter units cannot be included.)

Exercise C

The loan period for Joyce's new winter loan could not include fall dates. Joyce's original full-time credit hours cannot be used in calculating the prorated loan for winter.

Exercise D

The loan period for the winter loan could not include fall dates. The original full-time credit hours from fall cannot be used in the proration calculation, and the amount Joyce received for fall does not need to be subtracted from the prorated annual loan limit calculated for winter.

How Are Loans Prorated?

Notes

Factors to Consider When Prorating Loans

- Length of student's program (or final period of study) and whether program is term-based or nonterm
- Student's grade level
- For first- and second-year undergraduate borrowers, whether loan is base subsidized/unsubsidized or additional unsubsidized

January 21, 1997 8-9

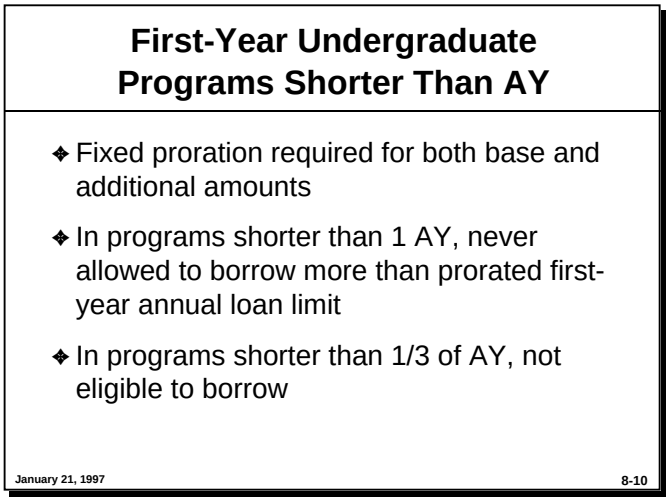
Following chart provides an overview of loan proration requirements.

Loan Proration: Direct Loan and FFEL Programs

Program Length or Final Period of Study	Grade Level					
	First-Year Undergraduates		Second-Year Undergraduates		Third-Year, Fourth-Year, and Fifth-Year Undergraduates	
	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
Shorter than 1 and longer than or equal to 2/3 academic year	$1,750	$2,500	Proportional Proration	$2,500	Proportional Proration	Proportional Proration
Shorter than 2/3 and longer than or equal to 1/3 academic year	$875	$1,500	Proportional Proration	$1,500	Proportional Proration	Proportional Proration
Shorter than 1/3 academic year	0	0	Proportional Proration	0	Proportional Proration	Proportional Proration

First-Year Undergraduate: Fixed Proration

Notes



Loan proration is required when student's program is shorter than statutory minimum academic year in credit hours (i.e., 24 semester or trimester hours or 36 quarter hours) or clock hours (i.e., 900 clock-hours) or number of weeks (i.e., 30 weeks of instructional time).

To determine prorated loan amount:

1. Calculate fractions A and B (i.e., fixed amount proration) from "Methods of Proration" chart and use lesser fraction to determine whether program is:

   a. Shorter than one academic year but longer than or equal to two-thirds of an academic year;

   b. Shorter than two-thirds of an academic year but longer than or equal to one-third of an academic year; or

   c. Shorter than one-third of an academic year; and

Notes

2. Look up fixed prorated amount on "Loan Proration: Direct Loan and FFEL Programs" chart that corresponds to program length.

First-Year Undergraduate Programs Equal to AY

- Enrolled less than full-time
  - In term-based program, eligible for second annual loan limit (prorated if necessary)
  - In nonterm program, not eligible for second annual loan limit

January 21, 1997 8-11

Second-Year Undergraduate: Proportional and Fixed

Final Period of Study Shorter Than AY

- Second-year undergraduate
  - Proportional proration required for base subsidized and unsubsidized
  - Fixed proration required for additional unsubsidized
- Third-, fourth-, or fifth-year undergraduate
  - Proportional proration required for both base and additional loan limits

January 21, 1997 8-12

Proration is required:

1. For *term-based credit-hour program,* if number of terms it will take student to complete final period of study is less than number of terms in school's academic year;

2. For *clock-hour program*, if number of terms or clock hours it will take student to complete final period of study is less than number of terms or clock hours in school's academic year; and

3. For *nonterm credit-hour program*, if number of credit hours in student's final period of study is less than number of credit or clock hours in program's academic year.

• ***Base Loan Limit: Proportional Proration.*** To calculate base loan limit for a second-year undergraduate:

1. Calculate fraction C from "Methods of Proration" chart; and

2. Multiply resulting fraction by $3,500.

• ***Additional Loan Limit: Fixed Proration***. Procedures are the same as for fixed proration for first-year undergraduates, except you use additional loan limit for second-year undergraduates

Third-Year, Fourth-Year, or Fifth-Year Undergraduate: Proportional Proration

Proportional proration calculation is the same as for second-year undergraduates, except you use loan limit for third-year, fourth-year, and fifth-year undergraduates from "Loan Proration: Direct Loan and FFEL Programs" chart.

Notes

Case Study 1

Garden State College

Loan Proration

- **Term-based clock-hour program**
- **Final period shorter than an AY**

Objective

To illustrate loan proration for a term-based clock-hour program with a final period of study shorter than an AY in length.

School Information

- Garden State College is term based with fall, winter, and spring quarters.
- Each quarter contains 300 clock hours and is 10 weeks in length.

Student Information

- Anne is dependent.
- Assume Anne is eligible for maximum annual loan limit.
- Anne's program is 1,500 clock hours in length.
- She has completed 900 clock hours and 3 quarters in her first year of study.
- She has 600 clock hours remaining in her second year, and she should be able to complete her program in 2 quarters.

Task

- Calculate the base subsidized and unsubsidized loan amount for which Anne is eligible.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
	x	$3,500	÷		=	$

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: ____

Enter the number of credit or clock hours in your school's academic year: ____

FRACTION B

Enter the number of weeks of instructional time in the program: ____ / 30

(2) Enter the SMALLER of the two fractions: ____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0

Case Study 1 Solution

Garden State College

Calculate the base subsidized and unsubsidized loan amount for which Anne is eligible.

Because Anne is completing the final period of study in her program in two quarters, the loan must be prorated.

- Use proportional proration fraction to calculate loan eligibility for second-year undergraduates:

$$\frac{\text{Credit or clock hours in final period of study}}{\text{Credit or clock hours in school's AY*}}$$

600/900 X $3,500 = $2,333

Anne is eligible to borrow $2,333 in base subsidized/unsubsidized loans.

**Within statutory requirements*

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c) *900*

Enter number of credit/clock hours in final period of study — (d) *600*

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e) *3*

Enter number of terms in final period of study — (f) *2*

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
600	x	$3,500	÷	*900*	=	$ *2,333*

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: ____

Enter the number of credit or clock hours in your school's academic year:

FRACTION B

Enter the number of weeks of instructional time in the program: ____

30

(2) Enter the SMALLER of the two fractions: ____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0

Case Study 2
Carter University

Loan Proration
- **Term-based credit-hour program**
- **Final period shorter than an AY**

Objective

To illustrate loan proration for a term-based credit-hour program with the final period of study shorter than an AY.

School Information

- Carter University is term based with fall, winter, spring quarters.
- AY is defined as 36 quarter hours and 30 weeks of instructional time.

Student Information

- Bill is independent.
- He is in his fifth year as an undergraduate.
- Bill has completed all but 12 hours of his program.
- He can:
  - Complete the entire 12 hours during fall quarter;
  - Enroll half-time in both the fall and winter quarters;
  - Take additional electives and enroll at least half-time for the entire AY; or
  - Enroll less than half-time during fall and three-quarter-time in winter.

Tasks

- Determine if proration is required if Bill completes his program:
  - At the end of fall quarter;
  - At the end of winter quarter;
  - At the end of spring quarter; or
  - At the end of winter with less-than-half-time enrollment fall quarter.
- Calculate the maximum loan amount in each case.

PRORATION WORKSHEET 3

THIRD, FOURTH AND FIFTH-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

✥ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

✥ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
	x	$5,500	÷	=	$

ADDITIONAL UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated additional unsubsidized loan limit:
	x	$5,000	÷	=	$

Case Study 2 Solution
Carter University

Determine if proration is required if Bill completes his program at the end of fall quarter, at the end of winter quarter, or at the end of spring quarter.

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 regardless of his enrollment status in each quarter. In either case, his final period of study (fall or fall/winter) is shorter than the school's scheduled academic year (3 quarters in length).

Calculate the maximum loan amount in each case.

Proportional proration is required based on the number of hours remaining in the program. Assuming that Bill enrolls for a total of 12 hours in either one final term 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 at the end of the winter quarter.

- Use the proportional fraction from "Methods of Proration":

$$\frac{\text{12 credit hours in final period of study}}{\text{36 credit hours in school's AY}} = \frac{1}{3}$$

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

  1/3 x $5,500 = $1,833 *or* (1 x $5,500) ÷ 3 = $1,833

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

  1/3 x $5,000 = $1,667 *or* (1 x $5,000) ÷ 3 = $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 a total of $1,833 in base subsidized/unsubsidized loans and an additional unsubsidized amount of $1,667. (This solution appears on completed worksheet.)

If Bill decides to enroll for the full academic year, proration does not apply, and he can borrow the maximum annual loan limits for a fifth-year undergraduate.

Case Study 2 Solution (contûd)

As we mentioned earlier, hours for a period of enrollment during which a student is not eligible for a loan (i.e., less-than-half-time enrollment) may not be included when calculating prorated loan limits. In this case, if Bill enrolls in 3 credit hours during fall, which is less than half-time, those 3 credit hours cannot be used and the final period of study for Bill's program would only include 9 credit hours.

- Use proportional proration to create the following fraction:

$$\frac{\text{9 credit hours in final period of study}}{\text{36 credit hours in school's AY}} = \frac{1}{4}$$

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

  1/4 x $5,500 = $1,375 *or* (1 x $5,500) ÷ 4 = $1,375

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

  1/4 x $5,000 = $1,250 *or* (1 x $5,000) ÷ 4 = $1,250

PRORATION WORKSHEET 3

THIRD, FOURTH AND FIFTH-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

For attendance during one quarter

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a) *3*

Enter number of terms in final period of study — (b) *1*

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
12	x	$5,500	*36*	=	$ *1,833*

ADDITIONAL UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated additional unsubsidized loan limit:
12	x	$5,000	*36*	=	$ *1,667*

Case Study 3
Axel College

Loan Proration
- **Nonterm clock-hour program**
- **Final period shorter than an AY**

Objective

To illustrate loan proration for a nonterm clock-hour program with the final period of study shorter than an AY in length.

School Information

- Axel College is a nonterm clock-hour school.
- AY is defined as 900 clock hours and 30 weeks of instructional time.

Student Information

- Carl is independent.
- Assume Carl is eligible for the maximum loan.
- His program is 1,350 clock hours.
- The program is scheduled to be completed in 45 weeks.
- Carl has completed 900 clock hours of the program.
- He has completed 30 weeks of the program.

Task

- Calculate the maximum amount of loan Carl can borrow for this final period of study.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
	x	$3,500	÷	=	$

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: _____

Enter the number of credit or clock hours in your school's academic year: _____

FRACTION B

Enter the number of weeks of instructional time in the program: _____ / 30

(2) Enter the SMALLER of the two fractions: _____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0

Case Study 3 Solution
Axel College

Calculate the maximum amount of loan Carl can borrow for this final period of study.

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

- Use the proportional proration fraction from "Methods of Proration" to determine Carl's base loan amount:

$$\frac{\text{450 clock hours in final period of study}}{\text{900 clock hours in school's AY}} = \frac{1}{2}$$

- Multiply this fraction by $3,500 (the base annual loan limit for a second-year undergraduate):

  1/2 x $3,500 = $1,750 *or* (1 x $3,500) ÷ 2 = $1,750

  Carl can borrow a base subsidized/unsubsidized loan of $1,750.

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

- Use the fixed proration fractions to determine the length of the final period of study:

(A) $$\frac{\text{450 clock hours in final period of study}}{\text{900 clock hours in school's AY}}$$

(B) $$\frac{\text{15 weeks in final period of study}}{\text{30 weeks in statutory definition of AY}}$$

- Reduce the fractions and use the lesser:

  (A) 450/900 = 1/2 (B) 15/30 = 1/2

In this example, the fractions are equal. Because the final period of study in Carl's program is shorter than 2/3 but greater than or equal to 1/3 of an AY, he is eligible to borrow an additional unsubsidized amount of $1,500. (See "Loan Proration" chart.)

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

✥ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

✥ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c) *900*

Enter number of credit/clock hours in final period of study — (d) *450*

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
450	x	$3,500	÷	*900*	=	$ *1,750*

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: *450*

Enter the number of credit or clock hours in your school's academic year: *900*

FRACTION B

Enter the number of weeks of instructional time in the program: *15* / 30

(2) Enter the SMALLER of the two fractions: *450* / *900*

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	(**$1,500**)
Less than 1/3	$0

Case Study 4
Maxell Institute

Loan Proration
- **Nonterm clock-hour program**
- **Program shorter than an AY**

Objective

To illustrate loan proration for nonterm clock-hour program shorter than an AY in length.

School Information

- Maxell Institute is a nonterm clock-hour school.
- AY is defined as 900 clock hours and 30 weeks of instructional time.

Student Information

- Monique is independent.
- Assume she is eligible for the maximum loan.
- Her program is 540 clock hours in length.
- Her program has 18 weeks of instructional time.

Tasks

- Calculate the base subsidized and unsubsidized loan amount for which Monique is eligible.
- Determine if she is eligible for an additional unsubsidized loan and calculate the amount.

PRORATION WORKSHEET 1

FIRST-YEAR UNDERGRADUATES IN PROGRAMS SHORTER THAN ONE ACADEMIC YEAR

STEP 1

		yes	no
Does the program include fewer than:	(a) 30 weeks of instructional time?	❑	❑
	(b) 24 semester hours?	❑	❑
	(c) 36 quarter hours?	❑	❑
	(d) 900 clock hours?	❑	❑

If the answer to (a), (b), (c), or (d) is "yes," proration is required. **Go to STEP 2**.

STEP 2

Create Fractions A and B.

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program

Enter the number of credit or clock hours in your school's academic year

FRACTION B

Enter the number of weeks of instructional time in the program

30

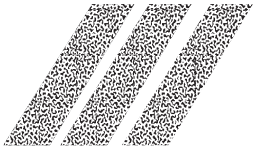
STEP 3

Enter the SMALLER of the two fractions from STEP 2.

If the fraction is:	The base subsidized/unsubsidized prorated loan limit is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$1,750	$2,500
Less than 2/3 but greater than or equal to 1/3	$875	$1,500
Less than 1/3	$0	$0

Case Study 4 Solution

Maxell Institute



Calculate the base unsubsidized and unsubsidized loan amount for which Monique is eligible.

Proration is required because Monique's program is shorter than an AY in length. For first-year undergraduates, fixed proration is required for both base Stafford and additional unsubsidized Stafford. (Refer to "Loan Proration" chart.)

- To determine both the base subsidized/unsubsidized loan limit and the additional unsubsidized loan limit, from "Methods of Proration" chart, use the fixed proration and create two fractions using both weeks and clock hours:

$$\text{(A)}\quad \frac{\text{540 clock hours in Monique's program}}{\text{900 clock hours in school's AY}} = \frac{3}{5}$$

$$\text{(B)}\quad \frac{\text{18 weeks in Monique's program}}{\text{30 weeks of instructional time in school's AY}} = \frac{3}{5}$$

- The fraction 3/5 is less than 2/3 but greater than 1/3. Using the "Loan Proration" chart, Monique can borrow $875 (base amount) for a program that is shorter than 2/3 and longer than or equal to 1/3 of an AY in length.

Determine if she is eligible for an additional unsubsidized loan and calculate the amount.

Again referring to the "Loan Proration" chart, Monique, as an independent student, would be eligible for additional unsubsidized loan in the amount of $1,500. You would use the same fixed proration fraction and the "Loan Proration" chart to calculate her additional loan eligibility.

PRORATION WORKSHEET 1

FIRST-YEAR UNDERGRADUATES IN PROGRAMS SHORTER THAN ONE ACADEMIC YEAR

STEP 1

		yes	no
Does the program include fewer than:	(a) 30 weeks of instructional time?	☑	❑
	(b) 24 semester hours?	❑	❑
	(c) 36 quarter hours?	❑	❑
	(d) 900 clock hours?	☑	❑

If the answer to (a), (b), (c), or (d) is "yes," proration is required. **Go to STEP 2**.

STEP 2

Create Fractions A and B.

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: *540*

Enter the number of credit or clock hours in your school's academic year: *900*

FRACTION B

Enter the number of weeks of instructional time in the program: *18* / 30

STEP 3

Enter the SMALLER of the two fractions from STEP 2.

$\frac{540}{900}$ $\frac{18}{30} = \frac{3}{5}$

If the fraction is:	The base subsidized/unsubsidized prorated loan limit is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$1,750	$2,500
Less than 2/3 but greater than or equal to 1/3	(**$875**)	(**$1,500**)
Less than 1/3	$0	$0

Case Study 5
Hanlon University

Loan Proration
- **Term-based credit-hour program**
- **Final period shorter than an AY**

Objective

To illustrate loan proration for term-based credit-hour program where final period of study is shorter than an academic year in length.

School Information

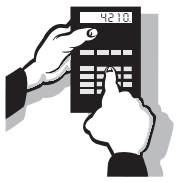
- Hanlon University is term based, with two 15-week fall and spring semesters.
- AY is defined as 24 semester hours and 30 weeks of instructional time.

Student Information

- Richard is dependent.
- His parents are unable to borrow PLUS.
- Richard is in a 2-year associate degree program.
- He has attended for 2 years and has 16 credit hours left to complete during fall semester of his third year.

Task

Calculate the maximum amount of loan Richard can borrow for his final period of study.



PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
	x	$3,500	÷		=	$

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: _____

Enter the number of credit or clock hours in your school's academic year:

FRACTION B

Enter the number of weeks of instructional time in the program: _____ / 30

(2) Enter the SMALLER of the two fractions: _____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0

Case Study 5 Solution
Hanlon University

Calculate the maximum amount of loan Richard can borrow for his final period of study.

Richard will complete all 16 credit hours in one semester. One semester is shorter than an AY in length, so proration is required.

- To determine the base subsidized/unsubsidized loan limit, use the proportional proration fraction from the "Methods of Proration" chart:

$$\frac{\text{Credit hours in final period of study}}{\text{Credit hours in school's AY}} = \frac{16}{24}$$

16/24 X 3,500 = $2,333

Note: Although Richard is enrolled in his third year, he is enrolled in a 2-year program and can never achieve a grade level higher than second-year undergraduate. The maximum annual loan limit for a second-year undergraduate is $3,500.

Although Richard is a dependent student, his parents are unable to borrow a PLUS loan. He is therefore eligible to borrow additional unsubsidized Stafford loan.

- The additional unsubsidized loan limit is calculated using fixed proration. Create the fractions as follows:

(A) $$\frac{\text{Credit hours in final period of study}}{\text{Credit hours in school's AY}} = \frac{16}{24} = \frac{2}{3}$$

(B) $$\frac{\text{Weeks in final period of study}}{\text{Weeks in the school's AY definition}} = \frac{15}{30} = \frac{1}{2}$$

The lesser fraction is 1/2, so the final period of study is shorter than 2/3 and more than 1/3 of an AY. Using the "Loan Proration" chart, a second-year undergraduate can borrow only $1,500 in additional unsubsidized loan for a final period of study that is shorter than 2/3 but greater than 1/3 of an AY in length.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a) *2*

Enter number of terms in final period of study — (b) *1*

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
16	x	$3,500	÷	*24*	=	$ *2,333*

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: *16*

Enter the number of credit or clock hours in your school's academic year: *24*

FRACTION B

Enter the number of weeks of instructional time in the program: *15* / 30

(2) Enter the SMALLER of the two fractions: $\frac{15}{30} = \frac{1}{2}$

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	(**$1,500**)
Less than 1/3	$0

Determining How Often A Student Is Allowed to Borrow

Notes

For student who is enrolled in program equal to or longer than an academic year and who has borrowed annual loan limit, minimum period of one academic year must elapse before student regains eligibility to borrow another Direct Loan or FFEL.

How Often Can Student Borrow?

- Student can regain eligibility to borrow up to another annual loan limit using:
  - Scheduled Academic Year (SAY); or
  - Borrower-Based Academic Year (BBAY)

January 21, 1997 8-13

Following chart summarize requirements of both academic year standards.

Frequency of Annual Loan Limits

Standard	Term-Based Programs	Nonterm Programs
Scheduled Academic Year (SAY)	✥ Begins at the same time each year ✥ School must use a SAY that meets the statutory requirements of an academic year ✥ Loan period does not have to include all terms in SAY ✥ Borrower always regains eligibility at beginning of SAY ✥ Total of all loans borrowed within SAY must be within annual limit for student's grade level ✥ After original loan, additional loans are permissible during SAY if: • Student has remaining eligibility; or • Student progresses to a grade level with a higher annual loan limit ✥ Summer term may be "leader" or "trailer" per: • Strict policy; • By program; or • Case by case ✥ Summer minisessions may be treated as a single term or individual terms assigned to different SAYs	✥ Not applicable
Borrower-Based Academic Year (BBAY)	✥ Floats with student's enrollment ✥ School may use if SAY meets statutory requirements of an AY ✥ Total of all loans borrowed within BBAY must be within annual loan limit for student's grade level ✥ After original loan, additional loans are permissible during BBAY if: • Student has remaining eligibility; or • Student progresses to a grade level with a higher annual loan limit ✥ Length of BBAY must equal number of terms in SAY (not including SAY summer leader or trailer): • Number of hours/weeks in BBAY need not meet 30-week minimum if BBAY includes a summer term • BBAY must begin with term in which student actually enrolls • BBAY may include terms student does not attend if student could have enrolled at least half-time ✥ Minisessions must be treated as a single term • Student need not enroll in each minisession, but must have been able to enroll at least half-time in each ✥ School may use BBAY for: • All students; • Certain programs; or • Certain students ✥ May alternate SAY and BBAY for a student if academic years do not overlap	✥ BBAY must meet the minimum statutory requirements for an AY ✥ Student may not borrow additional loan until student completes minimum number of weeks **and** credit or clock hours in an AY

Scheduled Academic Year (SAY)

- Used by term-based programs only
- Corresponds to AY or calendar published by school
- Fixed period of time generally beginning and ending at same time each calendar year

January 21, 1997 8-14

Borrower-Based Academic Year (BBAY)

- Must be used by nonterm programs
- May be used by term-based programs
- Floats with student's attendance and progression in degree or certificate program

January 21, 1997 8-15

Notes

Notes

Academic Year Standards For Term-Based Programs

Term-Based Program and AY Standards

- Scheduled academic year must have at least 30 weeks or ED waiver to use either SAY or BBAY
- If school's period of instruction has fewer than 30 weeks, school must use SAY
- Either standard can be applied on student-by-student basis
- Switching between standards for given student is okay

January 21, 1997 8-16

Term-Based Program and AY Standards (cont'd)

- School can establish a policy to use SAY or BBAY as institutional standard or for particular group of students
- Student's enrollment status does not affect choice of SAY or BBAY
- Careful monitoring of borrowing is imperative
- BBAY corresponds to SAY or includes period of enrollment student not required to attend plus term within SAY

January 21, 1997 8-17

If school has choice of academic year standards, it must have written policy explaining how it applies standards.

If change academic year standards, academic years may not overlap.

Term-Based Program and AY Standards (cont'd)

- Number of terms in BBAY must be at least same as SAY and include only terms in which student could enroll
- Student not required to attend each term in SAY or BBAY, but BBAY must begin with term student attends
- Student does not regain eligibility for additional annual loan limit until calendar period for all terms in BBAY has elapsed

January 21, 1997 8-18

Regaining Eligibility to Borrow Under SAY or BBAY

- Student is not eligible to borrow additional annual loan limit unless student:
  - Progresses to different grade level with higher annual loan limit
  - Enrolls in another program at grade level with higher annual loan limit
  - Dependency status changes and student is eligible for additional amount of unsubsidized loan

January 21, 1997 8-19

If student is eligible for another loan *for same academic year* (i.e., student progressed to different grade level or enrolled in program at grade level with higher annual loan limit), student may borrow only up to difference between new annual loan limit and gross amount of prior loan.

Notes

Notes

Nonterm Programs and the BBAY Standard

Nonterm Programs and BBAY Standards

- School must use BBAY
- BBAY must meet statutory minimum requirements of AY
- Eligibility for additional loan limit is not regained until student completes:
  - Required number of weeks of instructional time in statutory definition of AY; and
  - Required number of credit or clock hours in statutory definition of AY

January 21, 1997 8-20

Nonterm Programs and BBAY Standards (cont'd)

- Enrollment status does affect student's eligibility for additional loan limit
- Careful monitoring of borrowing is imperative

January 21, 1997 8-21

Regaining Eligibility to Borrow Under BBAY Only

- Student is not eligible to borrow additional annual loan limit unless student:
  - Dependency status changes and student is eligible for additional unsubsidized amount
  - Completes program of study shorter than AY and re-enrolls in new program with higher loan limit (Student can borrow only difference between full annual loan limit for new program and prorated loan amount already received.)

January 21, 1997 8-22

Notes

USING SAY OR BBAY: A COMPARISON

- A student is enrolled in a four-year baccalaureate program. The student will graduate end of fall 2000 and will be enrolled in the following semesters:
  - Fall and spring 1997-98
  - Fall, spring, and summer 1998-99
  - Spring and summer 1999-2000
  - Fall 2000
- The following examples show how using the SAY standard only, the BBAY standard only, or a combination of the two affects the total amount the student can borrow to complete the program. (Shading indicates periods of nonenrollment.)

TERM-BASED PROGRAM (CAN USE EITHER SAY OR BBAY)

SAY

$2,625			$3,500			$5,500			$5,500 prorated*		
Fall 1997	Spring 1998	Summer 1998	Fall 1998	Spring 1998	Summer 1999	Fall 1999	Spring 2000	Summer 2000	Fall 2000	Spring 2001	Summer 2001

BBAY

$2,625			$3,500		$5,500		$5,500		$5,500 prorated*		
Fall 1997	Spring 1998	Summer 1998	Fall 1998	Spring 1998	Summer 1999	Fall 1999	Spring 2000	Summer 2000	Fall 2000	Spring 2001	Summer 2001

SAY and BBAY

SAY $2,625			BBAY $3,500		BBAY $5,500		BBAY $5,500		SAY $5,500 prorated*		
Fall 1997	Spring 1998	Summer 1998	Fall 1998	Spring 1998	Summer 1999	Fall 1999	Spring 2000	Summer 2000	Fall 2000	Spring 2001	Summer 2001

NONTERM PROGRAM (MUST USE BBAY)

BBAY ($2,625)	BBAY ($3,500)	BBAY ($5,500 prorated)*
30 weeks + 900 clock hours completed	30 weeks + 900 clock hours completed	20 weeks + 600 clock hours

*Final period of study shorter than an AY.

Group Discussion 2

Loan Eligibility and Frequency

- **Programs or final periods of study shorter than an AY**

Note

In Exercises A–E, assume that the student enrolled in and completed a minimum of 30 clock hours per week.

Exercise A

Background: John borrows $1,750 for a 600-clock-hour program. He completes this program and enrolls in another 600-clock-hour program that also has a prorated limit of $1,750.

Questions: When can John borrow again? What amount can he borrow for the second program?

Exercise B

Background: Rosario completes a 600-clock-hour program during which she borrowed $1,750. She enrolls in a 300-clock-hour program.

Questions: When can Rosario borrow again? What amount can she borrow for the second program?

Exercise C

Background: Ernie borrowed $875 for a 300-clock-hour program, which he completed. He is now enrolled in a 600-clock-hour program.

Questions: When can Ernie borrow again? What amount can he borrow?

Exercise D

Background: Kim is currently enrolled in a 600-clock-hour program. She recently completed a 900-clock-hour program during which she borrowed $2,625.

Questions: When can Kim borrow again? What amount can she borrow?

Group Discussion 2 (contd)

Exercise E

Background: Tranh completed a 1,200-clock-hour program during which he borrowed $2,625 for the first 900 clock hours plus $1,167 for the remaining 300 clock hours. He is currently enrolled in a 600-clock-hour program.

Questions: When can Tranh borrow again? What amount can he borrow?

Exercise F

Background: Evan takes longer than 20 weeks to complete a 600-clock-hour program. He then immediately enrolls in another 600-clock-hour program.

Question: When can Evan borrow again? What amount can he borrow for the second program?

Group Discussion 2 Answers

Exercise A

John completed Program 1 in 20 weeks and received a prorated loan in the amount of $1,750 for a program shorter than an AY in length. Both of the programs are shorter than an AY, so John would always be restricted to first-year annual loan limits. John enrolls in Program 2, which is also 20 weeks long, but is not eligible for a new annual loan limit because 30 weeks and 900 clock hours (part of the statutory definition of an AY) have not elapsed. For the first 10 weeks and 300 clock hours of Program 2, he would only be eligible to borrow the difference between the first-year annual loan limit of $2,625 and the $1,750 he already borrowed in Program One. He would, however, be eligible to borrow again for the final 10 weeks and 300 clock hours of Program 2 providing that he has completed 900 clock hours and 30 weeks of instructional time have elapsed.

Program 1	20 weeks	$1,750
Program 2	10 weeks (initial)	875
First-Year annual loan limit	30 weeks	$2,625
Program 2	10 weeks (final)	$ 875

Note: John must have a minimum of 300 clock hours remaining in his final period of study to be eligible to borrow a second loan in Program 2.

Exercise B

Rosario's 300-clock-hour program is 1/3 of an AY in length. Using fixed proration, she is eligible to borrow 1/3 of the first-year undergraduate annual loan limit for this program which is $875. The annual loan limit for a first-year undergraduate is $2,625. She borrowed $1,750 for the first 600-clock-hour program and can immediately borrow $875 for the 300-clock-hour program. Between the two programs, she will have borrowed only one annual loan limit in the 30-week period of instructional time during which she completed 900 clock hours.

Exercise C

The prorated amount that Ernie can borrow for a 600-clock-hour program is $1,750 (see B above). The prorated amount he can borrow for a 300-clock-hour program is $875 (see B above). The loan amounts for each program when added ($1,750 + $875 = $2,625) do not exceed the annual loan limit for a first-year undergraduate. Ernie could borrow the second loan immediately.

Exercise E

Treatment of Summer Terms

Summer Terms – SAY

- Summer minisessions may be combined in single summer term
- Summer term may be added to end of AY as ***trailer*** or may begin AY as ***leader***
- School may change summer term trailer/leader designation later in student's program but overlapping terms not allowed
- School may also consider summer minisessions as individual terms assigned to different SAY and designate one as trailer and one as leader

January 21, 1997 8-23

If student does not attend all minisessions, cost of attendance (COA) for summer term may not include costs for period during which student is not enrolled.

Summer Terms – BBAY

- All minisessions must be combined and counted as single term
- School may include summer term but BBAY will generally not correspond to SAY and need not contain:
  - 30 weeks of instructional time; or
  - Minimum number of credits required for SAY

January 21, 1997 8-24

If student does not enroll in all minisessions, COA may include only those costs for minisession(s) in which student is enrolled.

BBAY floats with student's attendance and progression in his or her degree program.

Notes

Applying Annual Loan Limits to Academic Year for Term-Based School

Option A — SAY + Summer Term

Summer Term is added to end of Academic Year as a *Trailer*.

SAY 1997-98	Summer 1998
Annual Loan Limit applies to this time frame.	

Option B — Summer Term + SAY

Summer Term is added to beginning of Academic Year as a *Leader*.

Summer 1997	SAY 1997-98
Annual Loan Limit applies to this time frame.	

APPLYING ANNUAL LOAN LIMITS TO ACADEMIC YEAR FOR TERM-BASED SCHOOL (CONTÛD)

Option C **BBAY**

BBAY (Corresponds to SAY)	
Fall 1997	**Spring 1998**
Annual Loan Limit applies to this time frame.	

OR

BBAY	
Spring 1998	**Summer 1998**
Annual Loan Limit applies to this time frame.	

OR

BBAY	
Summer 1998	**Fall 1998**
Annual Loan Limit applies to this time frame.	

Group Discussion 3

Summer Term

- **SAY and BBAY**

Note

Assume students are eligible for the maximum loans.

Exercise A

Background: Jeff is a dependent student and needs 12 quarter hours to complete his bachelor's degree in Computer Sciences. His program consists of 36 quarter hours in three 10-week quarters within a 30-week academic year. Although Platte State uses the SAY standard for monitoring the annual loan limits for all its students, it treats summer term either as a "trailer" or a "leader" to the scheduled academic year. After completing the third quarter of the fourth year, Jeff has borrowed the following Direct Loans:

	Summer (leader)	Fall	Winter	Spring	Summer (trailer)
Year 1	$525	$ 700	$ 700	$ 700	0
Year 2	0	$1,000	$1,000	$1,000	$500
Year 3	0	$1,833	$1,833	$1,834	0
Year 4	0	$1,550	$1,550	$1,550	$?

Grade level 1 = $2,625
Grade level 2 = $3,500
Grade level 3 = $5,500
Grade level 4 = $4,650

Jeff wants to complete his program by enrolling during the summer term. He has applied for a $1,000 Direct Loan.

Question: How much is he eligible for during the summer?

Group Discussion 3 (cont'd)

Exercise B

Background: Andrew is an independent, fourth-year student enrolled in a bachelor of arts program in Theater Arts. His program of study at Ottawa University covers 24 semester hours in two 16-week semesters within a 30-week academic year. The school uses both the scheduled academic year and the borrower-based academic year standards for monitoring annual loan limits. Andrew transferred to Ottawa from Baker Community College in the middle of his second year. Ottawa has used the BBAY standard to determine Andrew's eligibility for loans. Andrew did not borrow at Baker. Ottawa has certified the following loans for Andrew:

Year 1

Fall	$0	Baker
Spring	$0	Baker

Year 2

Fall	$0	Baker
Spring	$2,500	Ottawa
Summer	$1,000	Ottawa

Year 3

Fall	$2,750	Ottawa
Spring	$2,750	Ottawa

Year 4

Summer	$1,500	Ottawa
Fall	$?	Ottawa

Year 5

Spring	$?	Ottawa

Andrew has 12 credit hours remaining in his program and would like to borrow the maximum amount of loan during fall term.

Questions: How much can Andrew receive if fall semester is his final period of study? If he decides to enroll for both fall and spring semesters and enrolls half-time in each semester (6 hours each term), how much can he borrow?

Group Discussion 3 Answers

Exercise A

Summer term can be treated as either a leader or a trailer. If the summer is treated as a leader, Jeff would be eligible for a new annual loan limit. The loan would have to be prorated as Jeff would be in a final period of study that is shorter than a full academic year. If the summer term is treated as a trailer, Jeff would be eligible for the remaining $850 of the Grade Level 4 maximum of $5,500.

Exercise B

Under the BBAY, summer and fall are considered to be one borrower-based year. Andrew has already borrowed $1,500 during the summer, and Ottawa could not certify more than $4,000 in the fall. This represents the Grade Level 4 maximum of $5,500 less what Andrew has already borrowed ($1,500). Andrew's eligibility for fall is the same whether he enrolls full-time and completes his program *or* whether he enrolls only half-time and decides to complete his program by enrolling half-time in the spring semester.

If Andrew enrolls half-time in fall and again in spring, spring begins a new borrow-based academic year, and he is eligible to borrow a new annual loan limit. However, completing his program in spring means that his final period of enrollment is shorter than an academic year and proration would be required for his spring loan. The prorated amount would be $1,375 ($5,500 x 6/24).

Transfer Students

Current school must determine whether it must adjust amount of loan requested to ensure that annual loan limits are not exceeded.

Adjustment to loan amount is necessary if loan period at current school begins before end of academic year at previous school.

Similar adjustment may be needed for student who transfers to new program of study or restarts program in same school.

Information From Previous School

Current school must review loan information from National Student Loan Data System (NSLDS) or from Financial Aid Transcript (FAT) to determine if student borrowed at previous school for current or preceding academic year.

Following chart will help you determine transfer student's eligibility to borrow.

Notes

Decision Tree for Transfer Students

Transfer Student

- Student Did Not Borrow – Current school can process a loan according to its policies
- Student Did Borrow – Current school must determine whether overlap exists between intended loan period and prior academic year

January 21, 1997 8-25

Transfer Student (cont'd)

- School must determine whether intended and prior loan periods overlap for borrower by:
  - Obtaining documentation from previous school about its AY; or
  - Making assumptions about previous school's AY based on loan period information from NSLDS or FAT

January 21, 1997 8-26

Assumption Method

- AY at previous school is later of:
  - 30 weeks after first day of most recent loan period listed; or
  - End date of loan period for all loans made in AY

January 21, 1997 8-27

Notes

Notes

Do Loan Periods Overlap?

- **Yes** – Process loan for up to annual loan limit minus gross amount of prior loan
- **No** – 30 weeks have elapsed since beginning of student's prior loan period; loan can be processed for up to annual loan limit

January 21, 1997 8-28

Have 30 Weeks Elapsed?

- **No** – Process loan for up to annual loan limit minus gross amount of prior loan
- **Yes** – If intended loan ***is not*** being processed for summer as trailer or as end of BBAY, process loan for amount up to annual loan limit

January 21, 1997 8-29

Have 30 Weeks Elapsed? (cont'd)

- **Yes –** If intended loan ***is*** being processed for summer as trailer or as end of BBAY, make additional calculation to determine if summer term at current school overlaps AY at previous school

January 21, 1997 8-30

Additional Calculation

- Did student borrow during 30-week period immediately prior to last day of summer term for which loan is requested?
  - **Yes** – Process loan for up to annual loan limit minus gross amount of prior loan
  - **No** – Process loan for up to annual loan limit

January 21, 1997 8-31

To perform additional calculation, current school counts back 30 weeks from last day of summer term for which loan is requested and determines whether student borrowed for any portion of those 30 weeks.

1. If student borrowed during the 30-week period, current school can:

   a. Apply its own SAY to student's previous loan; and

   b. Process loan for an amount up to annual loan limit minus gross amount of loan borrowed for same academic year at previous school; or

2. If student did not borrow during 30-week period, school can process loan for amount up to annual loan limit.

Notes

Notes

Additional Considerations

- **Summer Term or Minisession as Trailer.** If current school considers its summer term or minisessions to be trailers, it needs to assess whether student has remaining loan eligibility based on loan amounts borrowed during same academic year at previous school.

- **Summer Term or Minisession as Leader.** If current school considers summer term to be a leader, school must determine whether overlap exists with loan period or academic year at previous school.

- **Switching to BBAY or SAY or to Trailer or Leader.** It may be beneficial to student or school to switch academic year standards used.

Case Study 6

Emerald College

Loan Proration

- **Term-based credit-hour program**
- **Final period shorter than an AY**

Objective

To apply loan proration to a final period of study shorter than an AY.

School Information

- Emerald College is term based with fall and spring semesters.
- AY is defined as 24 semester hours and 30 weeks of instructional time.

Student Information

- Jacob is independent.
- Assume he is eligible for maximum eligible loan amounts.
- Jacob is in a 2-year associate degree program.
- He attended part-time for several semesters and will complete the final 12 credit hours of his degree in his fifth semester of attendance.

Tasks

- Calculate the base subsidized and unsubsidized loan amount for which Jacob is eligible.
- Calculate the additional unsubsidized loan amount for which Jacob is eligible.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
	x	$3,500	÷	=	$

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: _____

Enter the number of credit or clock hours in your school's academic year:

FRACTION B

Enter the number of weeks of instructional time in the program: _____ / 30

(2) Enter the SMALLER of the two fractions: _____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0

Case Study 6 Solution
Emerald College

Jacob is in a final period of study that is shorter than an academic year in length, so proration is required. Because Jacob is in a 2-year program, he can never receive more than the second-year annual loan limit for this final period of study.

Looking at the "Loan Proration" chart requirements for second-year undergraduates, you can see that eligibility for base subsidized/unsubsidized loan amount is calculated using proportional proration and eligibility for additional unsubsidized loan is calculated using fixed amount proration.

Calculate the base subsidized/unsubsidized loan amount for which Jacob is eligible.

- Referring to the "Methods of Proration" chart, create the fraction for proportional proration as follows:

$$\frac{\text{12 credit hours in final period of study}}{\text{24 credit hours in school's AY}} = \frac{1}{2}$$

- This fraction is multiplied by the base Stafford annual loan limit of $3,500 for a second-year undergraduate:

$$1/2 \times 3{,}500 = 1{,}750$$

Student is eligible for $1,750 in base subsidized/unsubsidized loan for his final period of study.

Calculate the additional unsubsidized loan amount for which Jacob is eligible.

- The additional unsubsidized loan limit is calculated using fixed proration. Referring again to the "Methods of Proration" chart, create the fractions as follows:

(A) $$\frac{\text{12 credit hours in final period of study}}{\text{24 credit hours in school's AY}} = \frac{1}{2}$$

(B) $$\frac{\text{15 weeks of instructional time in final period of study}}{\text{30 weeks in school's AY}} = \frac{1}{2}$$

The fraction 1/2 is less than 2/3 and more than 1/3 of an academic year. Using the "Loan Proration" chart, a second-year undergraduate is eligible for $1,500 in additional unsubsidized loan.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a) *2*

Enter number of terms in final period of study — (b) *1*

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
12	x	$3,500	÷	*24*	=	$ *1,750*

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: *12*

Enter the number of credit or clock hours in your school's academic year: *24*

FRACTION B

Enter the number of weeks of instructional time in the program: *15* / 30

(2) Enter the SMALLER of the two fractions: $\frac{12}{24}$ & $\frac{15}{30}$ = $\frac{1}{2}$

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	(**$1,500**)
Less than 1/3	$0

Objective

To illustrate when the final period of stu in length and to determine lo g.

School Info dent Informati

- Ocean S school.
- AY is def hours an instructio

licia is depe

icia is in ogra

9/2

- Ass loan
- Alicia amou BBAY
- She co and 30 time.

Task

- Calc e the amount of subsidized loan for which Alicia el luring her second year.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
	x	$3,500	÷	=	$

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: ____

Enter the number of credit or clock hours in your school's academic year: ____

FRACTION B

Enter the number of weeks of instructional time in the program: ____

30

(2) Enter the SMALLER of the two fractions: ____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0

Case Study 7A Solution

Calculate the amount of subsidized loan for which Alicia is eligible during her second year.

Alicia is applying for a Year 2 subsidized Stafford Loan. Eligibility for the base year loan amount is determined by using proportional proration to adjust the second year maximum loan eligibility of $3,500.

- Create the following fraction for proportional proration:

$$\frac{\text{600 clock hours in Alicia's final period of study}}{\text{900 clock hours in school's AY}} = \frac{2}{3}$$

2/3 x $3,500 = $2,333 *or* (2 x $3,500) ÷ 3 = $2,333

Alicia is eligible for $2,333 in base subsidized loan.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

✦ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

✦ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c) *900*

Enter number of credit/clock hours in final period of study — (d) *600*

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:			Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
600	x	$3,500	*900*	=	$ *2,333*

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: ____

Enter the number of credit or clock hours in your school's academic year:

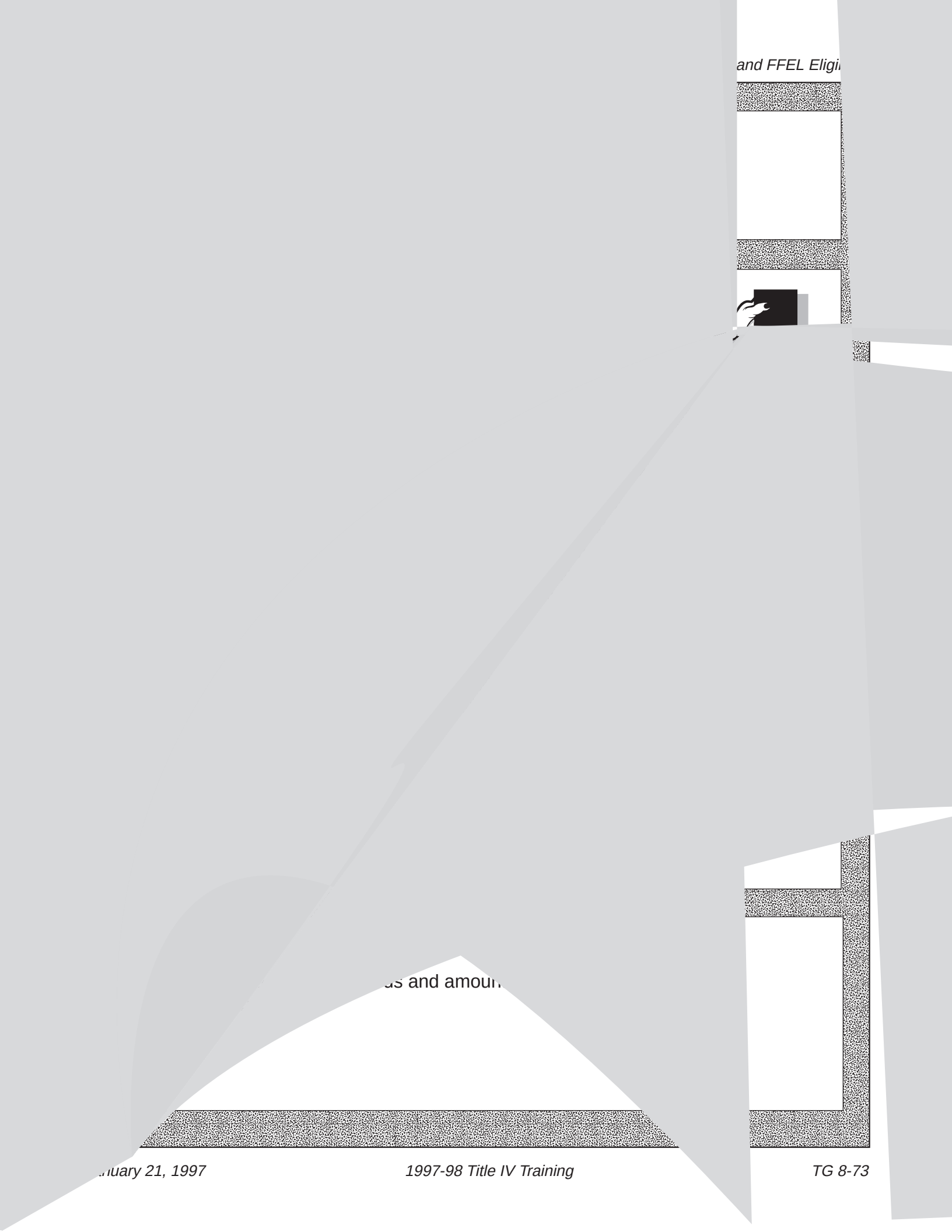
FRACTION B

Enter the number of weeks of instructional time in the program: ____

30

(2) Enter the SMALLER of the two fractions: ____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0



Case Study 7B Solution

Determine the loan periods and amounts for the $3,500 loan application.

- The SAY and loan period at PMC (8/25/97 – 12/15/97) begin prior to the end of the BBAY and loan period at Ocean State (5/19/97 – 8/29/97); therefore, to process Alicia's loan application, PMC must deduct the gross amount of the loan received at Ocean State from the total annual loan limit for a second-year student.

  $3,500 – $2,333 = $1,167

- Alicia is eligible to borrow only a reduced amount because of prior borrowing at Ocean State, so it would be best to process the $1,167 loan only for fall semester of PMC's SAY.

- Alicia has now borrowed for a portion of PMC's SAY. In a SAY, Alicia is eligible to borrow an annual loan limit of $3,500 in her second year. She has already borrowed $1,167 for fall semester, so would only be eligible to borrow $2,333 for the spring semester.

Case Study 8

Groveland College

Loan Eligibility and Frequency

- **Nonterm clock-hour program**
- **Final period shorter than an AY**

Objective

To illustrate determination of loan amount and frequency when student's final period of study is shorter than an AY.

School Information

- Groveland College is nonterm.
- AY is defined as 900 clock hours and 30 weeks of instructional time.

Student Information

- Claire is independent.
- Assume Claire is eligible for maximum annual loan limit.
- Claire's program is 1,200 clock hours and 36 weeks in length.
- Claire completes 900 clock hours after 27 weeks.
- She completes 1,000 clock hours after 30 weeks.

Tasks

- Determine when Claire regains eligibility to borrow.
- Calculate the number of clock hours to be used for the proration of the loan for the final period of study.

PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c)

Enter number of credit/clock hours in final period of study — (d)

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
	x	$3,500	÷		=	$

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: ____

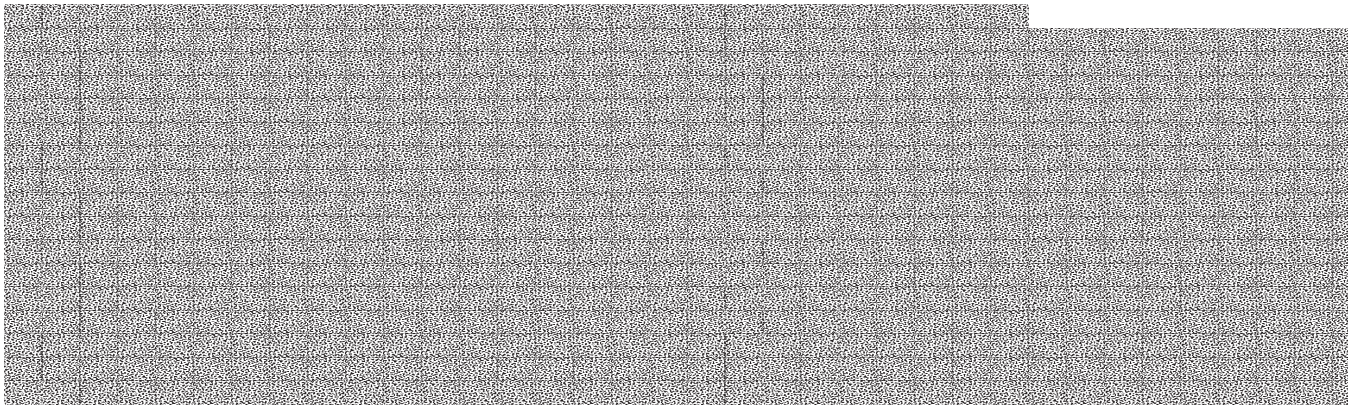
Enter the number of credit or clock hours in your school's academic year:

FRACTION B

Enter the number of weeks of instructional time in the program: ____ / 30

(2) Enter the SMALLER of the two fractions: ____

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	$0



PRORATION WORKSHEET 2

SECOND-YEAR UNDERGRADUATES IN PROGRAMS WITH LESS THAN ONE ACADEMIC YEAR REMAINING

STEP 1

❖ TERM-BASED CREDIT-HOUR PROGRAMS

Enter number of terms in school's AY — (a)

Enter number of terms in final period of study — (b)

If (b) is less than (a), proration is required. **Go to STEP 2.**

❖ ALL CLOCK-HOUR PROGRAMS AND NONTERM CREDIT-HOUR PROGRAMS

Enter number of credit/clock hours in school's AY — (c) *900*

Enter number of credit/clock hours in final period of study — (d) *200*

TERM-BASED CLOCK-HOUR PROGRAMS

Enter number of terms in school's AY — (e)

Enter number of terms in final period of study — (f)

Nonterm Programs: If (d) is less than (c), proration is required. **Go to STEP 2**.

Term Programs: If (d) is less than (c) ***OR*** *(f) is less than (e), proration is required.* **Go to STEP 2**.

STEP 2

BASE SUBSIDIZED/UNSUBSIDIZED

Enter the number of credit or clock hours in the remaining portion of the program:				Enter the number of credit or clock hours in your school's academic year:		Prorated base subsidized/unsubsidized loan limit:
200	x	$3,500	÷	*900*	=	$ *778*

ADDITIONAL UNSUBSIDIZED

(1) Create fractions "A" and "B."

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: *200*

Enter the number of credit or clock hours in your school's academic year: *900*

FRACTION B

Enter the number of weeks of instructional time in the program: *6* / 30

(2) Enter the SMALLER of the two fractions: *6* / *30*

If the fraction is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$2,500
Less than 2/3 but greater than or equal to 1/3	$1,500
Less than 1/3	(**$0**)

Case Study 9
Iverson College

Loan Eligibility and Frequency

- **Nonterm clock-hour programs**
- **Programs less than an AY**

Objective

To illustrate determination of loan amount and frequency when student attends successive short programs.

School Information

- Iverson College is a nonterm clock-hour school.
- AY is defined as 900 clock hours and 30 weeks of instructional time.

Student Information

- Stefanie is dependent.
- Stefanie enrolled in a 600-clock-hour, 25-week program.
- She received a prorated FFEL for this program in the amount of $1,750.
- Stefanie completed the program and immediately entered another 600-clock-hour, 25-week program.

Tasks

- Calculate the maximum amount of loan Stefanie can borrow at the beginning of her second program.
- Determine when she can borrow again.

PRORATION WORKSHEET 1

FIRST-YEAR UNDERGRADUATES IN PROGRAMS SHORTER THAN ONE ACADEMIC YEAR

STEP 1

		yes	no
Does the program include fewer than:	(a) 30 weeks of instructional time?	❑	❑
	(b) 24 semester hours?	❑	❑
	(c) 36 quarter hours?	❑	❑
	(d) 900 clock hours?	❑	❑

If the answer to (a), (b), (c), or (d) is "yes," proration is required. **Go to STEP 2**.

STEP 2

Create Fractions A and B.

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program

Enter the number of credit or clock hours in your school's academic year

FRACTION B

Enter the number of weeks of instructional time in the program

30

STEP 3

Enter the SMALLER of the two fractions from STEP 2.

If the fraction is:	The base subsidized/unsubsidized prorated loan limit is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	$1,750	$2,500
Less than 2/3 but greater than or equal to 1/3	$875	$1,500
Less than 1/3	$0	$0

Case Study 9 Solution
Iverson College

The $1,750 loan Stefanie received for the first 600-clock-hour program was the first-year undergraduate loan limit prorated, using fixed proration, to 2/3 (600/900) of an academic year.

A loan for the second 600-clock-hour program would be prorated in the same manner using the first-year annual loan limit. (Because each program is shorter than an academic year in length, Stefanie would not be eligible for an annual loan limit greater than that for a first-year undergraduate.)

For the second program of 600 clock hours, Stefanie should be eligible for a prorated loan amount of $1,750. A student, however, can borrow only one annual loan limit until the student has completed 900 clock hours and 30 weeks of instructional time. Only 25 weeks of instructional time have elapsed.

Calculate the maximum amount of loan Stefanie can receive at the beginning of her second program.

If Stefanie borrows at the beginning of her second program, she could borrow the difference between the annual loan limit for a first-year undergraduate ($2,625) and what she has already borrowed ($1,750) for a total of $875.

$$\$2,625 – \$1,750 = \$875$$

Determine when she can borrow another loan.

When she has completed 900 clock hours and when 30 weeks have elapsed, she could borrow an additional $875 for a total in the second program of $1,750.

Note: The dates for the loan periods for Stefanie's loan should be considered carefully to make sure that loan periods do not overlap. Overlapping loan periods might prevent her from borrowing the full amount for which she is eligible. The first loan period would be for the initial 600 clock hours and 25 weeks of the first program, the second loan period would have to include 300 clock hours and at least five weeks of the second program, and the final loan period would be for the remaining clock hours and 20 weeks in the program.

PRORATION WORKSHEET 1

FIRST-YEAR UNDERGRADUATES IN PROGRAMS SHORTER THAN ONE ACADEMIC YEAR

STEP 1

		yes	no
Does the program include fewer than:	(a) 30 weeks of instructional time?	❑	❑
	(b) 24 semester hours?	❑	❑
	(c) 36 quarter hours?	❑	❑
	(d) 900 clock hours?	☑	❑

If the answer to (a), (b), (c), or (d) is "yes," proration is required. **Go to STEP 2**.

STEP 2

Create Fractions A and B.

FRACTION A

Enter the number of credit or clock hours needed for the student to complete the program: 600

Enter the number of credit or clock hours in your school's academic year: 900

FRACTION B

Enter the number of weeks of instructional time in the program: 25 / 30

STEP 3

Enter the SMALLER of the two fractions from STEP 2.

$\frac{600}{900} = \frac{2}{3}$

If the fraction is:	The base subsidized/unsubsidized prorated loan limit is:	The additional unsubsidized prorated loan limit is:
Less than 1 but greater than or equal to 2/3	(\$1,750)	\$2,500
Less than 2/3 but greater than or equal to 1/3	\$875	\$1,500
Less than 1/3	\$0	\$0