



OASFAA 

## Loan Issues

Bruce Honer  
U.S. Department of Education

 START HERE  
GO FURTHER  
FEDERAL STUDENT AID

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## Agenda

- Changes to SAY and BBAY
- Changes to Transfer Students
- Changes to R2T4 Calculation

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FEDERAL STUDENT AID

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## Changes to SAY & BBAY

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### Payment Periods

#### Credit Hour Programs offered in a SAY

- Program disbursements must be made on a payment period basis
- HEA minimum payment period requirements
  - Semester = 14 – 17 weeks / 12 credits
  - Quarter = 10 – 12 weeks / 12 credits
  - Comparable academic calendar with nonstandard SE9W terms



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### Nonstandard Term Definitions

- SE9W: Substantially Equal and no less than 9 weeks in length
- Substantially Equal: No term in the program is more than 2 weeks of instructional time longer than any other term in that program



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### Annual Loan Limit Progression

- Standard terms and non-standard terms substantially equal in length
  - Progress to next annual loan limit after completing the number of terms in the academic year (BBAY or SAY)
  - May also qualify for increased loan amount if academic grade level changes within the loan period



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### Scheduled Academic Year (SAY)

- Fixed period time, usually corresponds to school's official academic calendar
- Generally begins at same time each year
- Example – fall/winter/spring or fall/spring



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### Scheduled Academic Year (SAY)

- Summer term may be "header" or "trailer"
- Summer mini-sessions may be treated as single term or individual terms
- Loan period may include only portion of SAY
- Programs offered in SAY may use BBAY
- Programs offered in SAY may alternate between SAY and BBAY provided academic years do not overlap



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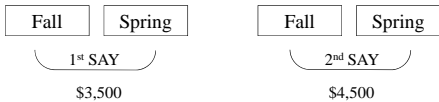
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### SAY: Standard Term-based Program

2-Year Semester-Based Credit Hour Program  
Academic year 24 Credit/30 Weeks



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### Regain Eligibility at Beginning of SAY

Example 1 (Summer Trailer)

- First year student attends Fall & Spring year 1
  - No loan in Fall, \$3,500 loan in Spring
  - No summer attendance
- Fall year 2 begins new SAY
  - Student regains eligibility for new loan at appropriate grade level




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### SAY Example 1

*Loan Period 1*

\$3,500

Fall

Spring

1<sup>st</sup> SAY

\$3,500

*Loan Period 2*


\$4,500

Fall

Spring

2<sup>nd</sup> SAY

\$4,500




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### Regain Eligibility at Beginning of SAY

- Example 2 (Summer Trailer)
- Second year student attends Fall year 1 and Summer trailer
  - \$1,000 loan in Fall, \$3,500 loan in Summer
- Fall year 2 begins new SAY
  - Student regains eligibility for new loan at appropriate grade level




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### SAY Example 2

Loan Period 1	Loan Period 2	Loan Period 3
\$1,000	\$3,500	\$5,500
Fall	Spring	Fall    Spring
1 <sup>st</sup> SAY		2 <sup>nd</sup> SAY
\$4,500		\$5,500



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### BBAY "Term-based"

- Standard term credit-hour programs or Nonstandard SE9W not offered in SAY must use term-based BBAY
- BBAY must include same number of terms as the school's definition of an academic year.
- Student becomes eligible for new annual loan limit after BBAY calendar period has elapsed



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### BBAY "Term-based"

- Floats with student's enrollment, but student must attend first term of BBAY
- Mini-sessions must be combined as single term
- If BBAY includes summer, may be shorter in weeks/hours than statutory academic year definition



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### BBAY Standard Term-based Program

Semester-Based Credit Hour Program  
Academic year 24 Credit/30 Weeks

Fall-15wks

Spring-15wks

Summ-10wks

Fall-15wks

1<sup>st</sup> BBAY

\$3,500

2<sup>nd</sup> BBAY


\$4,500

Spring-15wks

Summ-10wks

3<sup>rd</sup> BBAY

\$5,500




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### SAY/BBAY Combined

- Only term-based SAY programs can alternate between SAY and BBAY
- Term-based programs not offered in SAY must use term-based BBAY only
- Schools allowing for alternation between SAY and BBAY must have a written policy that explains how it applies the option when calculating loan eligibility




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### SAY/BBAY Combined to Maximize Borrowing

Loan Period 1

\$3,500

Loan Period 2

\$4,500

Fall

Spring

Summer

Fall

Spring

1<sup>st</sup> Period SAY

2<sup>nd</sup> Period BBAY


Loan Period 3

\$5,500

Summer

Fall

3<sup>rd</sup> Period BBAY




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### BBAY "Course-work Based"

Nonstandard term programs w/ credit hours  
(terms of substantially equal length but not  
at least 9 weeks in length)

- Student must complete the hours and the weeks in order to advance to next grade level
  - Student may still receive loan disbursement as long as at least half-time
  - May result in a delay of receipt of next annual loan limit




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### BBAY "Course-work Based"

Nonstandard term programs w/ credit hours  
(terms of substantially equal length but not  
at least 9 weeks in length)

- The payment period is the term
- Allowed to use more than two payment periods within a defined academic year




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### Terms Substantially Equal in Length < 9 Weeks

2-Year 8 week term-based program  
Academic year 24 Credit/32 Weeks

Spring 1	Spring 2	Summer	Fall 1
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1<sup>st</sup> BBAY - \$3,500

Fall 2	Spring 1	Spring 2	Summer
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2<sup>nd</sup> BBAY - \$4,500




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### Terms Substantially Equal in Length < 9 Weeks

Non-Standard 8 week term-based program  
Academic year 24 Credit/32 Weeks


8 week term

8 week term

8 week term

8 week term

1<sup>st</sup> Disbursement   2<sup>nd</sup> Disbursement   3<sup>rd</sup> Disbursement   4<sup>th</sup> Disbursement




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### Terms Substantially Equal in Length < 9 Weeks

2-Year 8 week term-based program  
Academic year 24 Credit/32 Weeks  
Student attends 1/2 time in each Spring term

Spring 1 (3)

Spring 2 (3)

Summer (6)

Fall 1 (6)

1<sup>st</sup> BBAY - \$3,500

Fall 2 (6)


Spring 1

Spring 2

Summer

Fall 1

No Loan      2<sup>nd</sup> BBAY - \$4,500




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### Nonstandard Terms Not Substantially Equal in Length

- The payment period progression is based on time required to complete both hours and weeks
- Cannot use more than two payment periods within a defined academic year




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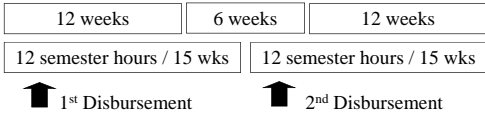
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### Nonstandard Terms Not Substantially Equal in Length

Academic Year Defined as  
24 Semester hours / 30 Wks



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### BBAY Course-work: Credit Hour Non-term & Clock Hour

- Must use BBAY
- BBAY must meet minimum statutory definition of academic year
- Floats with student's enrollment
- Must complete both hours and weeks to progress from one payment period to the next payment period
- A new annual loan limit is not regained until student completes both weeks & hours in statutory definition of an academic year



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### Loan Period Lengths

Not substantially equal nonstandard terms ,  
Credit hour non-term and Clock hour

- Lesser of
  - Length of student's program of study
  - Program's academic year as defined by school, or
  - Remaining portion of student's program of study
  - Remainder of the AY for transfer students



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**"Coursework-based"  
Payment Periods**

If program is one academic year or less

Academic Year Defined: 24 semester credit hours / 30 Weeks

12 credit hours / 15 weeks


12 credit hours / 15 weeks

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Program = 16 semester credit hours / 24 Weeks

8 credit hours / 12 weeks

8 credit hours / 12 weeks




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**"Coursework-based"  
Payment Periods**

If program is more than one academic year

With remaining portion that is half an academic year or less


Academic Year Defined: 900 Clock hours / 30 Weeks  
 Program Length is 1200 Clock hours / 40 Weeks

450 hours / 15 weeks

450 hours / 15 weeks

300 hours / 10 weeks

Remaining portion is a single payment period




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**"Coursework-based"  
Payment Periods**

If program is more than one academic year

With remaining portion that is more than half an academic year but less than a full year

Academic Year Defined: 900 Clock hours / 30 Weeks  
 Program Length is 1600 Clock hours / 54 weeks


450 hours / 15 weeks

450 hours / 15 weeks

350 hours / 12 weeks

350 hours / 12 weeks

Remaining portion is divided into 2 payment periods




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### Prorating Annual Loan Limits Undergraduates

Annual loan limits must be prorated when:

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




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### Prorating for Programs Shorter than a Full Academic Year

Multiply the applicable loan limit by the lesser of:

Hours enrolled in program  
 Hours required for defined academic year  
 Or  
Weeks enrolled in program  
 Weeks required for defined academic year




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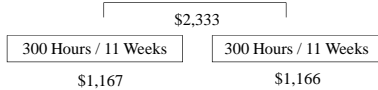
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### Program Less than an Academic Year

Program Length is 600 Clock hours / 22 weeks  
 Defined AY is 900 Clock hours / 30 weeks

Hours:  $\$3,500 \times \frac{600}{900} = \$2,333$       Weeks:  $\$3,500 \times \frac{22}{30} = \$2,567$

*Hours Calc is the Lesser*




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### Prorating Remaining Periods Shorter than an AY

- Proration is only required when known in advance
- Term-based programs: If the remaining period of study contains fewer terms than required academic year definition
- Coursework-based programs: If the remaining period of study consists of fewer clock or credit hours than required academic year definition




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### Prorating Remaining Periods Shorter than an AY

For All Program Types

Multiply the applicable loan limit by:

$$\frac{\text{Hours remaining in program of study}}{\text{Hours required for defined AY}}$$

*Unlike proration for programs that are shorter than an academic year, there is no comparison of weeks and hours*




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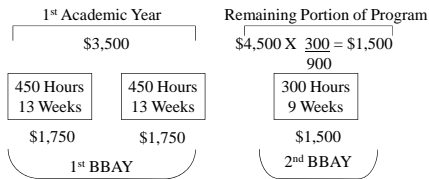
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### BBAY Coursework-based

1200 Clock Hour Program with  
900 Clock Hour / 26 Week  
Academic Year




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**Changes to Transfer Students**



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**Transfer Students**

- Applies to change in school, or change in program at the same school
- May certify for the remaining portion of the program or the academic year at the prior school
  - Any remaining eligibility for the annual loan limit based on grade level in new program



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**Transfer Student Payment Periods for Loans**

- Loan disbursement schedules in transfer situations may not match the payment period disbursement schedules for other Title IV programs



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### Transfer Student Payment Periods for Loans

- School A
  - 15 weeks
  - 15 weeks
- Student Drops School A at 8 weeks
- School B Loans
  - 11 weeks
  - 11 weeks
  - 15 weeks
  - Remainder of AY
  - + →
- School B Pell/ACG/CB
  - 15 weeks
  - 15 weeks
  - 15 weeks




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### Transfer Student Example

- Student starts 2-year clock-hour program
- Student drops out after receiving 1<sup>st</sup> disbursement and earning 300 clock hours
- Student enrolls in new clock-hour program at another institution that accepts 200 clock hours into the new program
- Now what?




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### Non-Term / Clock-Hour Transfer OLD RULE

Loan Period 9/5 to 6/13

\$3,500

450 hours    450 hours

\$1,750 → Withdraws

School A  
AY = 900 hours / 26 weeks

End of School A AY

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School B  
AY = 900 hours / 26 weeks  
Program: 1200 hours  
Transfers: 200 hours

1<sup>st</sup> Loan Period 1/23 to 8/04    2<sup>nd</sup> Loan Period

\$3,500 - 1,750 = \$1,750

450 hours    450 hours    100 hours

\$875    \$875    \$500




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### Non-Term / Clock-Hour Transfer

#### NEW RULE

Loan Period 9/5 to 6/13

\$3,500

450 hours

450 hours

\$1,750 → Withdraws

School A

AY = 900 hours / 26 weeks

End of School A AY

School B

AY = 900 hours / 26 weeks

Program: 1200 hours

Transfers: 200 hours

1<sup>st</sup> Loan Period 1/23 to 6/13

\$3,500 - 1,750 = \$1,750

350 hours


350 hours

\$875      \$875

2<sup>nd</sup> Loan Period

300 hours

\$1,500




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## Changes to R2T4



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### R2T4 Changes

- For credit hour programs with non-standard terms that are not substantially equal in length:
  - If the payment period is used for calculation and the student gets: 1) grants and/or a Perkins (where the payment period is the term), and 2) an FFEL or DL (where the payment period is 1/2 the hours and 1/2 the weeks):
    - Use the payment period that ends later **AND**
    - Attribute funds to the payment period that ends later




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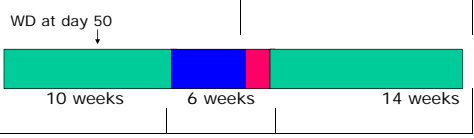
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### R2T4 Calculation Changes

Academic Year is 24 credit hours & 30 weeks  
 Terms: 1 = 10 wks, 2 = 6 wks, 3 = 14 wks.

FFEL (DL) PP1	FFEL (DL) PP2
15 weeks	15 weeks

WD at day 50  


10 weeks	6 weeks	14 weeks
Pell PP1 (Perkins)	Pell PP2 (Perkins)	Pell PP3 (Perkins)




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### Use of Payment Period that Ends Later

- The withdrawal was at day 50 (which is in both the FFEL/DL PP1 and the Grant/Perkins PP1)
- Assume student received an FFEL and Pell
  - FFEL/DL PP1 = 15 weeks\*
  - Pell Grant PP1 = 10 weeks
- Determine the payment period that ends later\* and use it




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### Attribution of Aid from Payment Period

Pell Grant PP 1 =  $10/30 \times \$4,310 = \$1,437$   
 Pell Grant PP 2 =  $6/30 \times \$4,310 = \$862^*$   
 Pell Grant PP 3 =  $14/30 \times \$4,310 = \$2,011$

- Attribute the portion of Pell from the Pell PP 2 to be included as Aid That Could Have Been Disbursed (as if Pell was disbursed for the FFEL/DL PP 1)
- Attribution for 5 wks of Pell from PP 2 is:
  - $5/6 \times \$862^* = \$718$




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### Total Title IV Aid Used in Calculation

- Total Title IV Aid disbursed or could have been disbursed for R2T4 calculation:

FFEL PP 1	=	\$1,750
Pell PP 1	=	\$1,437
Portion from Pell PP 2	=	<u>718</u>
<b>Total</b>		
		<b>\$3,905</b>




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### Title IV Aid that Could Have Been Disbursed

**STEP 1: Student's Title IV Aid Information**

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	Total Title IV aid disbursed for the period.
1. Pell Grant	\$1,437	\$718	A. \$1,437
2. Academic Competitiveness Grant			+ B. \$1,750
3. National SMART Grant			= E. \$ 3,187
4. FSEOG			
5. TEACH Grant			
<b>Subtotal</b>	<b>A. \$1,437</b>	<b>C. \$718</b>	<b>F. \$ 2,155</b>
<b>Title IV Loan Programs</b>			
6. Unsubsidized FFEL Direct Stafford Loan			A. \$1,437
7. Subsidized FFEL Direct Stafford Loan	\$1,750		+ B. \$1,750
8. Perkins Loan			+ C. \$718
9. FFEL Direct PLUS (Graduate Student)			+ D. \$0
10. FFEL Direct PLUS (Parent)	\$1,750	\$0	= G. \$ 3,905
<b>Subtotal</b>	<b>B. \$1,750</b>	<b>D. \$0</b>	



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### Questions???




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