UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

March 16, 1994

Dear Guaranty Agency Directors:

As you know, the Department of Education (the Department) issued a directive several months ago when the student loan and student aid community raised a series of issues about the implementation of section 682.401(b)(2) of the Federal Family Education Loan (FFEL) program regulations that governs a guaranty agency's policy on the frequency of annual loan limits (otherwise referred to as the "7-months rule"). Since that directive was issued, the Department has participated in a series of meetings with representatives of the National Council of Higher Education Loan Programs, Inc. (NCHELP), the National Association of Student Financial Aid Administrators (NASFAA), and other interested parties to examine how the new statutory definition of "academic year" contained in section 481(d)(2) of the Higher Education Act (HEA) impacts on this provision of the FFEL program regulations. Our efforts centered on developing a national standard for determining eligibility for annual loan limits. The participants also worked to ensure that they addressed the anticipated operational issues associated with such a national standard and avoided the problems that grew out of the various interpretations of the earlier 7-months rule. As we reviewed the operational issues, institutional representatives were particularly concerned about differing guaranty agency policies in this area.

Early in its discussion with the community representatives, the Department expressed its view that the new academic year definition in section 481(d)(2) of the HEA now dictated the minimum standard by which annual loan limits must be monitored and had, therefore, effectively superseded the minimum 7-months standard found in the regulations, which were developed before

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enactment of the 1992 Amendments. During the ensuing discussions, we were able to develop a comprehensive policy on annual loan limits using an academic year standard that we believe will address most of the concerns expressed by the community when they were attempting to implement the earlier 7-months standard. The "Principles to Determine the Frequency for Annual Loan Limits," which is attached to this letter, reflects the Department's guidelines for implementing the approved minimum standard for annual loan limits frequency that must be implemented by guaranty agencies no later than July 1, 1994. However, agencies are still permitted, as provided in §682.401(b)(2), to establish a standard for a period that is greater than the academic year but may not exceed 12 months.

In addition to reflecting new statutory requirements, the group's objectives in the development and implementation of the new minimum standard were to establish a policy:

1. that would be standardized for all guaranty agencies and institutions;

2. that would recognize the existing academic year structure at affected term and non-term institutions and be sensitive to students who seek to complete academic programs on an accelerated basis; and

3. that would be consistent with existing student aid policies and regulatory requirements that have worked well in other Title IV programs.

The attached principles include several important concepts, including:

1. A minimum standard for annual loan frequency that is based on the term "academic year" as that term is defined in §481 (d)(2) of the HEA and that replaces the 7-months standard of the FFEL program regulations.

2. Flexibility for an institution to apply its academic year (once it has defined it to meet the minimum statutory requirements) but apply it as a standard academic year or a borrower-based academic year depending upon the needs of the student.

3. The treatment of summer eligibility based on the Federal Pell Grant program model that allows institutions to determine to which academic year, preceding or upcoming, their summer term will be attached for purposes of annual loan limits.

4. Flexibility for an institution's aid administrator to treat students on an individual basis.

The Department recognizes that under current regulations a guaranty agency may adopt a policy on annual loan limits for a period longer than that associated with the minimum statutory standards for an academic year. If an agency decides to adopt something other than these minimum standards, it must submit its policy and procedures to the Secretary for approval. To minimize any confusion, the Department requests that an agency submit for approval any policies or procedures that differ from the attached minimum standard prior to implementation of those different procedures.

We acknowledge with appreciation the work of the NCHELP and NASFAA in the development of the attached material. Their efforts to work with the Department to ensure a standardized policy that would fit the needs of the entire community was critical to the final principles we adopted. Special appreciation, and our special thanks, go to Dan Rodgers, Program Officer, Colorado Student Loan Program (CSLP), for his dedication to creating the attachment. He labored many hours to create drafts of this document and to work with the community to ensure that the principles were tested in actual case studies. The support of CSLP and Dan's work on this project are the type of support I have received from the community during my tenure at the Department. I am grateful for this help.

The attached material is being provided to NASFAA who has agreed to distribute it to their members.

Sincerely yours,

Robert W. Evans

Robert W. Evans
Director
Division of Policy Development

Attachment

(RWE\DIRECT\7MONTH.LTR)

U.S. DEPARTMENT OF EDUCATION

ANNUAL LOAN LIMITS: MINIMUM STANDARDS FOR FEDERAL FAMILY EDUCATION LOANS IN GUARANTY AGENCY POLICIES, AND FOR FEDERAL DIRECT STUDENT LOANS

Principles to Determine the Frequency for Annual Loan Limits

Application of Annual Loan Limits to Academic Year

10 PRINCIPLES

1. Annual Loan Limits are now governed by the definition of Academic Year as that term is defined in §481(d)(2) of the Higher Education Act (HEA).

   A. Statutes—

   Section 428(b)(1)(A) authorizes insurance on a Federal Stafford (subsidized) loan for "any academic year or its equivalent (as determined under regulations of the Secretary)." Section 428A(b) specifies Federal SLS Annual Loan Limit maximums are for "any academic year or its equivalent or in any period of 7 consecutive months, whichever is longer." Effective July 1, 1994, loans made under §428H(d) at the increased loan limits for Federal Stafford (unsubsidized) loans are subject to the limits in §428(b)(1), except for loans made to independent and graduate or professional students, and to dependent Students whose parents are unable to borrow under Federal PLUS. Independent, graduate or professional, and "exceptional" dependent borrowers are subject to the "any academic year or its equivalent or in any period of 7 consecutive months, whichever is longer," standard found currently in the SLS program. Because the Academic Year definition in §481(d)(2) includes a 30-week minimum period of instructional time, which will almost without exception be longer than seven months, the Department has determined that the "7 consecutive month standard" contained in §682.401(b)(2) of the FFEL program regulations will no longer be relevant to Annual Loan Limit maximums.

   B. Regulations—

   FFEL: §682.401(b) states that the Annual Loan Limits are "guaranteed for an academic year." The application of the "academic year or its equivalent" statutory standard has been interpreted in regulations (loosely to provide maximum flexibility) to be a "[calendar] period of not less than seven nor more than 12 months" or a period of academic progression encompassing "a period of not less than seven months in which the student earns the amount of credit . . . necessary for the student to advance in academic standing." The more restrictive "greater of the academic year or seven consecutive months" SLS standard is reflected in §682.204(e)(2).

   FDSL: The Direct Loans program will use the Academic Year as the frequency standard for Annual Loan Limit maximums (cf. 34 CFR §685.203(h), published January 4, 1994).

2. By statute (§481(d)(2) of the HEA, as amended by Public Law 103-285, enacted December 20, 1993), an Academic Year shall require at least 30 weeks of instructional time, and, with respect to an undergraduate course of study, shall require that during such minimum period of instruction time a full-time student is expected (scheduled) to complete at least 24 semester or trimester hours or 36 quarter hours at an institution that measures program length in credit hours, or at least 900 clock hours at an institution that measures program length in clock hours. The Secretary may reduce such minimum of 30 weeks to not less than 26 weeks for good cause, as determined by the Secretary on a case-by-case basis, in the case of an institution of higher education that provides a 2-year or 4-year program of instruction for which the institution awards an associate or baccalaureate degree.

3. For institutions using academic terms (e.g., semesters, trimesters, or quarters), an Academic Year for the purpose of determining the frequency of Annual Loan Limits in the FFEL and FDSL programs must be either one of the following:

   A. *Scheduled* Academic Year: The Scheduled Academic Year is the "fixed" academic period advertised in the institution's printed materials and generally begins and ends at approximately the same time each new year according to an established schedule (e.g., begins with the Fall Semester or Quarter and ends with the Spring Semester or Quarter). The Scheduled Academic Year is the academic period to which the statutory definition of an Academic Year must be applied at a minimum.

   B. *Borrower-Based* Academic Year: The Borrower-Based Academic Year is individualized per borrower and generally "floats" with the borrower's attendance and progress. A Borrower-Based Academic Year may begin at any time within the institution's Scheduled Academic Year based upon the borrower's start date in a program of study (e.g., Spring Semester or Winter Quarter) or with a period of time not included in the institution's Scheduled Academic Year (e.g., the Summer Term). If the Borrower-Based Academic Year does not correspond to the institution's Scheduled Academic Year, the Borrower-Based Academic Year must meet the statutory requirements of an Academic Year *or its equivalence*. To apply a Borrower-Based Academic Year at a term-based institution, the borrower is not required to attend the entire Borrower-Based Academic Year (as is the same case for the Scheduled Academic Year) although the Loan Period must coincide with the student's actual period of enrollment (also see Principle #7). However, each Borrower-Based Academic Year must begin with a term the student actually attends (in contrast to the Scheduled Academic Year). Even though an unattended term, whether part of the Scheduled Academic Year or not, may not begin a Borrower-Based Academic Year, it may complete a Borrower-Based Academic Year.

4. Equivalence for a Borrower-Based Academic Year at a term-based institution is determined in two steps:

   A. First, the institution counts the number of terms in its Scheduled Academic Year. The total number of terms in the Scheduled Academic Year represents the minimum number of terms that must be included in a Borrower-Based Academic Year. As a consequence of these computations, a Borrower-Based Academic Year will be composed of the same terms as in the Scheduled Academic Year, or composed of one or more terms in the Scheduled Academic Year *and* at least one term outside the Scheduled Academic Year. For example, an institution has two terms (Fall and Spring Semesters) in its Scheduled Academic Year; therefore, every two terms may be counted as a Borrower-Based Academic Year: a) Fall and Spring Terms—corresponding to the Scheduled Academic Year, b) Summer and Fall Terms, or c) Spring and Summer Terms. At an institution with three quarters in its Scheduled Academic Year, every three terms may be counted as a Borrower-Based Academic Year: a) Fall, Winter, and Spring Terms—corresponding to the Scheduled Academic Year, b) Winter, Spring, and Summer Terms, c) Spring, Summer, and Fall Terms, or d) Summer, Fall, and Winter Terms. For purposes of this determination, all Summer mini-terms are counted as one term.

   B. Second, the institution must include in the Borrower-Based Academic Year only those terms in which it is or was possible for the student to enroll on at least a half-time basis. The definitions of full-time and half-time attendance are determined by the institution. Institutions are reminded that they may determine the full-time and half-time attendance definitions for the Summer Term using a different standard than the full-time and half-time attendance definitions used for terms during the Scheduled Academic Year (e.g., the Fall and Spring Semesters or the Fall, Winter, and Spring Quarters).

Note: In applying this equivalent definition, the Borrower-Based Academic Year (that does not correspond to the Scheduled Academic Year) may not necessarily include 30 weeks of instructional time or the minimum number of credit hours required for the Scheduled Academic Year.

5. For borrowers enrolled in programs of study at institutions that are not term-based, the Academic Year is always a Borrower-Based Academic Year. Additionally, such a Borrower-Based Academic Year must meet the statutory definition of an Academic Year since the required number of clock or credit hours must be completed by a student before a new Academic Year may commence. Consequently, an equivalent Academic Year may not be applied in a non-term institution. Such Borrower-Based Academic Years begin with the student's start date and track the borrower's progress until the required number of weeks and credit or clock hours have been completed by the student for the Academic Year, or the program length if less. For example, the Academic Year may represent an eight-month calendar period commencing May 1 (start date) with an end date of December 31 in which a student (or group of students) in a certificate program is expected to complete a program of study that is one Academic Year in length (e.g., 30 weeks of instructional time and 900 clock hours).

6. An institution's Academic Year need not correspond to the award year, which is defined in §481(d)(1) of the HEA as the period beginning July 1 and ending June 30 of the following year. Additionally, a Borrower-Based Academic Year in the FFEL and FDSL may not necessarily be concurrent with the Academic Year or award period applicable to the Campus-based and Federal Pell Grant programs. For example, the institution may have awarded a Federal Pell Grant and a Federal SEOG for the Fall and Spring Scheduled Academic Year, whereas the student's Federal Stafford Loan is applied to a Spring and Summer Borrower-Based Academic Year.

7. Although the Academic Year dictates the frequency by which a borrower regains eligibility for annual limits, it does not, at a term-based institution, dictate the Loan Period certified. For example, the Scheduled Academic Year may be a period that includes Fall, Winter, and Spring Quarters; however, the Loan Period (period of enrollment for which a loan application is certified) may be only the Fall and Winter Quarters. The same is true for a Borrower-Based Academic Year at a term-based institution—such an Academic Year might be applied to the Spring and Summer Terms, whereas the Loan Period is certified for the Spring Semester only.

   When the Loan Period does not correspond to the Academic Year, the institution should be particularly diligent in monitoring Annual Loan Limit maximums to prevent overawards, especially if the institution is using the Borrower-Based Academic Year. For example, an institution processes a Spring Semester only Loan Period for the maximum Annual Loan Limit in a Borrower-Based Academic Year composed of the Spring and Summer Terms. If the same student at the same grade level applies for a Summer Term only Loan Period (or any other Loan Period that includes the summer), the institution cannot certify the loan because the student has already received the maximum Annual Loan Limit for the Academic Year—in this case, a new Borrower-Based Academic Year does not begin until the Fall Semester (and corresponds to the Scheduled Academic Year, as well). Please note exceptions for certifying additional amounts for grade-level progressions below.

   Also, the institution must ensure that it does not establish "overlapping" Academic Years for a borrower. For instance, in the above example, the institution would not establish one Borrower-Based Academic Year composed of the Spring and Summer Terms, then establish another Borrower-Based Academic Year composed of the Summer and Fall Terms because the Summer cannot be included in two different, or overlapping, Academic Years for loans under the FFEL and FDSL programs.

8. A term-based institution with a Scheduled Academic Year has the following options in processing loans for a borrower's attendance in a Summer Term. For any determination of eligibility under a new Annual Loan Limit for a borrower, the institution may elect any one of the options as an across-the-board institutional policy or may apply them on a case-by-case basis:

   A. Scheduled Academic Year + Summer Term
   (Summer Term is Added onto the End of the Academic Year—as a "Trailer".)

   B. Summer Term + Scheduled Academic Year
   (Summer Term is Added onto the Beginning of the Academic Year—as a "Leader".)

   C. Borrower-Based Academic Year

   Under options A and B, the Summer Term is considered an add-on to the Scheduled Academic Year for purposes of Annual Loan Limits. If the institution's Scheduled Academic Year does not meet the statutory minimum in §481(d)(2) of the HEA in either credit hours or weeks of instructional time, then the institution's options are restricted to A and B—the institution may not use option C (Borrower-Based Academic Year).

   Note: For an institution that is not term-based, treatment of a "summer period" is irrelevant because §682.603(f) requires the school to certify a Loan Period to correspond to the borrower's Academic Year or program of study (or remaining portion of the program of study).

9. The Academic Year (either Scheduled or Borrower-Based) now dictates the frequency for receipt of Annual Loan Limit maximums. For a borrower who has borrowed up to the maximum Annual Loan Limit for the Academic Year at a particular grade level, the calendar period associated with the Academic Year (and the add-on summer component, if applicable) must elapse before the borrower regains eligibility for another Annual Loan Limit maximum. However, if the borrower progresses to the next grade level, or enrolls in a program of study with a higher prorated or full Annual Loan Limit, the borrower may borrow, during the same period of enrollment, an additional loan amount that represents the difference between the applicable Annual Loan Limits for the grade levels or programs of study certified.

10. A borrower who has received the maximum Annual Loan Limit for his or her last year of undergraduate education and who is accepted into a graduate or professional program may borrow, within the same period of enrollment (Academic Year), an additional loan amount that represents the difference between the applicable undergraduate Annual Loan Limit certified for the student at the beginning of the period of enrollment and the graduate-level Annual Loan Limit. Likewise, if a dependent student is made independent using professional judgment, the student may borrow the difference between the Annual Loan Limits for an independent student and any amount borrowed under the dependent Annual Loan Limits for the same period of enrollment.

Application of Annual Loan Limits to Academic Year (Term-Based Institution)

Option A: <u>Scheduled Academic Year + Summer Term</u>
(Summer Term is added onto the end of the Academic Year—as a *Trailer.)*

◀ Scheduled Academic Year ▶		◀ Summer ▶	
8/23/93	5/20/94	6/6/94	8/12/94
◀ Annual Loan Limit applies to this time frame. ▶			

- The Scheduled Academic Year is *fixed* and begins and ends at approximately the same time each year (e.g., begins with the Fall Semester or Quarter and ends with the Spring Semester or Quarter).

- The Summer Term is treated as an add-on to the Scheduled Academic Year. Annual Loan Limits are measured with this period if the student attends the Summer Term.

- The institution *must subtract* any amount received during the Scheduled <u>Academic Year</u> from the Annual Loan Limit to determine the remaining amount of loan eligibility available to a borrower for the <u>Summer Term</u>.

- The student regains eligibility immediately for a new Annual Loan Limit in the *next* Academic Year, or during the current Academic Year for the difference in Annual Loan Limit if the student progresses to the next grade level with a higher Annual Loan Limit.

- Any required loan proration for programs of study of less than an Academic Year or the "remaining balance" of a program of study is determined based upon the Scheduled Academic Year.

- A Borrower-Based Academic Year is not applicable.

Application of Annual Loan Limits to Academic Year (Term-Based Institution)

Example A1: *(John)*

Fall & Spring Loan Period (Scheduled Academic Year) at Grade Level 1—
John applies for a $2000 Federal Stafford Loan.
Institution certifies $2000.

◀	Fall & Spring	▶
8/23/93	$2000	5/20/94

Summer Term Loan Period at Grade Level 1—
John applies for a $2625 Federal Stafford Loan, the Annual Loan Limit maximum at this grade level.
Institution certifies only $625, his remaining loan eligibility at Grade Level 1

◀	Summer	▶
6/6/94	$625	8/12/94

The institution must subtract any amount received during the Scheduled Academic Year from the Annual Loan Limit to determine the remaining amount available for the Summer Term. John regains eligibility immediately in the next Academic Year, which begins 8/22/94.

Example A2: *(Janet)*

Spring Semester Only Loan Period at Grade Level 2—
Janet applies for a $3500 Federal Stafford Loan.
Institution certifies $3500, the Annual Loan Limit maximum at this grade level.

◀	Spring Only	▶
1/10/94	$3500	5/20/94

Summer Term Loan Period *at Grade Level 3*—
Janet applies for a $5500 Federal Stafford Loan, the Annual Loan Limit maximum at this grade level.
Institution certifies only $2000.

◀	Summer	▶
6/6/94	$2000	8/12/94

Janet is eligible to borrow only the difference due to the increased Annual Loan Limit for the next higher grade level to which she progressed after the end of the Spring Semester.

Fall & Spring Loan Period *(Next Academic Year)* at Grade Level 3—
Janet applies for a $5500 Federal Stafford Loan.
Institution certifies $5500.

◀	Fall & Spring—*Next Academic Year*	▶
8/22/94	$5500	5/19/95

Janet regained eligibility immediately in the next Academic Year.

Application of Annual Loan Limits to Academic Year
(Term-Based Institution)

Option B: <u>Summer Term + Scheduled Academic Year</u>
(Summer Term is added onto the beginning of Academic Year—as a *Leader.)*

Summer		Scheduled Academic Year	
6/5/93	8/13/93	8/23/93	5/20/94
Annual Loan Limit applies to this time frame.			

- The Scheduled Academic Year is *fixed* and begins and ends at approximately the same time each year (e.g., begins with the Fall Semester or Quarter and ends with the Spring Semester or Quarter).

- The Summer Term is treated as an add-on to the Academic Year. Annual Loan Limits are measured with this period included if the student attends Summer Term.

- The institution *must subtract* any amount received during the <u>Summer Term</u> from the Annual Loan Limit to determine the amount for the Scheduled <u>Academic Year</u> that follows.

- The student regains eligibility immediately for a new Annual Loan Limit in the *next* Summer Term (with the new Academic Year), or during the current Academic Year for the difference in Annual Loan Limit if the student progresses to the next grade level with a higher Annual Loan Limit.

- Any required loan proration for programs of study of less than an Academic Year or the "remaining balance" of a program of study is determined based upon the Scheduled Academic Year.

- A Borrower-Based Academic Year is not applicable.

Application of Annual Loan Limits to Academic Year (Term-Based Institution)

Example B1: *(Janelle)*

Summer Term Loan Period at Grade Level 1—
Janelle applies for a $1000 Federal Stafford Loan.
Institution certifies $1000.

◀	Summer	▶
6/5/93	$1000	8/13/93

Fall & Spring Loan Period (Academic Year) at Grade Level 1—
Janelle applies for a $2625 Federal Stafford Loan, the Annual Loan Limit maximum at this grade level.
Institution certifies only $1625, her remaining loan eligibility at Grade Level 1.

◀	Fall & Spring	▶
8/23/93	$1625	5/20/94

The institution must subtract any amount received for the Summer Term from the Annual Loan Limit to determine the remaining amount available for the Academic Year. Janelle regains eligibility immediately in the next Summer Term, which begins 6/6/94.

Example B2: *(Jeff)*

Spring Semester Only Loan Period at Grade Level 2—
Jeff applies for a $3500 Federal Stafford Loan.
Institution certifies $3500.

◀	Spring Only	▶
1/10/94	$3500	5/20/94

Summer Term Loan Period *(With Next Academic Year)* at Grade Level 3—
Jeff applies for a $5500 Federal Stafford Loan.
Institution certifies $5500.

◀	*Next* Summer	▶
6/6/94	$5500	8/12/94

Jeff regained eligibility immediately in the next Summer Term (considered as part of the following Academic Year for Annual Loan Limits only).

Application of Annual Loan Limits to Academic Year
(Borrower-Based Academic Year at Term-Based Institution)

Option C: Borrower-Based Academic Year

◀ Borrower-Based Academic Year (Corresponds to Scheduled Academic Year) ▶	
8/23/93	5/20/94
e.g., Fall	Spring
◀ Annual Loan Limit applies to this time frame. ▶	

Or

◀ Borrower-Based Academic Year ▶	
1/10/94	8/12/94
e.g., Spring	Summer
◀ Annual Limit applies to this time frame. ▶	

Or

◀ Borrower-Based Academic Year ▶	
6/5/93	12/17/93
e.g., Summer	Fall
◀ Annual Limit applies to this time frame. ▶	

Application of Annual Loan Limits to Academic Year (Borrower-Based Academic Year at Term-Based Institution)

- An institution must have a Scheduled Academic year that meets at least the minimum standards of §481(d)(2) of the Higher Education Act. The Academic Year must correspond to the standard period of enrollment students normally attend—usually the Fall and Spring Semesters or Fall, Winter, and Spring Quarters at term-based institutions.

- The Scheduled Academic Year must meet, at a minimum, the statutory requirements in §481(d)(2) of 30 Weeks of instructional time (or not less than 26 weeks if permitted by the Department) *and*, for undergraduate programs of study, a full-time student is expected to complete at least 24 Semester Credit Hours or 36 Quarter Credit Hours.

- A Borrower-Based Academic Year corresponds to the Scheduled Academic Year, or includes a period of enrollment the student would not be required to attend (e.g., the Summer Term) *and* a part of the Scheduled Academic Year (e.g., the Fall *or* Spring Semester, or the Fall and Winter *or* Winter and Spring Quarters).

- A Borrower-Based Academic Year at a term-based institution is a period of enrollment equivalent to the institution's Scheduled Academic Year assuming the availability to a student to attend on at least a half-time basis in the same number of terms as the Scheduled Academic Year.

- The student regains eligibility immediately for a new Annual Loan Limit <u>with each Borrower-Based Academic Year</u> (which may correspond to the Scheduled Academic Year), or during the current Academic Year for the difference in Annual Loan Limits if the student progresses to the next grade level that has a higher Annual Loan Limit.

- Any required loan proration for a program of study of less than an Academic Year or the "remaining balance" of the program of study is based upon the Scheduled Academic Year.

- Adding the Summer Term to the Scheduled Academic Year is not applicable.

Example C1: *(Jennifer)*

Fall & Spring Loan Period (Scheduled Academic Year) at Grade Level 1-
Jennifer applies for a $2625 Federal Stafford Loan.
Institution certifies $2625.

AY #1—Borrower-Based Academic Year
(Corresponds to Scheduled Academic Year)
Fall & Spring
$2625
8/23/93 — 5/20/94

"AY" = Academic Year (for FFEL or FDSL)

Summer Term Loan Period at Grade Level 2 —
Jennifer applies for a $3500 Federal Stafford Loan.
Institution certifies $3500.

AY #2—Borrower-Based Academic Year

6/6/94 — 8/12/94	— 12/16/94
Summer $3500	Fall

The Summer Term plus the Fall Semester is an equivalent period of enrollment to the Scheduled Academic Year in which Jennifer has the opportunity to attend on at least a half-time basis, required for loan eligibility, in the same number of terms as in the Scheduled Academic Year. Because a new Borrower-Based Academic Year for FFEL and FDSL purposes will begin at the end of the Fall Semester, Jennifer will regain eligibility for a new Annual Loan Limit at that time.

Fall Loan Period at Grade Level 2—
Jennifer applies for a $3500 Federal Stafford Loan.
Institution certifies $0.

AY #2—Borrower-Based Academic Year (Same AY #2 for Summer Loan)	
6/6/94 – 8/12/94	8/22/94 – 12/16/94
Summer	Fall
$3500	$0

Because the same Borrower-Based Academic Year is still in effect and Jennifer has already borrowed the maximum, Jennifer is ineligible.

Spring Semester and Summer Term Loan Period at Grade Level 2—
(Jennifer did not progress at grade level.)
Jennifer applies for a $3500 Federal Stafford Loan.
Institution certifies $3500.

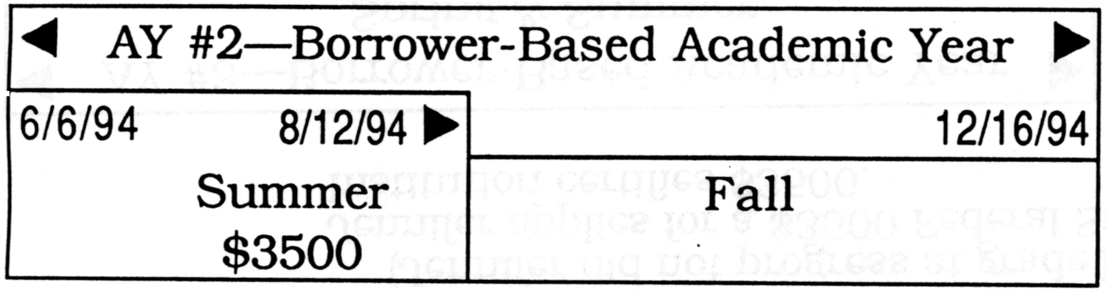
AY #3—Borrower-Based Academic Year
1/9/95 – 8/11/95
Spring & Summer
$3500

Jennifer regained eligibility in a new Borrower-Based Academic Year (AY #3).

Example C2: *(Jim)*

Summer Term Loan Period at Grade Level 2—
Jim applies for a $3500 Federal Stafford Loan.
Institution certifies $3500.

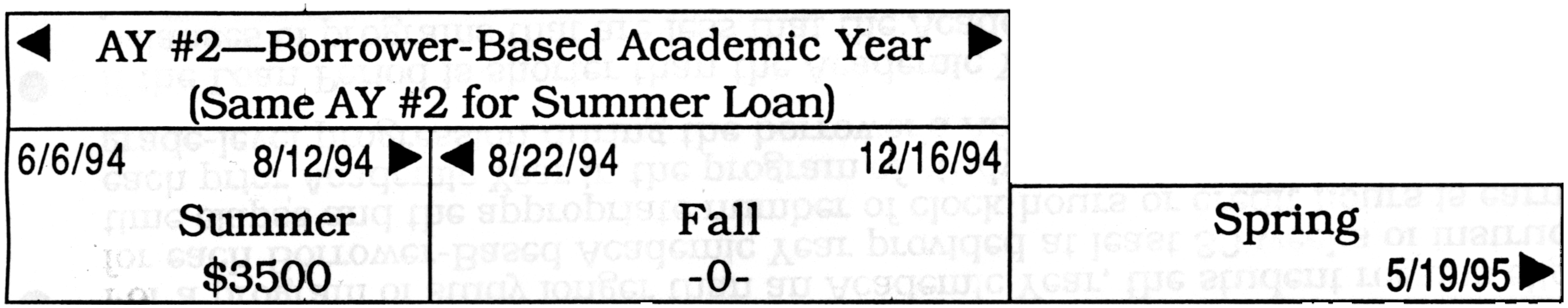
[Jim already received $2625 during the Scheduled Academic Year (AY #1, Fall & Spring Semesters) at Grade Level 1.]



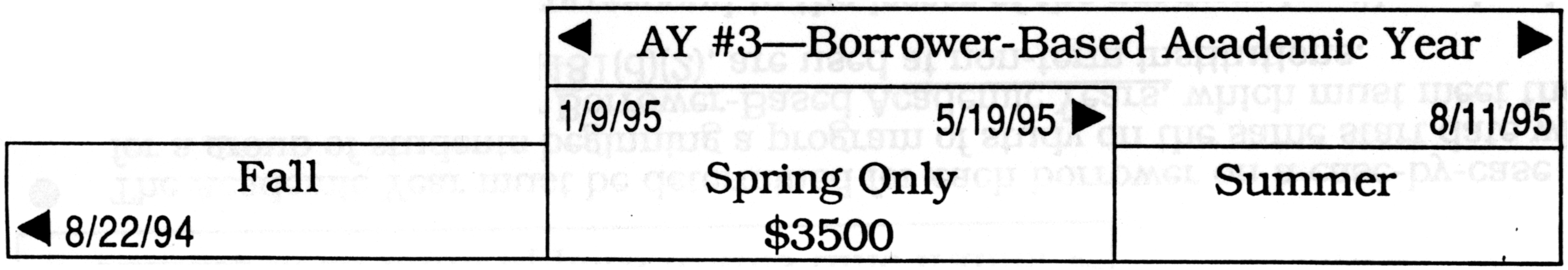
The Summer Term plus the Fall Semester is an equivalent period of enrollment to the Scheduled Academic Year. Because a Borrower-Based Academic Year will begin at the end of the Fall Semester, Jim will regain eligibility for a new Annual Loan Limit at that time.

Application of Annual Loan Limits to Academic Year (Borrower-Based Academic Year at Term-Based Institution)

Fall & Spring Loan Period at Grade Level 2—
Jim applies for a $3500 Federal Stafford Loan.
Institution cannot certify this Loan Period.



Because the same Borrower-Based Academic Year does not conclude until the end of the Fall Term, a Fall and Spring Loan Period is *invalid*. A Fall only Loan period is valid, but Jim has already borrowed the maximum for this Borrower-Based Academic Year. However, the institution could certify a Spring only loan because a new Borrower-Based Academic Year will begin then:



The examples on this page demonstrate that the institution must insure that loans are not certified for over-lapping Academic Years (either Scheduled or Borrower-Based equivalent)—the Loan Period cannot be included in two different Academic Years.

D: Non-Term Institution or Program

◀ Academic Year ▶	
8/23/93	3/22/94
◀ Annual Loan Limit applies to this time frame. ▶	

- The Academic Year must be determined for each borrower on a case-by-case basis or for a group of students beginning a program of study on the same start date who attend at the same pace. Only Borrower-Based Academic Years, which must meet the statutory definition in §481(d)(2), are used at non-term institutions.
- The Loan Period must correspond to the lesser of the program length or Academic Year. The Loan Period may also be the remaining balance of a student's program of study that is greater than an Academic Year but less than two Academic Years. Under certain conditions, the Loan Period may be longer than an Academic Year (not to exceed 12 months) if the guaranty agency permits, in which case there would be only one loan, and borrowing for a new Academic Year would not apply [cf. §682.603(f)].
- For a program of study longer than an Academic Year, the student regains eligibility for each Borrower-Based Academic Year provided at least 30 weeks of instructional time elapse and the appropriate number of clock hours or credit hours is earned for each prior Academic Year in the program of study. Note: Borrowing the difference for grade-level progression during the borrower's Academic Year does not apply.
- If the Loan Period is shorter than the Academic Year (for programs or remaining balances of programs that are less that the Academic Year), at least 30 weeks from the beginning date of the Loan Period must elapse for a student to regain eligibility for a new Annual Loan Limit (for a grade level or program of study with a higher Annual Loan Limit, the difference could be borrowed prior to the expiration of the 30 weeks).

Example D:
(Jeremy)

Jeremy is in a program of study of 1500 clock hours. The program of study is greater than one Academic Year but less than two Academic Years based on the definition in §481(d) of the HEA. The school defines its Academic Year as a calendar period of at least 30 weeks of instructional time in which the student is scheduled to complete 900 Clock Hours.

1st Academic Year Loan at Grade Level 1—
Jeremy applies for a $2625 Federal Stafford Loan.
Institution certifies $2625.

◀ AY #1—Borrower-Based Academic Year ▶

8/23/93 $2625 3/22/94

Loan Period = AY

2nd Academic Year Loan (Remaining 600 Hours in Program of Study) at Grade Level 2—
Jeremy applies for a $3500 Federal Stafford Loan.
Institution certifies $2325 (maximum prorated loan limit—prior to 7/1/94).

◀ AY #2—Borrower-Based Academic Year ▶

3/23/94 $2325 10/18/94

Loan Period ≠ AY 8/20/94 ▶

Jeremy does not regain eligibility until each Academic Year elapses for his program of study. (The Academic Year remains a calendar period of at least 30 weeks of instructional time in which the student is scheduled to complete 900 clock hours, even though the remaining balance of the program of study is 600 clock hours.)

E: Transfer Students and Re-starts

- For a student who transfers to another school, the institution must consider the Academic Year of the previous institution to have begun with the most recent Loan Period (indicated on the *Financial Aid Transcript)* and to have been of at least 30 weeks in duration—unless the institution chooses to obtain documentation that indicates the specific beginning and ending dates for the Academic Year applicable to the most recent Loan Period at the previous institution. Such documentation could include whether a Summer Term was an add-on to the previous institution's preceding or following Academic Year.

- The Academic Year at the previous institution does not determine the Academic Year at the new institution. However, if a Loan Period at the new institution begins prior to the expiration of the Academic Year at the previous institution, the amount the new institution may certify must deduct the gross loan amounts received during the Academic Year at the previous institution (less any refunds or cancellations made for the loan). Note that the institution may be required to adjust the amount for one Loan Period within its own Academic Year (e.g., for a Fall Semester that begins prior to the expiration of the previous institution's Academic Year) and not for a latter Loan Period within its same Academic Year (e.g., for a Spring Semester that begins after the expiration of the previous institution's Academic Year)—the institution must also insure that Annual Loan Limits are not exceeded during its own Academic Year as well.

- For a student who re-starts or transfers to a new program of study within the same institution and applies for a new loan with a Loan Period that begins prior to the expiration of the Academic Year for a previous program of study, the amount the institution may certify must deduct the gross loan amounts received during the Academic Year for the previous program (less any refunds or cancellations made for the loan).

Example E: *(Janice)*

Janice and Jeremy graduated from the same program of study which completed at the same time and for which they received identical loans (see Example D). Janice transfers to a Term-Based Institution with a Scheduled Academic Year that corresponds to the Fall and Spring Semester.

Fall Semester Loan Period at Grade Level 2—
Janice applies for a $3500 Federal Stafford Loan.
The *Financial Aid Transcript* indicates a loan for $2325 with a Loan Period from 3/23/94 to 8/20/94.
Institution certifies $1175.

3/23/94 Loan Period's Beginning Date + 30 Weeks = 10/18/94 ◀ Previous Institution's AY Overlaps

New Institution's AY & Loan Period ▼

◀ Scheduled Academic Year ▶
8/22/94 Fall & Spring 5/19/95

Fall Loan Period
$1175 12/16/94▶

The institution determines that its Fall Semester begins prior to the expiration of the previous institution's Academic Year by adding 30 weeks to the Loan Period's beginning date on the *Financial Aid Transcript*. Accordingly, the institution deducted $2325 from the Annual Loan Limit of $3500 for the maximum amount it could certify for the Fall Semester Loan Period. If Janice applies for another $3500 for a Spring Semester Loan Period (starting after the 30 weeks from the previous institution has expired) the institution could certify $2325—the difference between the Annual Loan Limit of $3500 and the $1175 Janice has already received during the institution's own Academic Year.