REVISED HANDOUT
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New questions and answers have been added. Changes, other than grammatical or numerical, are denoted in **Bold.**

Reviewed by the U.S. DEPARTMENT OF EDUCATION

Q's & A's

on the

FREQUENCY OF ANNUAL LOAN LIMITS
(and Transition from the 7-Months Rule)

NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS
Standardization Training Workshop
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Please refer to the "Dear Guaranty Agency Directors" letter, March 16, 1994, for the "Principles to Determine the Frequency for Annual Loan Limits" for more information.

Pam Moran, U.S. Department of Education (USDE), has reviewed these written questions and answers on the frequency of annual loan limits and the transition from the "7-months rule." Her comments have been incorporated into these materials. The presenter gratefully acknowledges the time and assistance of Pam Moran in the review and preparation of these materials.

School Policies and Flexibility—

1 Does an institution have the authority to change policies between the Scheduled Academic Year and a Borrower-Based Academic Year, and between the summer as a "leader" or a "trailer"?

Yes. The institution may change its policy on the frequency of annual loan limits at any time. The institution's policy should be clearly stated in writing and identify an effective date for administrative and compliance purposes. The institution must also ensure that it does not create any overlapping academic years that cause an overaward for annual loan limits in any transition between internal policies. For example, if the institution originally certified a summer loan as a "leader" for its current Scheduled Academic Year for a particular borrower, then decided to change its policy to add the summer as a "trailer," the institution would have to make sure that the amount of a loan for the next summer plus any amounts received during the Scheduled Academic Year and the previous summer do not exceed the annual loan limit. However, the summer loan, which was originally a "leader," may also be re-assigned as a "trailer" to the previous Scheduled Academic Year if the reassignment does not produce an overaward for annual loan limits for the previous Scheduled Academic Year and "trailer."

2. May the institution use professional judgment to make exceptions to its policy for annual loan limits?

Because the institution chooses it own policy on the frequency of annual loan limits within the published guidelines, the institution may include a provision to allow exceptions on a case-by-case basis in its policy. Again, the institution must ensure that it does not create any overlapping academic years that cause an overaward for annual loan limits when it makes an exception to its policy. For example, the institution may have an across-the-board policy that uses the Scheduled Academic Year and the summer as an add-on "trailer." However, for a particular borrower, the institution may have certified a loan for the maximum annual loan limit for the Scheduled Academic Year, but because the student is accelerating his/her study, the institution may choose to start a Borrower-Based Academic Year **for this borrower** for the summer instead of treating the summer as an add-on "trailer." **Please note that such a Borrower-Based Academic Year for this borrower would consist of the summer term and *fall* semester of the following Scheduled Academic Year, or the summer term, and *fall* and *winter* quarters of the following Scheduled Academic Year. Because this Borrower-Based Academic Year includes terms of the following Scheduled Academic Year and, therefore, overlaps with it, the institution cannot certify a new maximum annual loan limit for the following Scheduled Academic Year. However, the institution could start another Borrower-Based Academic Year, which would begin with the following spring semester or quarter for this borrower, and certify another maximum annual loan limit for that new Borrower-Based Academic Year as applicable.**

The institution may elect to establish a policy that permits no exceptions. During the transition **between the "7-months rule" and the new policy**, the institution may elect to permit exceptions only for transitional issues (**see questions beginning with number 45 for more information on the transition from the "7-months rule"**).

3. May the institution have different policies for different programs of study or groups of borrowers?

Yes. As long as each application of the institution's policies does not produce any overawards, **and the institution has the administrative capability to monitor multiple policies** for annual loan limits, the institution may have different policies for different programs of study or groups of borrowers. (Of course, such policies may not discriminate against borrowers based upon race, national origin, sex, religion, or other prohibited discriminatory criteria.) For example, a medical school may use a Scheduled Academic Year with the summer as a "trailer" for the students' first two years of study, then switch to a Borrower-Based Academic Year for the students' last two years of medical school because the students then attend year round.

4 **May a term institution treat a student under a Borrower-Based Academic Year for the first year and then switch to a Scheduled Academic Year for the next year?**

Yes. As long as the academic years do not overlap, the institution may change between any academic years for the student, including the summer add-on component. If during a change, an overlap is unavoidable, the student may not receive more than one maximum annual loan limit between the overlapping academic years.

5 It is not necessary for the Borrower-Based Academic Year to correspond to the award year for Pell and campus-based aid. Does this also apply to the Scheduled Academic Year?

The "Principles to Determine the Frequency for Annual Loan Limits" do not specify that the Scheduled Academic Year must correspond to the award year, although in most cases the Scheduled

Academic Year will be completely contained within a particular award year. For example, the Scheduled Academic Year will often begin in August with a fall term and conclude in May with the spring term, which is completely within the award year which begins July 1 and concludes the following June 30. However, some academic calendars may have a Scheduled Academic Year which starts in one award year and concludes in the following one. For example, a continuing education program of one academic year in length may begin in September of one award year and conclude the following August in the following award year.

6. Must institutions define academic year and terms?

In order to administer the new guidelines, the institution must choose among the available options, and therefore, should create a written policy. Since non-term institutions must use the Borrower-Based Academic Year, the written policy expressing the institution's choice is unnecessary, but still advisable. In order to process any loans, the institution must have defined its academic year, or accepted the minimum statutory definition, and identified its terms to determine the loan period [cf. 34 CFR §682.603(f)].

Term Institution—

7. Does a student have to attend all terms in a Scheduled Academic Year before regaining FFEL program loan eligibility?

No. Provided the student enters a new Scheduled Academic Year and its summer add-on component as a "leader" or "trailer," or enters a Borrower-Based Academic Year, the student regains eligibility regardless of the student's attendance in all or part of the terms contained in the Scheduled Academic Year. Also note that a student need not attend all terms within a Borrower-Based Academic Year, but the student must attend the first term of a Borrower-Based Academic Year. **After the first term, if the borrower does not attend all the remaining terms of a Borrower-Based Academic Year, the institution must ensure that the entire Borrower-Based Academic Year has elapsed before processing a new maximum annual loan limit.** The student need not attend the first term of a Scheduled Academic Year.

8. If a student only has one semester remaining (e.g., spring) for graduation and the student had already borrowed the maximum annual loan limit for a Borrower-Based Academic Year consisting of the summer and fall terms, may the school determine a new Borrower-Based Academic Year even though there are less than two semesters remaining in the student's program of study?

Yes. The institution may use a Borrower-Based Academic Year even though the student will graduate before that academic year elapses. For the above example, the institution may create a Borrower-Based Academic Year consisting of the spring and following summer terms although the loan period will be for the spring term only (**please note that this borrower is subject to prorated annual loan limits**). If the student should re-enroll for the summer in another program of study or not graduate as planned, the institution would subtract the gross **loan** amount received for the spring term from the applicable annual loan limit to determine the student's maximum eligibility for a loan period for the summer term.

9. It appears that regular term institutions are at a disadvantage since their students can get only two loans in two years, whereas non-terms institution's students can get three loans in two years or five loans in three years.

If a term institution elects to use Borrower-Based Academic Years, then borrowers may be eligible for more than two loans in two years. If the term institution's academic structure results in a new academic year every 30 weeks, then borrowers at a term institution have the same frequency for annual loan limits as a non-term institution which also completes an academic year every 30 weeks.

Non-term Institution—

10. **For a non-term institution, does the Borrower-Based Academic Year have to begin with the beginning of the student enrollment? If yes, when will the next academic year begin if the student attends continuously?**

Yes, the Borrower-Based Academic Year begins at the same time as the student's enrollment. The next Borrower-Based Academic Year begins with the next instructional class date following the conclusion of the first Borrower-Based Academic Year (in hours and weeks of instructional time).

11. Is a non-term, proprietary institution eligible to receive loans for students every 30 weeks?

Not necessarily. If the institution's Borrower-Based Academic Year meets the statutory definition for required clock or credit hours and is 30 consecutive weeks of instructional time, the student will start a new Borrower-Based Academic Year every 30 weeks **(provided the required clock or credit hours are also completed)** and regain eligibility with each new academic year However, if the institution's definition is longer than 30 weeks of instructional time or there are weeks that do not have instruction within the period of study, the student will not regain eligibility until the institution's definition of the academic year elapses. For example, the institution may have an academic year definition of 900 clock hours in 35 weeks of instructional time, and there are two weeks of vacation during the academic year. In such a case, the student would not regain eligibility until 37 weeks have elapsed (35 weeks of instructional time plus two weeks on non-instructional time).

12. If a beauty school has a 1500 clock-hour program of study split into 900 hours and 600 hours, and a student finishes the 900 hours before 30 weeks, may the institution certify a loan for 600 hours? When can they apply and what dates would be used for the loan period?

The Borrower-Based Academic Year must meet the statutory definition and elapse before the student regains eligibility. If the beauty school has an academic year definition of 900 clock hours in 30 weeks of instructional time, both the clock hours and the 30 weeks of instructional time must elapse before the student regains eligibility. Therefore, the student who completes 900 clock hours prior to the completion of 30 weeks of instructional time does not regain eligibility until the 30 weeks of instructional time also elapse. At the conclusion of the 30 weeks of instructional time, the institution must determine the number of clock hours remaining in the 1500 hour program to determine the student's remaining loan eligibility. If the student completed 1200 clock hours in the first 30 weeks of instructional time, then only 300 clock hours are remaining in the student's program of study for which the student is eligible. Accordingly, the institution may certify a loan for eligibility based upon 300 hours instead of 600 hours. The loan period begins at the beginning of the second Borrower-Based Academic Year, the thirty-first week of instructional time for this student, through the student's anticipated graduation date for the program of study. The institution may certify the new loan as soon as the number of clock hours remaining in the student's program of study are determined.

13. **In this example of the beauty school, may a student borrow the difference between grade levels upon completing 900 clock hours?**

This student must complete 900 clock hours and 30 weeks of instructional time to complete the academic year and, therefore, progress to the next grade level. If the student completes 900 clock hours in less than 30 weeks of instructional time, then the student has not progressed a grade level but remains at grade-level one until the 30 weeks of instructional time are also completed. Accordingly, borrowing for a difference in grade levels does not apply since the student must progress to a new academic year (in both clock hours and weeks of instructional time) at the same time he or she progresses to a higher grade level. Also see next question.

14. On page 18 of the "Principles to Determine the Frequency of Annual Loan Limits" for non-term programs using the Borrower-Based Academic Year, the last sentence in the third bullet and the last sentence in the last bullet seem to be in conflict. Is there a reason for the distinction between the two?

Third bullet reads: "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.*"

Last bullet reads: "If the Loan Period is shorter than the Academic Year (for programs or remaining balance of programs that are less than 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 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.)*"

These two bullets refer to different circumstances. The third bullet refers to loan periods within a program of study. Because the loan period for a non-term institution must correspond to the academic year or the program of study or its remaining balance if less than an academic year, the student may only progress to a higher grade level at the same time he or she progresses to a new academic year, or always be at grade level one if the program is less than an academic year. Thus, there can be no grade-level progression during an academic year but only at the start of the a following academic year. Accordingly, borrowing during the academic year for the difference for a grade-level progression does not apply because it does not occur. (If the guaranty permits by policy, the loan period may be up to 12 months if the program is longer than an academic year but less than two, but the student would have only one loan under such a policy.) A state may also require that a certificate program remains at grade-level one regardless of how many academic years the program may take.

The last bullet refers strictly to loan periods for programs of study that are less than an academic year. If a student completes such a program and then re-enrolls in a new program with a higher annual loan limit or at a higher grade-level (which sometimes occurs when student re-enroll in an associate degree program after completing a certificate program in the same subject), then the student may borrow the difference during the academic year.

Half-time—

15. Will the frequency for term schools be the same for full-time students as it is for half-time students for a Borrower-Based Academic Year?

Yes. If the term institution's Borrower-Based Academic Year meets the criteria for equivalence, then the institution may apply the Borrower-Based Academic Year to both full-time and half-time students.

<u>Please note:</u> The new definition in Part 668—Student Assistance General Provisions of a "full-time student" applies *per academic term*, including the summer term, and to all Title IV, HEA programs (cf. **34 CFR §668.2, published April 29, 1994). Therefore, effective July 1, 1994,** the institution may not use a different definition for full-time and half-time for the summer term which may be less than the hours used for the institution's definition of full-time and half-time during the institution's Scheduled Academic Year.

16. May a half-time student at a non-term institution borrow again after the instructional time, but not the credit or clock hours, for an academic year has expired?

No. Like the Federal Pell Grant, the student must complete the entire number of clock or credit hours and the weeks of instructional time in order to regain eligibility in a new academic year.

17. **If a half-time student at a term institution is projected to take 18 months to complete the amount equivalent to a first-year student, may the institution set the academic year to equal that 18 months?**

By statute, an academic year may not be less than 30 weeks of instructional time, or 26 weeks of instructional time with USDE approval, but the statute does not establish a maximum time frame for an academic year [cf. HEA §481(d)(2)]. Some institutions have academic years in excess of 12 calendar months although, by regulation, a loan period may not exceed 12 months [cf. 34 CFR §682.603(f)(2)]. Generally, such circumstances are found in non-term institutions. For example, the institution may define its academic year as 900 clock hours in 30 weeks of instructional time. A full-time student taking 30 hours per week would complete the academic year in the 30 weeks of instructional time. However, a half-time student taking only 12 hours per week [24 hours per week for full-time is the regulatory minimum and, thus, 12 hours per week is the half-time minimum (cf. 34 CFR §682.200)], would complete the 900 hours in 75 weeks of instructional time, or about 18 months in duration. Likewise, a term institution may elect a similar policy although such practice would generally be difficult to administer.

18. **If the academic year may be longer than 12 months, but the loan period cannot exceed 12 months, then how does an institution certify a loan period for such an academic year?**

For a term institution, the loan period could correspond to terms that singly or in combination do not exceed 12 months, and the institution must ensure that the maximum annual loan limit is not exceeded any combination of loan periods within the entire academic year.

For a non-term institution, the loan period is shortened to exactly 12 months, and only the costs of attendance for the the first 12 months are included in the loan period. If the borrower does not receive the maximum annual loan limit for the loan period for the first 12 months, then the institution may certify another application with a loan period that begins immediately after the first 12-month loan period and ends with the scheduled completion date of the program of study (or another 12 months if applicable). In the case of tuition, fees, and other charges assessed upon entry ("front-loading"), only non-institutional costs (living expenses) are included in the cost of attendance for any subsequent loan period. If the institution certifies a subsequent application(s), the institution must ensure that the maximum annual loan limit is not exceeded for any combination of loan periods within the entire academic year.

Summer Term—

19. **For the same program at an institution with a Scheduled Academic Year, may some students have a Scheduled Academic Year with the summer as a "leader" and some students in the same program have a Scheduled Academic Year with the summer as a "trailer"?**

Yes. As indicated above, the institution has this flexibility. The institution must track such students to ensure that the institution does not inadvertently create overlapping academic years for them. For instance, the institution would not certify a summer loan period with the summer as a "trailer" for the preceding Scheduled Academic Year, and then certify another loan period for the summer and fall term with the summer as a "leader" to the following Scheduled Academic Year.

20. If the academic year begins for summer term and the student begins in the summer, and the period of loan is 6/95-8/95, and the student does not continue school in the fall, does the student get the full loan amount, for instance $2625, even though he went only two months? If so, in the case of non-term institutions, may they certify a loan for two months without proration if they claim that their

academic year continues for another five months, and then allow the student another loan if he starts after that five months is over for another term?

For either a term or non-term institution, the frequency of annual loan limits has an incidental bearing to whether or not a loan is subject to proration. Fundamentally, the loan is subject to proration if the loan is for a program of study, or its remaining balance, that is less than an academic year. Therefore, for either this summer loan or non-term loan, the institution must prorate if the program, or its remaining balance, is less than an academic year. If the loan is subject to proration, then the academic year to which the annual loan limit applies will not have expired when the loan period ends. Until the applicable Scheduled Academic Year and its summer add-on component, or a Borrower-Based Academic Year, expires, the student may only borrow the difference for a later loan period between the applicable annual loan limits for that loan period **and any gross loan amount** borrowed earlier that was subject to proration. Upon entering a new academic year or summer add-on component, the student is eligible for a new annual loan limit. For a term institution, **proration is based upon the** Scheduled Academic Year. For a non-term institution, **proration is based upon the** Borrower-Based Academic Year.

21. May the institution still determine which year's *Free Application for Federal Student Aid (FAFSA)* information to use to determine loan eligibility for the summer term? Does it matter if the summer term is a "leader," "trailer," or part of a Borrower-Based Academic Year (i.e., 1993-94 for summer and 1994-95 for fall)?

The institution may still determine which year's FAFSA to use for the summer. However, there are some practical considerations. A student may be applying for a loan for the summer but cannot complete the FAFSA for the previous award year because the May deadline has past and, hence, cannot obtain an official Expected Family Contribution (EFC) for that award year. Accordingly, the institution may elect to apply the summer as a "leader" instead as a "trailer" in order to obtain an official EFC from the FAFSA for the upcoming award year and make the loans consistent with other Title IV awards. Generally, if the loan period crosses the July 1 date for award years, the institution may use either award year for the official EFC. If a Borrower-Based Academic Year crosses award years, but the loan period is in the latter award year (e.g., the Borrower-Based Academic Year is composed of the summer and fall semester, but the loan period is for the fall only), the official EFC must be used from the award year in which the loan period is wholly contained. However, the institution retains the authority to use professional judgment and adjust data elements for an official EFC in any of these circumstances.

22. The "Principles to Determine the Frequency for Annual Loan Limits" states that all summer mini-terms are to be counted as one term. Does this mean that all mini-terms will be collectively referred to as one term?

For the purposes of determining annual loan limits, all mini-terms within a summer term **may be considered to be one term collectively, and must be considered as one term if the summer is included in an equivalent Borrower-Based Academic Year. (The "Principles to Determine the Frequency of Annual Loan Limits" refer to summer mini-terms as one term collectively only for the purpose of determining equivalence for Borrower-Based Academic Years.)** However, for academic considerations, loan periods, or other considerations, the institution may refer to mini-terms individually rather than as one term.

23. May an institution that divides its summer session into two mini-terms, with the first mini-term ending prior to July 1 and the second mini-term beginning on or after July 1, have a Scheduled Academic Year with the first mini-term as a "trailer" for the preceding Scheduled Academic Year and the second mini-term as a "leader" to the following Scheduled Academic Year?

Yes. Although this particular model is not exemplified in the "Principles to Determine the Frequency of Annual Loan Limits," the institution may choose to have both a "leader" summer mini-term and a

"trailer" summer mini-term to its Scheduled Academic Year. Please note, however, that the institution may not divide its summer session into both a "leader" and a "trailer" for the purposes of determining an equivalent Borrower-Based Academic Year. For a Borrower-Based Academic Year, the mini-terms are considered to be one term in the formula to determine equivalence to the Scheduled Academic Year. Also note that if the institution chooses to have a "leader" mini-term and a "trailer" mini-term, then the institution is making an exception to its policy if it certifies one loan period for both mini-terms. Accordingly, the institution must make sure that it does not inadvertently create any overlapping academic years if it certifies a loan period encompassing both mini-terms.

24. Assuming all mini-terms are collectively considered one term, how does an institution certify a loan application for a student that may be attending the first and third mini-terms but not the second? Does the school certify the loan period for the entire duration (including the second unattended mini-term) but prorate the cost of attendance (for the first and third mini-term)?

The institution may certify a loan for an entire summer term that includes all the mini-terms, or it may certify the mini-terms singly or in combination depending upon the student's planned enrollment. If the institution elects to certify a loan for the entire summer, the institution must reduce the cost of attendance for any mini-term for which the student does not plan to enroll (for instance, the second mini-term).

25. If an institution using a Borrower-Based Academic Year certified a loan for the summer term only and limited the amount to one-half or one-third of the maximum annual loan limit that a student could borrow for the academic year, may the institution then certify another loan for the following Scheduled Academic Year (fall/spring semesters or fall/winter/spring quarters) for the full annual loan limit knowing that the student would "not receive" more than the maximum in the Scheduled Academic Year?

If the Borrower-Based Academic Year does not overlap the Scheduled Academic Year, then the student regains eligibility with the Scheduled Academic Year. Any proration for the summer term would not have been necessary if the student was enrolled in a program of study that was greater than one academic year and the student was not considered to be in his/her remaining balance of the program of study that was less than an academic year. Also note that the Borrower-Based Academic Year must begin with a term that the student attends or attended, and, therefore, in order for a borrower to regain eligibility for the Scheduled Academic Year, the above student would have had to have attended the spring semester (or winter and spring quarters) as well as the summer term in order for the Borrower-Based Academic Year to have elapsed with the end of the summer term. If the above student started school with the summer term, the Borrower-Based Academic Year would include the summer term and fall semester (or fall and winter quarters), making the use of the Scheduled Academic Year impossible as the next applicable academic year for borrowing.

Equivalence—

26. Summer terms for many schools are only 6-8 weeks, and when added to a fall or spring semester total only about 21-23 weeks of instructional time. May such a summer term plus the fall or spring semester constitute an academic year since it is not 30 weeks?

Yes. If the institution's Scheduled Academic Year meets the statutory definition in both credit or clock hours and 30 weeks of instructional time, a Borrower-Based Academic Year which includes the summer term may not necessarily be 30 weeks in duration. The Borrower-Based Academic Year is determined by *equivalence* to the Scheduled Academic Year, rather than an *equation* to it. To determine equivalence for the Borrower-Based Academic Year, the institution follows the guidelines in the "Principles to Determine the Frequency of Annual Loan Limits" using the number of terms and **at least** half-time status. The institution does not have to determine the number of credit hours or eeks of instructional time for an equivalent Borrower-Based Academic Years as it does for the heduled Academic Year.

27. oes the Borrower-Based Academic Year have to meet the statutory definition of an academic year (in ock or credit hours and instructional time)?

or a term institution with a Scheduled Academic Year that meets the statutory definition of an cademic year, the Borrower-Based Academic Year may be equivalent as indicated above.

or a non-term institution, the Borrower-Based Academic Year must meet **at least** the statutory efinition of an academic year in both clock or credit hours and 30 weeks of instructional time.

28. **f a student attends continuously throughout the years including summers at a term-based institution, nd the institution decides to use Borrower-Based Academic Years for the student (using two semesters n the Scheduled Academic Year and at least half-time status for equivalence) would the academic ears be as follows: Fall and Spring, Summer and Fall, Spring and Summer, and so on?**

es. Please note, however, that this pattern may be interrupted if the student does not attend a term ince the student must always attend the first term of a Borrower-Based Academic Year.

29. **May a term institution set a Borrower-Based Academic Year to be measured by the number of credit hours completed by a student?**

The determination of equivalence for a Borrower-Based Academic Year does not use the number of credit hours completed by the student. Rather, equivalence is based upon the number of terms in the Scheduled Academic Year and at least half-time status of the student. If, however, a term institution elects to define its academic year as including actual completed hours, rather than hours that a full-time student is expected to complete as stipulated in the statute, then a Borrower-Based Academic Year may be measured by the number of credit hours completed by a student *provided the Borrower-Based Academic Year also meets the criteria for the number of terms and at least half-time status.* Such a definition, however, would be difficult to administer because the Borrower-Based Academic Year may then last beyond the number of terms in the Scheduled Academic Year in order for the student to complete the credit hours required by the institution.

30. If a Borrower-Based Academic Year is not equivalent to the Scheduled Academic Year, may the institution still use a Borrower-Based Academic Year if it prorates the loan?

No. Given the guidelines in the "Principles to Determine the Frequency of Annual Loan Limits," the Borrower-Based Academic Year **must** always result in equivalence to the Scheduled Academic Year.

Transfers and Restarts—

31. How does the institution determine the annual loan limit for a transfer student?

Upon receipt of a *Financial Aid Transcript (FAT)*, the institution must determine if the academic year at the prior institution overlaps with an **intended** loan period in the institution's own Scheduled Academic Year, or summer add-on component if the institution is certifying a loan for the summer term, or intended Borrower-Based Academic Year if the institution is using such academic years. The determination may be made in two ways:

First, the institution may add 30 weeks to the beginning date for the loan period indicated on the FAT to compute the ending date of the prior institution's academic year. (This first method assumes that the loan period was for the beginning of the academic year, and the academic year was exactly 30 weeks in duration.) If the loan period began on a Wednesday, the academic year is calculated to end on the Tuesday in the 30th week. Note: If the loan period's end date on the FAT is more than 30 weeks from the loan period's beginning date, then the prior institution's academic year is considered to have ended with the loan period's end date.

Second, the institution may obtain documentation from the prior institution which identifies the academic year used for the loan reported on the FAT. For a summer loan on the FAT at the prior institution, the documentation may consist of information on whether the prior institution considered the summer to be a "leader" or "trailer" for a Scheduled Academic Year. Such documentation may be particularly desirable if the above computation of adding 30 weeks to the beginning of the previous loan period results in an overlap with a planned loan period in the institution's own academic year. In particular, the loan period on the FAT may not have actually begun with the prior institution's academic year (e.g., a loan period on the FAT from 1/15/94 to 5/15/94 may actually be for a spring term which the prior institution considers to be the last term of its academic year). Even if the institution elects to obtain this documentation, it may still use the computations **for adding 30 weeks to the beginning of the loan period** to determine the borrower's eligibility.

If the institution determines that the prior institution's academic year overlaps with the loan period in the institution's own academic year (using either **calculations or documentation**), then the institution must subtract the gross **loan** amount received during the prior institution's academic year from the applicable annual loan limit for that loan period to be certified. (Note: the prior institution should have reduced the amount on the FAT for any cancellations or refunds to reflect the gross **loan** amount.) For example, if the FAT has a subsidized Federal Stafford Loan for $1000, and an overlap is determined, then the student is eligible for a $1625 subsidized Stafford Loan as a first-year student for the loan period that overlaps. If there is a later loan period within the institution's own academic year that does not overlap with the prior institution's academic year, the borrower is eligible for the difference during institution's own academic year. For example, the fall term may overlap, but the spring term does not, **and is** in the institution's own Scheduled Academic Year. Therefore, the student may borrow for the fall term only the difference in the applicable annual loan limit less the amount received at the prior institution, but may borrow again for the spring term the difference in the applicable annual loan limit less the amount received for the fall term within its own academic year.

Note: If the institution elects to obtain documentation from the prior institution, it does not need to consider the summer term as an add-on "leader" or "trailer" if the FAT does not reflect a summer loan period in determining an overlap. For example, if the prior institution reports a Scheduled Academic Year that ends 5/15/94 with the summer as an add-on "trailer" ending 8/15/94, but the student did not borrow at the prior institution for the summer "trailer," a loan period for a summer term beginning 6/1/94 at the new institution, **for a Scheduled Academic Year with the summer as a "leader" or for a Borrower-Based Academic Year beginning in the summer,** is not considered to actually overlap the prior institution's academic year since there was no summer loan to add-on to the prior institution's academic year. Had the student borrowed at the prior institution for the summer, then this prior institution's academic year with the "trailer" would have caused an overlap.

For a Scheduled Academic Year with the summer as a "trailer," an additional calculation may be necessary. Please see next question.

32. **If a student transfers into a summer term that the institution considers to be a "trailer" to its Scheduled Academic Year that the student did not attend, may the student receive a maximum annual loan limit for that summer term and another maximum annual loan limit for the following Scheduled Academic Year?**

First, the institution must determine if the student borrowed at the prior institution for a loan period that overlaps its Scheduled Academic Year and "trailer." (Of course, if the loan period on the FAT ends

on or after the begin date of the intended loan period at the new institution, an overlap has already been determined.) Although the "Principles to Determine the Frequency of Annual Loan Limits" state that "the institution must consider the Academic year of the previous institution to have begun with the most recent loan period on the *Financial Aid Transcript (FAT)* and to have been of at least 30 weeks in duration, the Principles do not exemplify how to determine an overlap for this situation.

Using the calculation method, the institution must add 30 weeks to the beginning of the most recent loan period on the FAT. If the calculated end date for the prior institution's academic year is on or after the beginning date of the intended loan period at the new institution, then there is an overlap of the new institution's summer "trailer" and/or Scheduled Academic Year with the prior institution's academic year. The institution must then subtract the gross loan amount for the loan period indicated on the FAT that produces the overlap from the maximum annual loan limit for the intended loan period. The result might be zero eligibility if the student received the same maximum annual loan limit at the prior institution.

If the above calculation does not produce an overlap, then the institution must perform another 30-week calculation because its summer "trailer" is attached to a time period that has past at the time of the transfer. Since the summer "trailer" is an add-on to the preceding Scheduled Academic Year (a time period that has past), the institution must also count backwards 30 weeks into the past from the end of the summer term to see if there is an overlapping academic year for a loan period at a prior institution. In other words, the institution is determining a beginning date of a possible academic year that is 30 weeks in duration rather than the ending date as ordinarily calculated. If the loan period on the FAT expired on or after the calculated begin date of the academic year, then the institution has determined that the prior academic year overlaps with its academic year and summer "trailer." Accordingly, the institution must subtract the gross loan amount on the FAT for the overlapping loan period from the maximum annual loan limit for its summer "trailer." This calculation is not necessary if the institution has already determined an overlapping academic year using the ordinary method of calculating from the beginning of the prior loan period on the FAT because an adjustment for overlapping academic years is already required. Also, this additional calculation is not applicable to a Scheduled Academic Year with the summer as a "leader" or to Borrower-Based Academic Years since such academic years constitute time periods which measure annual loan limits into the future for a summer loan period—such academic years may be alternatives to using the summer as a "trailer" to the Scheduled Academic Year if this additional calculation produces an overlapping academic year.

For an institution that chooses documentation and considers the summer to be a "trailer" to its Scheduled Academic Year, the institution would consider any loan amounts for loan periods at the prior institution that overlap or are contained within its own preceding Scheduled Academic Year as applicable to a summer loan period and, hence, subtract the gross loan amounts from the maximum annual loan limit for the summer. The FAT would generally be sufficient documentation in this case.

33. May the institution use its own academic year to determine the annual loan limit for a transfer student?

The institution may not use its academic year exclusively for determining eligibility if an academic year at a prior institution overlaps with a loan period within the institution's own academic year as determined above.

34. If a student transfers from a program of study which was less than an academic year in length, how would the new institution determine when the academic year at the prior institution would expire, to ensure that the student is not overawarded?

Although the program of study or its remaining balance is less than an academic year, the academic year is still considered to be at least 30 weeks in duration. Therefore, the institution must compute the end date of the prior institution's academic year by adding 30 weeks to the beginning date of the loan period indicated on the FAT, and adjust the borrower's eligibility for any overlap as indicated above.

35. If a borrower's loan has been prorated at a prior (or same) institution because the program of study or its remaining balance was less than the length of the academic year, may the student access additional loan funds before 30 weeks has elapsed from the beginning of the previous loan period at a new institution or in new program of study at the same institution?

Provided the program of study at the new institution (or the re-start in a new program of study at the same institution) has a higher annual loan limit than the gross loan amount received at the prior institution (or prior program of study at the same institution), the student may borrow the difference between the higher annual loan limit and the prior amount borrowed before 30 weeks has elapsed.

36. May institutions survey other institutions' policies for the frequency of annual loan limits to document eligibility for transfer students?

Yes. Accordingly, if the institution has survey data for a prior institution's academic year or summer add-on component, no further documentation is required for determining a transfer student's eligibility. However, such survey data must be assured to be accurate. For example, if an institution on the survey has an across-the-board policy the uses the Scheduled Academic Year with the summer as an add-on "leader," then the institution must also indicate that it does not make exceptions to convert a borrower to a Scheduled Academic Year with the summer as a "trailer" or to a Borrower-Based Academic Year. Such exceptions would invalidate the survey data. Because of the flexibility to choose and revise policies for the frequency of annual loan limits, such survey data may need to be updated often, or an agreement to provide information on forthcoming changes to policies between all institutions participating in such survey data would be necessary.

37. May an institution provide information on its academic year on the FAT to assist other institutions?

Yes. To assist other institutions, this practice is recommended. The institution may include, for instance, the end date for the academic year applicable to the loan period indicated on the FAT, or indicate the end date of the "trailer" if there is a summer loan period on the FAT.

38. May an institution use uncovered costs of attendance at a prior institution if the prior institution's academic year overlaps a loan period within the institution own academic year and limits the student's ability to borrow for that term?

No. The statute specifies that the cost of attendance applies to costs at the current institution only.

39. An institution has already received its Financial Aid Transcripts for incoming transfer students for either this current summer session or upcoming fall term. What is the institution's responsibility for obtaining a new FAT which includes loan periods? Is there a liability to the institution for delivering any loan disbursements prior to obtaining the new FAT if the application has already been submitted for loan guarantee?

The current FAT and its immediate predecessor, as prepared by NASFAA, both have the necessary information to calculate eligibility for a transfer student. The current FAT references "Loan Period," and its predecessor references the "period of the loan," which is also the loan period. Most computer generated FAT's follow the NASFAA order and format. Additionally, the loan-period information is required by regulation [cf. 34 CFR 668.19(c)(10)]. Hence, it should not be necessary to obtain new FAT's for transfer students. If the prior institution did not complete the loan-period information, then the transcript is incomplete and should be returned or corrected with documentation if there is insufficient information to determine loan eligibility.

] rovided the FAT is processed correctly, there is no institutional liability. If the institution has] ason to believe that the student received a loan at the prior institution that was not reported on the] AT, or has information that creates a discrepancy in the amount borrowed at the prior institution,] hen the institution has the responsibility to resolve the discrepancy prior to delivering any loan] sbursements directly to the borrower or crediting the student's account [cf. 34 CFR §682.603(d)(1) and 368.14(f)]. Such a resolution may consist of obtaining a new FAT or documenting corrections to the AT.

Guaran y Agency Edits—

40. s of July 1, 1994, what system edits may a guaranty agency use to determine the frequency of annual oan limits?

ienerally, the guaranty agencies will remove specific system edits that were based upon seven months r longer periods (e.g., 211 days or 11 months plus 1 day), and will not be able to institute similar edits o monitor the *frequency* of annual loan limits. However, the guaranty agencies must maintain the ogical parameters for eligibility as indicated in the edit matrix for the common loan application (the matrix is under review). For example, the edits for annual loan limits based upon the grade level and oan type must be maintained. One logical edit is a check for overlapping loan periods (including a maller loan period wholly contained within a larger loan period) since the annual loan limit cannot e exceeded within a loan period or overlapping loan periods. The guaranty agency's edit would dentify a loan period that overlaps with a previous loan period (for a loan it has guaranteed), then subtract the gross loan amount for the prior loan from the applicable annual loan limit for the new oan, and guarantee up to that difference. Without additional data elements on the institution's academic year, the edit for overlapping loan periods may be the only applicable *frequency* edit, other than a related edit that ensures that the loan period does not exceed 12 months. The guaranty agency may provide information to institutions for loans that appear to violate the minimum standards for the frequency of annual loan limits, but may not reject or reduce the guaranteed amount based upon a frequency edit if there is no overlapping loan period.

Guaranty agencies must implement the minimum standards no later than July 1, 1994, and may implement the changes earlier. Additionally, a guaranty agency may develop a policy that is longer that an institution's academic year (e.g., 12 months minimum), but policies that depart from the minimum standards require the prior approval of the U.S. Department of Education. Nevertheless, there seems to be a general consensus among guaranty agencies that the minimum standards will be uniformly implemented. Please note that the the guaranty agency is not required to seek approval for any grade-level progression criteria that it may retain.

41. We have read that many guaranty agencies have removed their edits for annual loan limits. What happens if there is an over-guarantee?

The guaranty agency should not remove all of its edits for annual loan limits, but only change or delete those edits which conflict with the minimum standards for the *frequency* of annual loan limits. With the proper frequency edit for overlapping loan periods and other edits for annual loan limits in the matrix for the common loan application, there should not be an approval that guarantees a loan in excess of annual loan limits that is a result of guaranty agency error.

Please note that the edit matrix for the common application has not been finalized, and any specific edit for overlapping loan periods is subject to change.

42. It appears, in the case of transfer students, one guaranty agency has a 210-day edit based on loan period end dates (as a revolving 210-day edit). We recently removed all our edits specific to loan frequency, yet they retained theirs. How is this possible? Does the agency have an institutional data matrix built to know what "option" the institution has employed (for example, the Scheduled

Academic Year with a "trailer," or "leader," or a Borrower-Based Academic Year, etc.) If not, how can a revolving 210-day edit based on previous loan period end date be effective especially since the loan period certified does not have to match exactly the academic year?

There do not appear to be any guaranty agencies that are attempting to retain a 210-day or similar edit for the new guidelines on the frequency of annual loan limits, including transfer situations. As referenced above, some guaranty agencies have an edit for overlapping loan periods which identifies an application that has a loan period begin date that is earlier than the end date of a prior loan for the same borrower—which logically indicates that an academic year or its add-on component is overlapping and, therefore, only one maximum annual loan limit is applicable between the overlapping loan periods. Such a edit would be particularly useful for transfer students. Additionally, given the flexibility that institutions have in choosing policies for the frequency of annual loan limits, an institutional data matrix indicating the applicable academic year for each institution would be of value only for those institutions that have one, "no-exceptions" policy that does not use Borrower-Based Academic Years. Since other institutions may have different policies for different programs or other groups of students, or make exceptions for different situations, the data matrix could not encompass all situations.

Compliance or Operations (Audit v. Edit)—

43. Can the guaranty agency apply the annual loan limit frequency requirements through audit of the institution rather than through edit of the loan application? The burden of compliance would then rest with the educational institution.

This question was submitted by the Office of Student Financial Assistance for the State of Louisiana to Pam Moran, USDE, on April 21, 1994, (see attachment). Her answer is reproduced below:

Under the requirements of the Higher Education Act, schools have always had the primary responsibility for ensuring that a borrower did not receive loan proceeds in excess of applicable annual or aggregate loan limits. Guaranty agencies have always had a secondary responsibility as part of their guarantee function to screen applicants to ensure that ineligible applicants did not receive loans. Although a guarantor's ability is greatly diminished as it relates to annual loan limits in light of the new policy guidelines, guarantors are to monitor annual and aggregate limits to the extent possible. For annual limits that may be only editing for overlapping loan periods where a student has been certified twice for full annual limits.

44. What are the lender's responsibilities, if any, for tracking the frequency of annual loan limits?

Again, the primary responsibility for monitoring the frequency of annual loan limits rests with the institution. The lender may rely upon the certification of the institution unless it has conflicting data regarding the applicant's eligibility. The lender, or servicer, may assist the institution for obvious errors in loan certification to facilitate loan origination, but is not required to screen loans for the frequency of annual loan limits.

Transition from the "7-months rule"—

45. How is the transition from the "7-months rule" considered when adopting the new guidance on the frequency of annual loan limits? Does the institution take into account the old policy and any loans prior to July 1, 1994, in determining the student's eligibility, or is there a "fresh start" or "clean slate" in determining eligibility after the new guidelines are implemented?

Under either the old or the new policies, the institution may not certify amounts in excess of the annual loan limits. Accordingly, during the transition period, the institution must take into onsideration any loan made prior to July 1, 1994, if that loan becomes a loan applicable to the policy chooses under the new guidelines. There is no completely "fresh start" or "clean slate" although an istitution may take steps to minimize the impact. For example, if the institution certified a summer an prior to July 1, 1994, under the "7-months rule," and then chooses, as its policy, the Scheduled cademic Year with the summer term as a "leader," then the summer loan, though certified under the ld policy, would be included in determining eligibility under the new guidelines for any additional an during that summer or 1994-95 Scheduled Academic Year.

46. What options are recommended to institutions for the transition into the new policy this summer?

Providing the institution did not certify more than one maximum annual loan limit for each of its students during the 1993-94 Scheduled Academic Year (excluding summer), the following information applies. See additional question if the a student received more than one maximum annual loan limit during the terms of the 1993-94 Scheduled Academic Year.

During the transition for an institution that chooses the Scheduled Academic Year with either the summer as a "leader" or "trailer," this key question must be asked: Is there a loan period which is for the 1994 summer term or includes this summer term? If there no such loan period, then the institution may implement the Scheduled Academic Year with either the "trailer" or "leader" without any further transitional concern. If there is a loan period for or including the summer, then the institution may consider the following information in determining its choices during the transition.

The choice of the Scheduled Academic Year with the summer term as a "leader" may be the easiest to administer for term institutions. Since most guaranty agencies have used an edit to compute the student's eligibility for a summer only loan period based upon 7-months or longer (e.g., 211 days or 11 months plus 1 day), the student would not have been eligible for a new loan under the old policy until sometime during the institution's 1994-95 Scheduled Academic Year (e.g., a summer loan beginning June 6, 1994, plus 211 days is January 3, 1995). Likewise, the institution would not have certified another loan under the old policy until well into the school's academic year. With the choice of the summer as a "leader," the institution would simply subtract any gross **loan** amount received for a summer loan period to determine the student's eligibility during the 1994-95 Scheduled Academic Year, regardless of whether the summer loan was approved under the old "7-months rule" or the new frequency guidelines.

Even with this choice of the Scheduled Academic Year with the summer "leader," it may not necessarily encompass all circumstances. For example, the institution may have included a preceding term with the summer in the loan period approved under the old policy (e.g. the loan period was for the 1994 spring semester *and* the summer). In this case, the summer must be treated as if it was originally a "trailer" to the 1993-94 Scheduled Academic Year of which the prior term(s) is included, or, if possible, as a Borrower-Based Academic Year. (If the institution chooses the Scheduled Academic Year and the summer as a "leader" or "trailer," then any loan period that includes the summer *and* another term will automatically be assigned to the Scheduled Academic Year of which the other term is a part.) If the institution always processes summer loans separately from the academic year, then the institution may choose the 1994-95 Scheduled Academic Year with the summer "leader" without this concern.

In choosing the Scheduled Academic Year with the summer "trailer," the institution must be diligent to determine if a 1994 summer loan can be applied appropriately to the 1993-94 Scheduled Academic Year as its "trailer." If the student received the maximum annual loan limit during the 1993-94 Scheduled Academic Year, then any loan for the 1994 summer cannot be applied as a 1993-94 "trailer" since it would then produce an overaward on the annual loan limit for that year. Hence, such a summer loan would have to be applied as a "leader" to the 1994-95 Scheduled Academic Year; or possibly, the summer term might be considered to be the first term of a Borrower-Based Academic Year. Likewise, if a loan period includes the summer and a following term(s) (e.g., the 1994 summer *and* fall semester), then the summer cannot be considered as a "trailer" to 1993-94 but must be a "leader" to the 1994-95 Scheduled Academic Year, or included in a Borrower-Based Academic Year. Although not necessarily as easy to administer during the transition as a "leader," the Scheduled Academic Year with the summer as a "trailer" does permit a student with no previous loans during the

993-94 academic year to qualify for a full annual loan limit for the summer (the end of the 1993-94 cheduled Academic Year and "trailer"), and then to re-qualify for another full annual loan limit in the fall (the beginning of the 1994-95 Scheduled Academic Year with the "trailer" to follow in the 1995 ummer).

Borrower-Based Academic Year has other considerations at a term institution. In addition to ssuring that it meets the statutory definition of an academic year, or its equivalence as indicated in he guidelines, the institution must also determine when precisely to begin a Borrower-Based cademic Year, particularly during the transition period. If the student has no prior loans, then the nstitution may begin a Borrower-Based Academic Year with any term the student attends, regardless f whether or not the student will obtain a loan for that term. If the student has a 1994 summer only oan period, then the summer may begin a Borrower-Based Academic Year. If a loan period includes he summer term and a prior term(s) from the 1993-94 academic year, then the institution may be able o consider that a Borrower-Based Academic Year has concluded with the summer, and then begin a ew Borrower-Based Academic Year with the 1994 fall term. The Borrower-Based Academic Year ay also conclude with the summer if the student attended a prior term(s) but did not borrower for uch terms.

The Borrower-Based Academic Year for the 1994-95 award cycle may also be an effective way to ransition between the old policy and a semester institution's ultimate choice of a Scheduled cademic Year with the summer as a "trailer." Because a student may have received a full annual loan imit for the 1993-94 academic year *and* another full annual loan limit for the 1994 summer term nder the old policy, the use of the Scheduled Academic Year would dictate that the summer loan be a "leader" for the 1994-95 Scheduled Academic Year to avoid an overaward for the 1993-94 year and its "trailer." However, the institution could also choose to place a summer borrower on a Borrower-Based Academic Year consisting of the 1994 summer and fall semester, and another Borrower-Based Academic Year for the spring semester and 1995 summer (provided the student attends the spring semester). After 1994-95, all students would then be aligned to begin the 1995-96 Scheduled Academic Year with its summer "trailer." For quarter schools, the same possibility exists. However, the alignment would not occur until the 1996-97 Scheduled Academic Year.

For non-term institutions, the loan period must correspond to the academic year, or the program of study or its remainder if it is less than an academic year. Some guaranty agencies have permitted loan periods up to 12 months which may have been longer than an academic year. Because of the criteria for the loan period, non-term institutions have been using Borrower-Based Academic Years, in effect, even under the "7-months rule." Accordingly, the transition to the new guidelines should have little impact for new or continuing students.

47. A student at grade-level three received a $5500 subsidized Federal Stafford Loan for the loan period 8/15/93 to 5/15/94 (academic year). The same student at grade-level four then receives a $5500 subsidized Stafford for the summer loan period 6/1/94 to 8/10/94. What is the student's eligibility at grade-level four for Fall '94 going to be?

For any institutional choice under the new guidelines, this student's eligibility for the fall term is zero. However, the same is true under the old "7-months rule" since the fall term will end prior to the expiration of seven months. In reviewing the options, the institution may use a 1994-95 Scheduled Academic Year with the summer as a "leader," in which case, the student will not regain eligibility until the following summer since he/she has already borrowed the maximum subsidized amount. The institution may not use a Scheduled Academic Year with the summer as a "trailer" because this student would then have exceeded the annual loan limit for the 1993-94 year. The institution could determine that the summer is the first term of an equivalent Borrower-Based Academic Year (summer plus fall semester, or summer plus fall and winter quarters), in which case, the student would regain eligibility with the spring semester or quarter for another Borrower-Based Academic Year.

Had the student in this example been at grade-level one for the academic year and summer loan periods, then progressed to grade-level two for Fall '94, then the student could borrow the difference between the two grade levels for Fall '94.

48: If the institution certified more than one maximum annual loan limit under the "7-months rule" for its 1993-94 Scheduled Academic Year, what options apply during the transition. For example—

A freshman student at a four-year institution borrowed $2625 for Fall 1993. Seven months elapse on April 3, and the student is permitted to borrow a full $2625 again for Spring 1994 (retroactive to January 1994). As of Summer 1994, the student has achieved sophomore status.

Using a Scheduled Academic Year—If the institution considers the summer as a "trailer," would the student be eligible for $875 (the difference between grade-level one and grade-level two). If the institution considers the summer as a "leader," may the student receive another maximum loan ($3500) for Summer 1994? Would the student next regain eligibility for a maximum student loan as of Summer 1995?

Using a Borrower-Based Academic Year—Would the student be ineligible until Fall 1994 since two terms had not passed since the student's maximum loan (Spring 1994) had been approved? Could the institution consider Fall 1993 and Spring 1994 the student's academic year, and allow the student to borrow up to $3500 for Summer 1994?

Because the institution certified consecutive and retroactive maximum annual loan limits under the "7-months rule," which under the new guidelines would have resulted in an overaward for the 1993-94 Scheduled Academic Year, the student is ineligible for a summer loan regardless of whether the institution chooses the summer as a "trailer" or "leader" to its Scheduled Academic Year or a Borrower-Based Academic Year, as its policy. In the example given, seven months from April 3 will not elapse until October 3—most likely to be in the fall term. Therefore, the student is not eligible until the fall term although under the new guidelines, the institution may certify a loan period beginning with the fall prior to October 3. In effect, the institution's options during the transition are between choosing the 1994-95 Scheduled Academic Year with a summer "trailer" or a Borrower-Based Academic Year beginning with the fall term (if the student attends the fall) for any student in the above circumstance.

49. May a guaranty agency choose to make the new annual loan limit guidelines effective for periods of enrollment beginning on or after July 1, 1994? If a guarantor chooses this option, would a school remain under a "good-faith effort" for the prior "7-months rule" for summer loan periods?

The U.S. Department of Education expects the new policy to be implemented by July 1, 1994, without any additional qualifications.

Financial Aid Systems—

50. How are an institution's financial aid systems possibly affected during the transition period?

Financial aid systems may not provide all the necessary edits for the institution to determine annual loan limits for the new guidelines. However, in general, systems could not monitor the time frames for the "7-months rule" either; some manual computations were required. A Scheduled Academic Year with the summer as a "leader" or "trailer" should adapt readily to financial aid systems because the annual loan limits would be very similar to programming amounts and time periods for other forms of state and Title IV financial assistance. During the transition, or if an institution should later change its policy, there may be some limitations because a loan recorded on the system in one year (e.g., 1993-94 for the summer term) may actually be applicable to the following year (e.g., 1994-95, to prevent an overaward for 1993-94), and the system cannot compare the two years. In that instance, the institution may find it necessary to identify borrowers with potential problems. For instance, the institution may wish to generate a list of all 1994 summer borrowers and review any subsequent loan applications for them for 1994-95 carefully.

51. How does the use of a Borrower-Based Academic Year affect systems at the institution?

Most financial aid systems at term institutions will have difficulty with a Borrower-Based Academic Year since such years may cross award years, and the systems cannot read between different years (e.g., 1993-94 and 1994-95 loan screens). Hence, a financial aid system may not be able to edit for an institutional policy using Borrower-Based Academic Years. The institution may wish to change to Borrower-Based Academic Years at a later date when additional programming may be completed.

Additional Questions

The following questions are currently under review by Pam Moran:

Transfers and Restarts—

52. A student transfers to a non-term institution in a program of study of one academic year, and the planned loan period at the institution overlaps with the prior institution's academic year. At the point the 30 weeks for the prior institution's academic year elapses, the remaining balance of the student's program of study at the new institution is less than one academic year. Must the institution prorate for the remaining balance of the program of study, or may it process a loan for the entire program? May the institution include tuition charged up front in the cost of attendance even if that beginning period during which tuition is charged will not be included in the loan period certified by the institution?

    Per the request of Pam Moran, case studies for this situation have been submitted to the U.S. Department of Education to evaluate the impact of different possible answers.

53. **For a non-term institution with a 1500 clock-hour program of study and an academic year of 900 clock hours and 30 weeks of instructional time, how is the academic year affected if the student completes 900 clock hours in 20 weeks, then withdraws, and later restarts in the same program?**

54. **If a restarting student in at a non-term institution did not receive a maximum annual loan limit prior to his or her withdrawal during the first academic year, may the institution certify a loan for the difference in eligibility for the remaining balance of the first academic year when the student returns? What would be the loan period?**

55. **Some students at non-term institutions who withdraw prior to completing an academic year re-start at the institution years later. Is there a time period after which the institution is no longer required to see if the student had completed an academic year to make adjustments for eligibility for a re-start?**

Grade Level—

56. **A student that progresses to a grade-level with a higher maximum annual loan limit during the academic year may borrow the difference between the two maximum annual loan limits for the different grade levels. For example, a student is at grade-level one for the fall semester and at grade-level two for the spring semester for a Scheduled Academic Year consisting of those two terms. The difference is $875 for a subsidized Federal Stafford Loan ($3500 - $2625). Once the student has progressed to the higher grade-level, may the institution certify this loan for the difference using a loan period retroactive to the beginning of the academic year?**

Certification and Delivery of Loan Proceeds—

57 **Are there any changes in the certification of loan applications and delivery of student loan proceeds to borrowers, or crediting the student's account, as a result of the "Principles to Determine the Frequency of Annual Loan Limits"?**

Guaranty Agency Edits—

58. **If a guaranty agency edits just for overlapping loan periods for the frequency of annual loan limits, what recommendation is suggested for the following: An institution has four quarters with the summer quarter as a "trailer" to the Scheduled Academic Year. That institution then certifies four**

parate loan periods corresponding to each quarter—all at grade level two and for the maximum nual loan limit for a subsidized Federal Stafford Loan (Fall: $3500; Winter: $3500; Spring: $3500; d Summer: $3500). There are no overlapping loan periods in this situation, but, obviously, the stitution is certifying loans in excess of the annual loan limits. What is the guaranty agency's sponsibility?

Term Institution—

59. y institution has an unusual academic structure which is term based. We have an associate degree rogram that is two academic years long in which each fall semester is 13 weeks in duration and each pring semester is 17 weeks long for a total of 30 weeks of instructional time. We have introduced an ccelerated bachelor's degree program which is an additional four semesters of 13 weeks in duration ach. Students may complete the associate degree program four weeks early in the second spring emester (after 13 weeks) and enroll immediately in the accelerated bachelor's degree program. This ew enrollment in the first semester of the bachelor's degree program then overlaps with the last four eeks of the associate degree program's last semester because the students completed the last semester arly. How may the institution process new loans for these accelerating students? May the institution onsidered the new term which overlaps with the last term of the associate degree program to be an "add-on" to the Scheduled Academic Year? May this new overlapping term be considered to be the first erm of a Borrower-Based Academic Year? After the accelerating students complete this overlapping erm, they have a two-month summer break in which no classes are offered for them although some lasses in other associate degree programs are offered during a summer session on a different cheduled from the accelerated program. May the institution still use a Borrower-Based Academic Year and considered the summer to be a "break" and not a period of non-enrollment during the summer since no classes are offered for them?