



# Clock Hour Direct Loan

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# Loan Limits

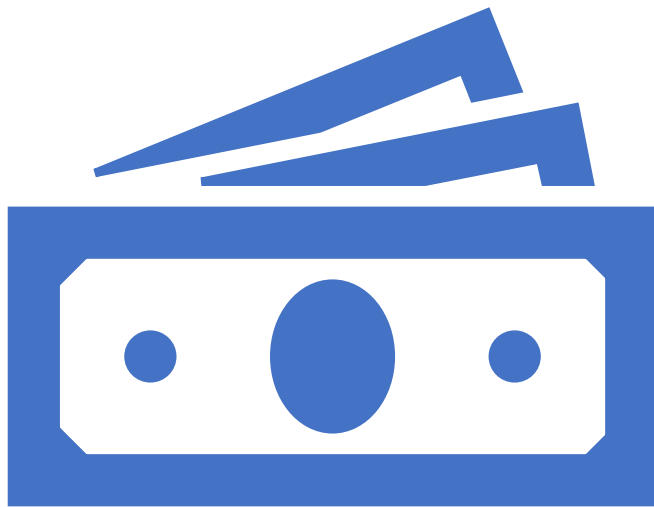
- Students are subject to annual and aggregate loan limits
- Dependent upon the student's financial aid package, student may not be eligible to borrow the full amount.

Year	Dependent Undergraduate	Independent Undergraduate And Dep Undergrad whose parent can't borrow PLUS	Graduate/ Professional Student
1st	\$5,500 (maximum \$3,500 subsidized – Base Amount)	\$9,500 (maximum \$3,500 subsidized – Base Amount)	Up to \$20,500 each academic year (all unsubsidized)
2nd	\$6,500 (maximum \$4,500 subsidized – Base Amount)	\$10,500 (maximum \$4,500 subsidized – Base Amount)	
3 <sup>rd</sup> and beyond	\$7,500 (maximum \$5,500 subsidized – Base Amount)	\$12,500 (maximum \$5,500 subsidize – Base Amount)	

# Aggregate Loan Limits

Dependent Undergraduate	\$31,000 combined sub/unsub No more than \$23,000 in subsidized loan
Independent Undergraduate*	\$57,000 combined sub/unsub No more than \$23,000 in subsidized loan
Grad/Professional	\$138,500 combined sub/unsub No more than \$65,500 in sub

\*Also, for dependent students whose parents are unable to obtain a PLUS loan



# General Loan Awarding Principles

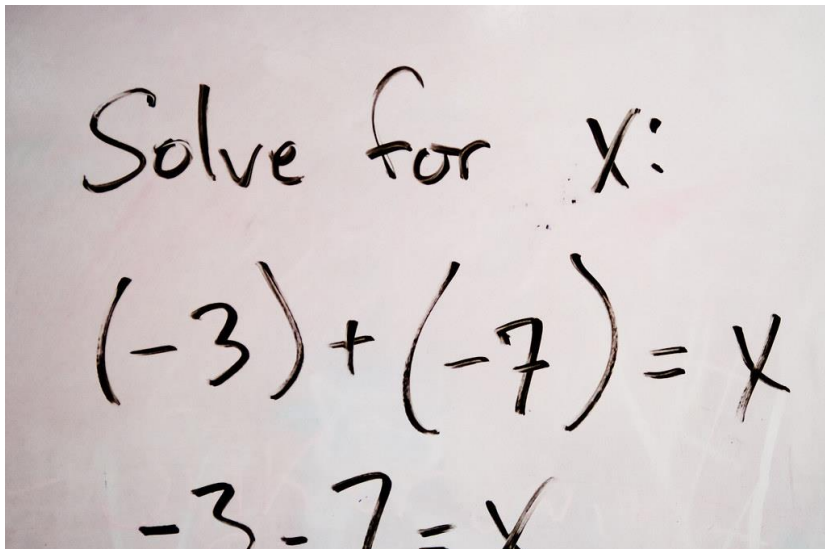
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- Must award subsidized before awarding unsubsidized
- Base Amount may be all subsidized, all unsubsidized, or a combination
  - Subsidized amount may not exceed the Base Amount
- Annual Loan Limit includes the Base Amount and Additional Unsubsidized

# Subsidized Direct Loan Eligibility

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- Subsidized loans are need-based
- School must determine eligibility **BEFORE** eligibility for unsubsidized loans



Solve for X:

$$(-3) + (-7) = X$$
$$-3 - 7 = X$$

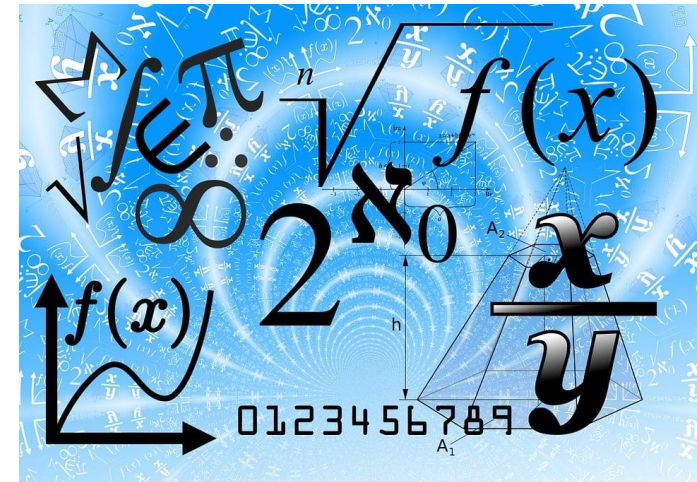
$$\text{COA} - \text{EFC} - \text{EFA} = \text{Loan Eligibility (Up to the Annual Subsidized Amount)}$$

- Unsubsidized loans are *NOT* need-based
- School determines eligibility *AFTER* awarding subsidized loans

COA – EFA = Unsubsidized Loan Amount  
(Not to exceed the annual loan limits)

# Unsubsidized Direct Loan Eligibility

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# Clock Hour Program Loan Periods

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JANUARY

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

FEBRUARY

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

MARCH

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

APRIL

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

MAY

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

JUNE

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

JULY

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

AUGUST

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

SEPTEMBER

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

OCTOBER

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

NOVEMBER

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

DECEMBER

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

- Clock hour programs **MUST** use Borrower-Based Academic Year #3 (**BBAY 3**)



# BBAY 3 Attributes

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BBAY must meet minimum statutory definition of academic year

- 900 clock-hours/26 weeks
- 26 quarter credit-hours/30 weeks
- 24 semester/trimester credit-hours/30 weeks

Academic year does not begin until the student begins enrollment

A new annual loan limit is not regained until student completes both weeks & hours in definition of an academic year

# Loan Periods

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- Maximum loan period
  - Generally, school's academic year
  - If less than an academic year, in some cases, loan is the length of the program
- Minimum loan period
  - It's the lesser of
    - The academic year, OR
    - The student's program, OR
    - The remaining portion of the program



# BBAY 3 Payment Period

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- Cannot use more than two payment period within a defined academic year
- Must complete BOTH hours and weeks to progress from one payment period to the next.



# BBAY 3 Payment Periods

If program is one academic year or less

Academic Year Defined = 900 Clock-Hours/26 Weeks

Program = 750 Clock-Hours/20 Weeks

375 clock-hours/10 weeks

375 clock-hours/10 weeks

# BBAY 3 Payment Periods

If program is more than one academic year

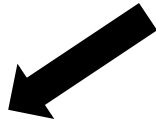
*With remaining portion that is half an academic year or less...*

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

450 hours / 15 weeks

450 hours / 15 weeks

300 hours / 10 weeks



If student accelerates, the 2<sup>nd</sup> AY for DL only contains the clock hours remaining as of when the completed the 1<sup>st</sup> AY.

Remaining portion is a single payment period

# BBAY 3 Payment Periods

If program is more than one academic year

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

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

450 hours  
15 weeks

450 hours  
15 weeks

350 hours  
12 weeks

350 hours  
12 weeks

If student accelerates, the 2<sup>nd</sup> AY for DL only contains the clock hours remaining as of when they completed the 1<sup>st</sup> AY

Remaining portion is divided into 2 payment periods

# Calculation of Direct Loans

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## *COA reminder*

Unlike PELL, the loan COA is based on the actual costs associated with the loan period, which may not be a full academic year



# Disbursing Direct Loan Funds

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- Must be equal disbursements for multiple payment periods
- Cannot use cents when disbursing loans in COD
- In a single payment period loan period
  - Must make two disbursements (2<sup>nd</sup> when student completes half the weeks and hours) unless meet low Cohort Default Rate benefit
    - **3 years of official CDR below 15%**





# Prorating Annual Loan Limits

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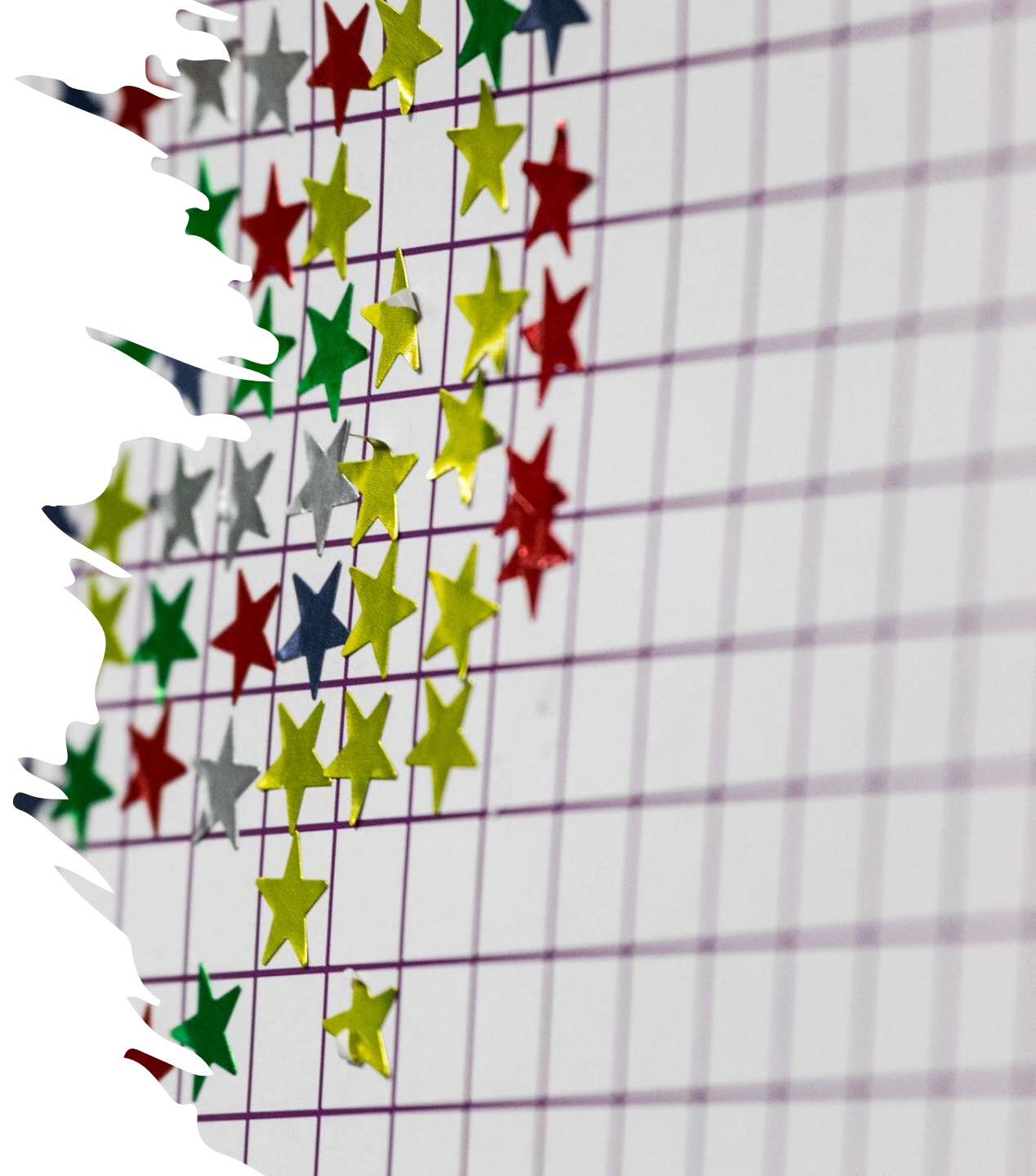
# Prorating Annual Loan Limits

Annual loan limits must be prorated when:

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

# Loan Proration

- Proration is **NOT** required for
  - PLUS loans
  - Graduate students
  - Teacher certification
  - Preparatory coursework
- Regardless of loan proration, school must not award more than student's loan eligibility





# Remaining Periods Shorter than an AY

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- If the remaining period of study consists of fewer clock hours than required in academic year definition...

# Remaining Periods Shorter than an AY

For all program types, multiply the applicable loan limit by:

Hours remaining in the program of study

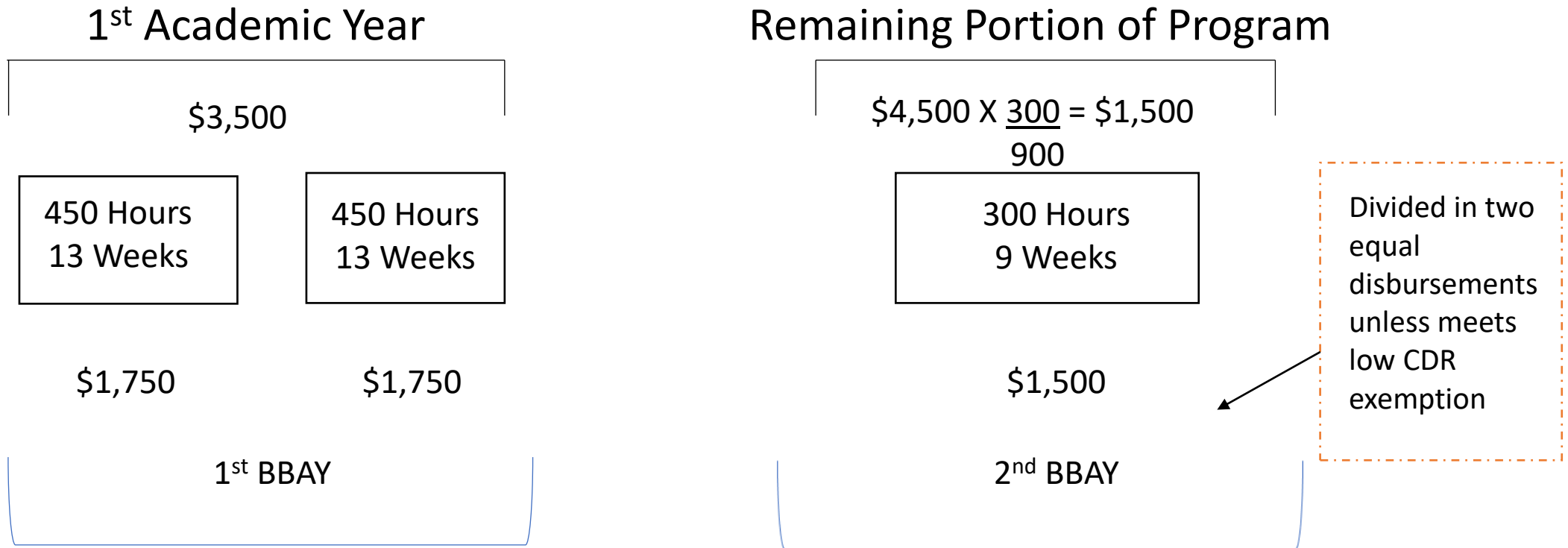
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Hours require for defined AY

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

# Remaining Periods Shorter than an AY

1,200 Clock-Hour Program with  
900 Clock-Hour / 26 Week Academic Year



**\*Separate calculation for additional unsubsidized Direct Loans\***





# Programs Shorter than an Academic Year

# Programs Shorter than an Academic Year

Multiply the applicable loan limit by the *lesser* of:

Hours enrolled in *program*

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Hours in the defined *academic year*

OR

Weeks enrolled in *program*

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Weeks in the defined *academic year*



# Programs Shorter than an Academic Year

Program Length is 600 Clock-hours / 22 weeks

Defined AY is 900 Clock-hours / 30 weeks

$$\text{Hours: } \$3,500 \times \frac{600}{900} = \text{\textbf{\$2,333}}$$

$$\text{Weeks: } \$3,500 \times \frac{22}{30} = \text{\textbf{\$2,567}}$$

*Hours is the Lesser*

300 Hours / 11 Weeks

300 Hours / 11 Weeks

\$1,167

\$1,167

**\*Separate calculation for additional unsubsidized Direct Loans\***



# Resources

## **FSA Handbook**

Volume 3, Chapters 1 and 5

## **Site Links**

<https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2022-2023/vol3>

<https://studentaid.gov/understand-aid/types/loans>