

Inceptia Higher Education Virtual Conference
The 150% Rule Debunked in Five Steps
Presented by: Cindy Kohlman, Vice President of Financial Aid Operations
Questions/Answers

Q1. Can a student appeal the application of the 150% limit, to either regain eligibility for Direct Subsidized Loans or have the interest subsidy reinstated?

A1. No. Neither students nor schools can appeal or challenge the application of the 150% limit. However, if there is a reporting error that causes a borrower to lose eligibility for or interest subsidy on Direct Subsidized Loans, the Department will work to correct such errors. Such a correction, depending on a borrower's circumstances, may result in a reinstatement of Direct Subsidized Loan eligibility and/or eligibility for interest subsidy or eligibility for Direct Subsidized Loans.

Q2. Will the Department notify borrowers of their Remaining Eligibility Period under the 150% limit?

A2. Yes, the Department started providing this information to borrowers through the COD System disclosure statements that are provided to the borrower with the 2014-15 year. The notice will include the borrower's Subsidized Usage Period associated with the loan that is the subject of the disclosure, the total of the borrower's Subsidized Usage Periods (including for the loan that is the subject of the disclosure), and the borrower's Remaining Eligibility Period for enrollment in the borrower's current program.

Q3. How does the 150% limit interact with the 150% maximum time frame for satisfactory academic progress?

A3. Because all other eligibility requirements continue to apply to a first-time borrower seeking Direct Subsidized Loans, satisfactory academic progress requirements, including the 150% maximum time frame, continues to apply. Satisfactory academic progress evaluations and the 150% limit apply separately to borrowers. Thus, a student who has failed satisfactory academic progress may not receive any additional Title IV aid, regardless of whether the student has remaining Direct Subsidized Loan under the provisions of the 150% limit.

Q4. How does the 150% limit interact with the aggregate loan limit?

A4. All other borrower eligibility requirements continue to apply to first-time borrowers. This means, for example, that a borrower who has reached the subsidized aggregate loan limit is not eligible to receive any additional Direct Subsidized Loans, even if the borrower has remaining subsidized eligibility under the 150% limit.

The reverse is also true. A borrower who has reached the 150% limit for subsidized loans cannot receive any additional Direct Subsidized Loans, even if he or she has remaining eligibility under the subsidized annual or aggregate loan limit. The 150% limit and other borrower eligibility rules apply independently, and a borrower's eligibility for Direct Subsidized Loans may be limited either by the 150% rule or by one or more other borrower eligibility requirements.

Q5. Will schools and students be notified of the loans that have lost interest subsidy as a result of a borrower enrolling in a program that caused the loss of interest subsidy?

A5. Yes. The borrower's federal loan servicer will inform the borrower if the borrower's Direct Subsidized Loans have lost interest subsidy. In addition, this information will be available to schools and students in NSLDS.

Q6. What is the timeframe for reporting to COD updates to loan periods or academic years?

A6. Schools must update reported loan periods and academic years, as with any other adjustment to an origination record, within 15 days of the date that the school became aware of the need to make an adjustment.

Note that the Return to Title IV (R2T4) rules provide 45 days from the date of the student's withdrawal to perform the R2T4 calculation. If a school is required to update a loan period because the R2T4 calculation requires the return of all loan funds received for a payment period, the school would not become aware of the need to update the loan period until the R2T4 calculation has been completed. Therefore, when an R2T4 is required, the school must update the loan period in COD within 15 days of having completed the R2T4 calculation.

Q7. What information about the 150% limit will the Department provide to a student on the SAR and to the school on the ISIRs?

A7. Starting with the 2014-2015 FAFSA process, both SARs and ISIRs will provide information on whether the student is (or will be if a Direct Loan is received) a first-time borrower who is subject to the 150% limit. The ISIR will also include the sum of the borrower's Subsidized Usage Periods to date and indicate whether the borrower has become responsible for accruing interest on any Direct Subsidized Loans because of reaching the 150% limit.

Note that the Department will not provide information about the student's Maximum Eligibility Period or Remaining Eligibility Periods on the SAR or ISIR because the 150% limit is based on the length of the borrower's educational program and that information will not yet be available.

Q8: On loan period...if a student withdraws, do they get that information from our NSLDS reporting or do I change the loan period in my EdExpress software?

A8. Both updates are required if the loan period end date must be changed/updated.

Q9: If a student starts out as a BS candidate and would like to go to a certificate program would that be considered a lesser program even if we do not accept federal grants or loans for our certificate program?

A9: It would depend upon the specific borrower's situation. Are they considered a "first-time borrower"? If yes, they could not lose eligibility for additional Direct Subsidized Loan under the 150% Rule if your certificate program is not Title IV eligible. Further, I don't believe that the borrower would lose interest subsidy on any prior loans since they did not first lose Direct Loan eligibility based on the current certificate program (even though they did not complete the original Bachelor degree program and the new program is shorter in length) but I would verify this particular situation with ED. Great question!