LOAN LIMITS: WHY THEY MATTER
WASFAA TRAINING COMMITTEE
Sarah Everitt
Gonzaga University

AGENDA

Why is this important?
Loan Trends and History
Loan Limits & Special Situations
150% Subsidized Loan Limitation (SULA)
Debt Management

WHY IS THIS IMPORTANT?

What do you think?
What are your expectations for this session?
TRENDS IN LOAN BORROWING

Perception: Students are borrowing student loans at mortgage levels

Reality: The majority of borrowers have a balance under $20,000

The College Board

TRENDS IN LOAN BORROWING

Perception: Students are borrowing more

Reality: More students are borrowing

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TRENDS IN LOAN BORROWING

Perception: Student loans make up a large proportion of people's debt

Reality: While it has increased, it is small relative to other debt

Quarterly Report on Household Debt and Credit, produced by the Federal Reserve Bank of New York, from November 2017
LOAN DEFAULT OVER TIME

Federal Student Loan 3-Year Cohort Default Rates (%)

2012 2013 2014 2015 2016 2017

National three-year cohort default rates
Source: U.S. Dept. of Education

SHARE OF DEFAULTERS AND THREE-YEAR DEFAULT RATES BY LOAN BALANCE

The College Board
**HISTORY OF STUDENT LOANS**

**IS IT WORTH IT?**

Unemployment rates and earnings by educational attainment, 2015

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Unemployment Rate (%)</th>
<th>Median Annual Earnings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctorate degree</td>
<td>3.9</td>
<td>92,450</td>
</tr>
<tr>
<td>Master's degree</td>
<td>3.9</td>
<td>71,090</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>4.6</td>
<td>55,190</td>
</tr>
<tr>
<td>Associate's degree</td>
<td>5.9</td>
<td>54,060</td>
</tr>
<tr>
<td>High school diploma</td>
<td>6.7</td>
<td>45,720</td>
</tr>
<tr>
<td>Less than high school diploma</td>
<td>7.7</td>
<td>40,650</td>
</tr>
</tbody>
</table>


**LOAN PUZZLE**

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>Base Amount (Sub)</th>
<th>Total (Sub + unsub)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEPENDENT UNDERGRADUATES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Year</td>
<td>$3,500</td>
<td>$5,500</td>
</tr>
<tr>
<td>Second Year</td>
<td>$4,500</td>
<td>$6,500</td>
</tr>
<tr>
<td>Third Year and beyond</td>
<td>$5,500</td>
<td>$7,500</td>
</tr>
<tr>
<td>Aggregate Limit</td>
<td>$23,000</td>
<td>$31,000</td>
</tr>
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<td></td>
<td></td>
</tr>
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<td>$3,500</td>
<td>$9,500</td>
</tr>
<tr>
<td>Second Year</td>
<td>$4,500</td>
<td>$10,500</td>
</tr>
<tr>
<td>Third Year and beyond</td>
<td>$5,500</td>
<td>$12,500</td>
</tr>
<tr>
<td>Aggregate Limit</td>
<td>$23,000</td>
<td>$57,500</td>
</tr>
<tr>
<td><strong>GRADUATE &amp; PROFESSIONAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All years</td>
<td>$0</td>
<td>$20,500</td>
</tr>
<tr>
<td>Aggregate Limit</td>
<td>$65,000</td>
<td>$138,500</td>
</tr>
</tbody>
</table>
**LOAN LIMITS: SPECIAL CASES**

<table>
<thead>
<tr>
<th>PLUS Denials</th>
<th>• Determining Aggregate Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Proration</td>
<td>• When and Why</td>
</tr>
<tr>
<td>Consolidation</td>
<td>• Unallocated</td>
</tr>
<tr>
<td>Graduate to Undergraduate</td>
<td>• Determining Aggregate limits</td>
</tr>
</tbody>
</table>

**ADDITIONAL UNSUBSIDIZED WHEN PARENT CANNOT BORROW PLUS**

> “Dependent students whose parents are unable to borrow Direct PLUS Loans… may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students.” 15-16 FSAH Vol. 3, Ch. 5, p. 3-109

> “Before originating a loan for increased loan amounts, you must document the basis of the dependent student’s eligibility.” 15-16 FSAH Vol. 3, Ch. 5, p. 3-109

> “The additional Direct Unsubsidized Loan amount that the student received as a result of the parent PLUS denials… does not count against the $31,000 dependent aggregate limit.” 15-16 FSAH Vol. 3, Ch. 5, p. 3-127

**PRORATING ANNUAL LOAN LIMITS**

> “The annual maximum loan amount an undergraduate student may receive must be prorated when the borrower is:

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

15-16 FSAH Vol. 3, Ch. 5, p. 3-113
PRORATING ANNUAL LOAN LIMITS

Prorating loan limits for programs of study shorter than a full academic year

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the lesser of—

Semester, trimester, quarter, or term lessor enrollees in program

"Semester, trimester, quarter, or term lessor enrollees in academic year"
or

Weeks enrolled in program

Weeks in the academic year

The result is the prorated annual loan limit for that program. (You may express those fractions as decimals to see more easily which is less or to calculate the prorated limit.

15-16 FSAH Vol. 3, Ch. 5, p. 3-113

UNALLOCATED CONSOLIDATION AMOUNTS

You do not have to review unallocated amounts in NSLDS.

NSLDS does not add the amount of unallocated loans when triggering the 'close to or exceeds aggregate limits' flags.

• See NSLDS Newsletter 11, February 2006. FSAH Vol. 3, Ch. 5, p. 3-109

GRADUATE TO UNDERGRADUATE

“Only the loans that the student received for the first undergraduate program are included in determining the student’s remaining eligibility for loans for the second undergraduate program, up to the undergraduate aggregate limits.

Although loans received for graduate study are not counted toward a student’s undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits.”

FSAH Vol. 3, Ch. 5, p. 3-109
LOAN LIMITS: SULA

Limits the eligibility of a first-time borrower for Direct Subsidized Loans to a period not to exceed 150 percent of the length of the borrower's educational program.

Under certain conditions, the provision also causes first-time borrowers who have exceeded the 150 percent limit to lose the interest subsidy on their Direct Subsidized Loans.

DEBT MANAGEMENT

Authority
- DCL ID: GEN-15-06

Counseling
- Only required for first time borrowers

Professional Judgment
- May limit or decline on a case-by-case basis

DEBT MANAGEMENT

School Experiences
- Community College
- Proprietary School
- School Experiences

Public 4 Yr. Schools

Private 4 Yr. Schools
THANK YOU!

Check [www.wasfaa.org](http://www.wasfaa.org) for future events from the WASFAA Training Committee