

Federal Student Loan Changes for 2012-2013

The Budget Control Act (BCA) of 2011 (Pub. L. 112-25) was signed into law on August 2, 2011. The Consolidated Appropriations Act, 2012 (Public Law 112-74) was signed into law on December 23, 2011. Both Acts makes changes to the William D. Ford Direct Loan (Direct Loan) Program, as discussed below.

Loss of Subsidized Loan Eligibility for Graduate and Professional Students:

Effective for loans made for periods of enrollment (loan periods) beginning on or after July 1, 2012, graduate and professional students are no longer eligible to receive Federal Direct Subsidized Loans. The terms and conditions of Direct Subsidized Loans received by any student for loan periods beginning before July 1, 2012, for either graduate or undergraduate study, are not affected by this change.

The annual loan limit for graduate and professional students remains unchanged at \$20,500 (\$47,167 for certain health professions students), but this amount will now be limited to Direct Unsubsidized Loans, as shown in the following chart:

Annual Loan Limits for Graduate/Professional Students				
	Loans for loan periods beginning before July 1, 2012		Loans for loan periods beginning on or after July 1, 2012	
	Subsidized Loan Maximum	Unsubsidized Loan Maximum	Subsidized Loan Maximum	Unsubsidized Loan Maximum
All Graduate and Professional Students	\$8,500	\$20,500, less any subsidized amount received	\$0	\$20,500
Certain Health Professions Students	\$8,500	\$47,167, less any subsidized amount received	\$0	\$47,167

The aggregate loan limit for graduate and professional students remains unchanged at \$138,500 (\$224,000 for certain health professions students), not more than \$65,500 of which may be in subsidized loans.

The elimination of subsidized loan eligibility for graduate and professional students *does not* affect undergraduate student borrowers, who remain eligible to receive Direct Subsidized Loans.

Also, the Budget Control Act (BCA) clarifies that borrowers who are receiving Direct Loans for preparatory course work necessary for admission into either an undergraduate program or a graduate/professional program, or for course work required for teacher certification or recertification, remain eligible for Direct Subsidized Loans. Students enrolled in preparatory course work or course work required for teacher certification are considered undergraduate students for purposes of annual loan limits.

Termination of Direct Loan Borrower Repayment Incentives:

With one exception as noted below, the Budget Control Act (BCA) terminates the authority of the Department of Education (the Department) to offer any repayment incentives to Direct Loan borrowers to encourage on-time repayment of loans, including any reduction in the interest rate or origination fee, *effective for loans first disbursed*

on or after July 1, 2012. As a result of this change, the up-front interest rebate that has been provided to Direct Loan borrowers at the time of their loan disbursement will no longer be offered on any Direct Loan Program loan with a first disbursement date that is on or after July 1, 2012.

The law continues to authorize the Department to offer interest rate reductions to Direct Loan borrowers who agree to have payments automatically electronically debited from a bank account.

Grace Period Interest Subsidy:

The Consolidated Appropriations Act of 2012 (Public Law 112-74) amended HEA section 428(a)(3)(A)(i)(I) to temporarily eliminate the interest subsidy provided on Direct Subsidized Loans during the six month grace period provided to students when they are no longer enrolled on at least a half-time basis. This change will be effective for new Direct Stafford Loans for which the first disbursement is made on or after July 1, 2012, and before July 1, 2014.