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:

<table>
<thead>
<tr>
<th>Annual Loan Limits for Graduate/Professional Students</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loans for loan periods beginning before July 1, 2012</td>
</tr>
<tr>
<td>Subsidized Loan Maximum</td>
<td>$8,500</td>
</tr>
<tr>
<td>Unsubsidized Loan Maximum</td>
<td>$20,500, less any subsidized amount received</td>
</tr>
</tbody>
</table>

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.