



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

GEN-11-16

Subject: The Budget Control Act of 2011 – Direct Loan Provisions

Summary: This letter provides a summary of changes made to the William D. Ford Direct Loan Program by the recently enacted Budget Control Act of 2011

Dear Colleague:

The Budget Control Act (BCA) of 2011 (Pub. L. 112-25) was signed into law on August 2, 2011. This Act makes two 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 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 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.

Operational Information

The Department's Office of Federal Student Aid will provide system implementation guidance related to the changes described above through future Electronic Announcements and in the Common Origination and Disbursement System Technical Reference.

Contact Information

If you have any questions concerning these changes to the Direct Loan Program, please contact Pamela Moran by e-mail at pamela.moran@ed.gov or by phone at 202-502-7732.

Thank you in advance for working with us to effectively implement and inform students of these changes.

Sincerely,



David Bergeron
Deputy Assistant Secretary for
Policy, Planning and Innovation
Office of Postsecondary Education