

Federal Subsidized Student Loan Borrowing Limitations

As of July 1, 2013, a first-time Federal Subsidized Student Loan borrower is no longer eligible for the Subsidized Student Loan program if he or she exceeds 150% of the published time necessary to graduate within an undergraduate degree program.

In addition, a borrower reaching the 150% limit becomes ineligible for the interest subsidy benefits on all Federal Subsidized Loans disbursed to the borrower on or after July 1, 2013.

Congress wants to encourage students to finish their program within in a reasonable time frame. Congress no longer wants to provide interest rate deferments for students taking an exceptional amount of time to obtain an undergraduate degree. The interest rate expense is now passed to the student in such cases.

Questions and Answers

What is a subsidized student loan?

Interest does not accrue on the loan while the student is in school at least half-time, or during any future deferment periods. The federal government "subsidizes" (or pays) the interest during these times. The student must complete a FAFSA in order to qualify for these loans.

What is the maximum eligibility period to receive Direct Subsidized Loans?

There is a limit on the maximum period of time (measured in academic years) that a student can receive Direct Subsidized Loans. In general, a student may not receive Direct Subsidized Loans for more than 150% of the published length of their program. This is called the "maximum eligibility period". The published length of any program of study can usually be found in a school's catalog.

The maximum eligibility period is based on the published length of the student's current program. This means that a maximum eligibility period can change if the student changes programs. Also, if a student has received Direct Subsidized Loans for one program and then changes to another program, the Direct Subsidized Loans received for the earlier program will generally count against the new maximum eligibility period.

What periods of time count against my maximum eligibility period?

The periods of time that count against the maximum eligibility period are periods of enrollment (also known as "loan periods") for which you received Direct Subsidized Loans.

For example, if someone is a full-time student and receives a Direct Subsidized Loan that covers the fall and spring semesters (a full academic year), this will count as one year against the maximum eligibility period.

Even if a student receives a Direct Subsidized Loan in an amount that is less than the full annual loan limit, that lesser amount does not reduce the amount of his or her maximum eligibility period used.

I previously borrowed a subsidized loan prior to July 1, 2013. Does this rule apply to me?

No. This rule is in effect for new (first-time) subsidized student loan borrowers who borrow on or after July 1, 2013. Students who previously borrowed a subsidized student loan prior to July 1, 2013 are not impacted by this policy.

Will I receive less federal student loan money if I am affected by this?

It depends. What you would have previously received as a subsidized student loan, you may be able to borrow in the unsubsidized loan program. This is assuming you have not reached your lifetime Federal student loan borrowing limits.

I am working on my program part-time. Will my eligibility be limited because I am working on my program gradually?

The regulation does allow for adjustments to the calculation for part-time students. This is tracked annually by the Department of Education and communicated to the school when you complete your FAFSA.

How many years of eligibility do I have in my program?

Program Length	Limitation on Subsidized Loan Eligibility
2-Year Associates Degree or Technical Diploma	3 Years of subsidized loan eligibility
1-Year Technical Diploma Program	1 ½ Years of subsidized loan eligibility

Can I appeal the 150% rule if I have extenuating circumstances?

No. Federal law provides no provisions to appeal this rule.

I have lost my eligibility for Subsidized Loans. What does this mean?

After the student received Direct Subsidized Loans for his or her maximum eligibility period, they are no longer eligible to receive additional Direct Subsidized Loans. However, a student may continue to receive Direct Unsubsidized Loans.

You also become responsible for paying interest on any Direct Subsidized Loans received previously.