

**150 Percent Subsidized Loan Limitation**  
**(aka Subsidized Usage Limit Applies/SULA)**

**Background:**

- The Law - On July 6, 2012, [the Moving Ahead for Progress in the 21st Century Act \(MAP-21\) \(Public Law 112-141\)](#) was enacted. MAP-21 added a new provision to the Direct Loan statutory requirements that limits a first-time borrower's eligibility 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.

**Example:** A student enrolled in a four-year program has six years of subsidized loan eligibility.

**Note:** First-time borrowers on or after July 1, 2013 are subject to the new provision.

Source: [IFAP Electronic Announcement May 16, 2013](#); [NASFAA News Article June 20, 2013](#)

- The Regulations
  - On May 16, 2013, The Department of Education (ED) published interim final regulations in the [Federal Register](#) implementing the above provision of MAP-21.
  - On January 17, 2014 the Department of Education (ED) published final regulations in the [Federal Register](#) implementing the above provision of MAP-21.

Source: [IFAP Electronic Announcement May 16, 2013](#);  
[IFAP Electronic Announcement January 17, 2014](#)

**Implementation/Responsibility:**

- Department of Education (ED)
  - To implement the interim final regulations, ED made significant changes to three Federal Student Aid systems in order to track, compute, and determine borrowers' Direct Subsidized Loan eligibility and loss of interest subsidy.
- Institutions - ED required institutions to
  - report additional program-identifying information and borrower enrollment information necessary for ED to make the above determinations, and
  - provide enhanced entrance counseling to first-time borrowers before making the first disbursement of a Direct Subsidized or Unsubsidized Loan. Enhanced counseling is necessary because the 150 percent limit represents a significant change to the terms and conditions of a student's Direct Loans which need to be communicated to borrowers.

Source: [IFAP Electronic Announcement May 16, 2013](#)

**Other Requirements that Limit Interest Subsidy:**

- Annual Loan Limit
  - This is the annual statutory maximum a student may borrow at his or her grade level for one academic year.
  - The annual limit for Direct Subsidized Loans has not changed since 2007 when the annual limit for a first-year student increased from \$2,625 to \$3,500 and the annual limit for a

second-year student increased from \$3,500 to \$4,500. The \$5500 annual limit for third- and fourth-year students did not change.

Source: [FSA Handbook Glossary](#); [IFAP Direct Loan Bulletin April 12, 2007](#); [34 CFR 685.203\(a\)](#)

- Aggregate Loan Limit
  - This is the statutory maximum amount of principal an individual may borrow for all loans of a specific type, for all years of postsecondary study.
  - The aggregate limit for Direct Subsidized Loans has not changed since 1992 when the aggregate limit for undergraduate students increased from \$17,250 to \$23,000.
  - A student enrolled in a four-year program will not reach the \$23,000 aggregate limit if he or she graduates in four years (i.e., anticipated total borrowing \$19,000) and will reach the \$23,000 aggregate limit if he or she graduates in five years.

Source: [FSA Handbook Glossary](#); [The Higher Education Amendments of 1992](#); [34 CFR 685.203\(d\)](#)

- Satisfactory Academic Progress Maximum Timeframe
  - For an undergraduate program measured in credit hours, this is a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours.
  - A student becomes ineligible for federal student aid, including Direct Subsidized Loans, when it becomes mathematically impossible to complete his or her program within 150% of its length.

**Example:** A student enrolled in a four-year, 120-credit program becomes ineligible for federal student aid once he or she attempts more than 180 credits or sooner if it becomes mathematically impossible to complete the program within 150% of its length.

Source: [34 CFR 668.34\(b\)](#); [FSA Handbook, Volume 1, Chapter 1](#)

### **Negative Impacts of 150% Subsidized Loan Limitation:**

- Students
  - The 150 percent limit represented a significant change to the terms and conditions of a student's Direct Loans. Despite enhanced entrance counseling, borrowers may not understand, or remember, the specifics of the requirements and may, therefore, be unable to avoid the financial implications of reaching or exceeding the limit.
  - Borrowers who exceed the 150 percent limit lose the interest subsidy on previously borrowed Direct Subsidized Loans, increasing overall finance charges and loan debt.
- Institutions
  - To administer the 150 percent limit, the Department of Education (ED) requires institutions to report enrollment at the program-level and not just at the school-level. Information reported includes: enrollment status; credential level; classification of instructional program code (CIP Code); program length; weeks in the Title IV academic year; date student began enrollment; and special program indicator. Further, if a student is or was enrolled in more than one program, an institution must report the student's enrollment information for each program.

Source: [Dear Colleague Letter GEN-14-07](#)