



NEW TIME LIMITATION ON DIRECT SUBSIDIZED LOAN ELIGIBILITY FOR FIRST-TIME BORROWERS ON OR AFTER JULY 1, 2013

Due to a federal law enacted on July 6, 2012, first-time borrowers who take out Direct Subsidized Loans on or after July 1, 2013 now have a maximum number of academic years that they may borrow or be eligible for the interest subsidy of these loans.

Direct Subsidized Loans are Federal Loans on which the government pays interest while you're enrolled in school at least half time or while the loan is in deferment and during certain periods of income-driven repayment. A first-time borrower is defined as someone who has no outstanding balance of principal or interest on a FFEL or Direct Loan when receiving a Direct Loan on or after July 1, 2013.

What Are the Time Limitations on Receiving Direct Subsidized Loans?

First-time borrowers may not receive Direct Subsidized Loans for more than 150% of the published length of their current educational program. For example, if your program is published to take four years, you may not take out Direct Subsidized Loans for more than six academic years (150% of 4 years is 6 years). This is called the borrower's "maximum eligibility period."

The units that count against a borrower's maximum eligibility period for Direct Subsidized Loans are called "subsidized usage periods." If you take classes full time for both the fall and spring semesters, this counts as an academic year.

If you are enrolled full time but only get a Direct Subsidized Loan for the fall semester, this may only count as half of a subsidized usage period.

If you are enrolled less than full time and receive a Direct Subsidized Loan, the time that is counted against your maximum eligibility period will be reduced. For example, if you are enrolled half time and receive a Direct Subsidized

Loan for a full academic year, this will count as only half of a year against your maximum eligibility period.

The amount of money a student borrows does not factor into the subsidized usage period. For example, if you borrow much less than the allotted subsidized loan amount for a semester, it still counts as one semester of your maximum eligibility period. There is an exception to this if you borrow your maximum annual loan amount and the loan doesn't cover the full year. Even if the maximum loan amount only pays for one semester of school, this would still count as a full year against your maximum eligibility period. Note: This only applies to standard term programs and non-standard term programs lasting at least nine weeks.

If you enroll in a different program, your maximum eligibility period will change to that program's published maximum eligibility period. If that program is longer than your previously enrolled program, your maximum eligibility period will extend. If the new program is shorter, you may lose eligibility sooner.

Loss of Eligibility for Additional Direct Subsidized Loans

Once you reach the maximum eligibility period for Direct Subsidized Loans, you are no longer eligible to receive additional Direct Subsidized Loans. If you enroll after becoming ineligible for Direct Subsidized Loans, the interest on your new loans will not be subsidized. Please note

that this loss of interest subsidy is effective as of the date of that enrollment, and is **not** retroactive to the beginning of your academic career; your previous Direct Subsidized Loans will still have subsidized interest.

Loss of Eligibility Circumstances

Do I become responsible for paying the interest that accrues on my Direct Subsidized Loans because...	YES	NO
I am no longer eligible for Direct Subsidized Loans and I stay enrolled in my current program?	✓	
I am no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is the same length or shorter than my prior program?	✓	
I transferred into the shorter program and lost eligibility for Direct Subsidized Loans because I have received Direct Subsidized Loans for a period that equals or exceeds my new, lower maximum eligibility period, which is based on the length of the new program?	✓	
I was no longer eligible for Direct Subsidized Loans, did not graduate from my prior program, and am enrolled in an undergraduate program that is longer than my prior program?		✓
I lose eligibility for Direct Subsidized Loans and immediately withdraw from my program?		✓
I graduated from my prior program prior to or upon meeting the 150% limit, and enroll in an undergraduate program that is the same length or shorter than my prior program?		✓
I enroll in a graduate or professional program?		✓
I enroll in preparatory coursework that I am required to complete to enroll in a graduate or professional program?		✓
I enroll in a teacher certification program (where my school does not award an academic credential)?		✓

When am I responsible for paying the interest on my Direct Subsidized Loans?	BEFORE MEETING THE 150% LIMIT	AFTER MEETING THE 150% LIMIT
While enrolled in school at least half time		✓
During my grace period on loans first disbursed (paid out) July 1, 2012, through June 30, 2014	✓	✓
During my grace period on loans first disbursed (paid out) on or after July 1, 2014		✓
During deferment periods		✓
During certain periods of repayment under Income-Based Repayment or Pay As You Earn plans		✓
During forbearance periods	✓	✓
During all other periods of repayment	✓	✓

If you still have questions about Direct Subsidized Loans and/or maximum eligibility periods, contact your student loan servicer today!

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