



Loan Reduction – What We Know Now

Presenter: Howard Leslie

Tuesday@2

April 28, 2026





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Thursday, May 7th
@ 1:00 PM EDT

Grab your coffee — you've earned it.
With another May 1 behind us, it's time to take an hour to relax, connect, and enjoy some good company.

This informal coffee chat is a space for honest conversation: sharing thoughts, frustrations, and plans as we head into summer and navigate a major reshaping of federal student aid policy.

Come with questions for your peers, a story or two, or just your mug.

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Before we get started,
just a few quick housekeeping items:



Slides and a handout were emailed to all attendees earlier today. If you registered very recently, don't worry, we will make sure you get a copy of the slides and handout after the webinar concludes.



This session is being recorded and will be shared afterward



Please use the Q&A feature to submit questions throughout the presentation

- When possible, please include the slide number or example number with your questions so we can easily refer back to the appropriate slide.



We'll be holding questions until the dedicated Q&A session at the end



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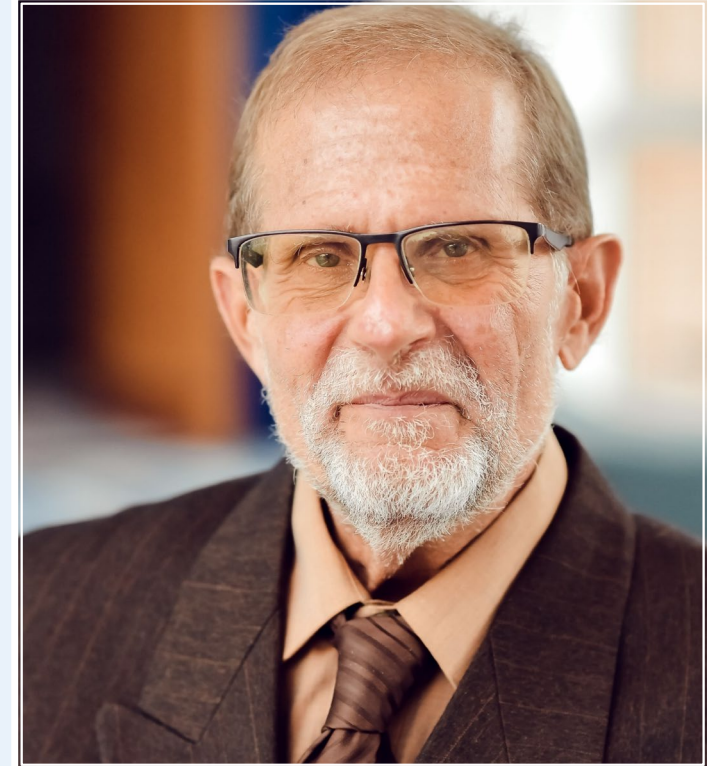
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Presenter Profile

- Practice and Experience
 - Approaching five decades of experience as a senior college executive and financial aid professional, managing every facet of the Title IV federal financial aid programs.
 - Previously served as the President of the New York State Financial Aid Administration Association (NYSFAAA).
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Howard Leslie

TIV Consultant

Today's Agenda

- Final Regulations – and qualifier regarding today's webinar
- Some of the other major changes to the loan programs that can have an immediate impact on enrollment and revenue
- Schedule of Reduction (SOR) the basics
- Several examples of SOR
- Final Summary
- QA

Important Context for Today's Discussion

- ❑ This presentation reflects what we **know at this time**, prior to the release of **final federal regulations**, which are expected shortly.
 - ❑ The content is informed by extensive research, discussions, and multiple webinars—some of which have contained conflicting or inaccurate information, as clarified in a recent FSA webinar.
- ❑ The goal of today's session is to build a shared understanding of **anticipated changes to federal loan programs under the One Big Beautiful Bill Act**
 - ❑ With particular attention to the **loan reduction schedule for students enrolled less than full time**, and
 - ❑ To begin proactive planning with staff, campus partners, and technology teams.
- ❑ Please note: **Nothing discussed today should be considered final** until final regulations are released. And I will point out where I to an currently uncertain.

Starting with Other Major Changes to the Loan Programs



Elimination of Grad PLUS

- Effective July 1, 2026, Grad PLUS is eliminated from the law.
- Students who meet the interim exception may continue to borrow Grad PLUS (more on the exception later).
- What you should be doing now:
 - Perform a data analysis on how much this impacts your student body.
 - Determine/prepare for alternate means of financing (to be discussed later).

Maximum Parent PLUS

- Effective July 1, 2026, Parent PLUS has an award year and aggregate limit.
- Annual Limit is \$20,000 per year for a student (either or both parents).
- Aggregate Limit is \$65,000 per year for a student (either or both parents).
- Students/Parents who meet the interim exception may continue to borrow the current PLUS (more on the exception later).
- What you should be doing now:
 - Perform a data analysis on how much this impacts your student body.
 - Determine/prepare for alternate means of financing (to be discussed later).

Institutional Authority to Limit Loans

- Beginning on July 1, 2026, institutions may limit the total amount of Direct Loans made for a program of study for an academic year that a student may borrow, or that a parent may borrow on behalf of the student, provided the limit is applied consistently to all students enrolled in the program.

The Interim Exception

- The new loan terminations and limitations will not apply during the “expected time to credential” for any student who, as of June 30, 2026, is enrolled in and has already received a Direct Loan for a program (including a Parent PLUS loan).
- The “expected time to credential” is the lesser of:
 - three academic years; or
 - the amount of time still required for the student to complete the program at the time the determination is made.

The Interim Exception

- WE DO KNOW:
 - How is completion measured?
 - Is it **100%** or 150%.
 - How to measure years for less than full time students.
 - **The LAW says you measure based your published on how long it takes for a student to complete a credential at full time**

How do you track students who meet the exception?

- As of now, you should be discussing that on your campus, and with your software provider, **HOWEVER**;
- I have heard that there may be modifications to COD and/or NSLDS that will track it for us – and deliver a flag on the ISIR.
 - In my opinion it should be NSLDS

How do you track students who meet the exception?

- At the FSA Conference it was announced that COD will automatically identify students with a Direct Loan for 2025-26 with an award end date on or after April 4, 2026, as eligible for the limited exception using a new “grandfathering flag” in COD.
 - COD staff acknowledged that this does not capture every student who may qualify for the limited exception and stated that they have a plan for a manual process for schools to update the flag by calling COD.

How do you track students who meet the exception?

- As of now, you should be discussing that on your campus, and with your software provider, **HOWEVER**;
- We have heard that there may be modifications to NSLDS that will track it for us – and deliver a flag on the ISIR.

Alternate Funding

- Loan Reduction (as you will soon see) as well as both changes to PLUS (Grad and Parent) can have a major impact on affordability.
- Schools should be looking at alternative funding, one of which is private/alternative loans.
- Schools may not recommend or steer a student toward a lender. The only option is to create a Preferred Lender List, which is a very regulated process.

Preferred Lender List Process

- Briefly:
 - You can publish the lenders your students have used, by percentage, over the last several years, OR
 - You can go through the PLL Selection Process, which requires, among other things:
 - Creating a PLL Committee that must meet and make decisions at least once a year.
 - Sending out Requests for Information to Lenders.
 - Evaluating and discussing the responses.
 - Requesting references and evaluating responses.
 - Every member of the committee. AS WELL AS EVERY STUDENT FACING FA STAFF MEMBER, must sign an assertion that they have not and will not receive any benefits from the lenders selected.
 - Documenting all committee activities with minutes and decisions made.

Preferred Lender List Recent Study

- A PLL is not a magic bullet
- A recent study indicates that 40% of all Alt Loan Applicants will be denied
- The same study shows that 61% of Pell recipients will be denied
- **HOWEVER, SOME ACTION IS BETTER THAN NONE**

Finally, the Loan Schedule of Reduction SOR

- We are going to start simple and then get more complicated, giving detailed examples along the way
- **Why Schedule of Reduction (SOR) vs. Loan Proration?:** Simply, Loan Proration already existed for students are completing in less than an award year. The original loan proration has not changed **TO THE BEST OF MY KNOWLEDGE**
 - **FSA has indicated – NO CHANGE thus student can receive greater than 50% of the loan in their final term.**

Before we dig into Loan Schedule of Reduction

- Schools should be analyzing:
 - The percentage of your loan-dependent part-time students and how losing those students may impact the student body/institutional revenue.
- Changes in institutional policy that may mitigate the loss of students
 - Such as creating the Preferred Lender List
 - Creating/enhancing Payment Plans or Institutional Loans
 - Being aware of the Truth In Lending Act and Title X Implications
 - Other Institutional Programs, already in existence, that may be able to mitigate the impact.

Loan Schedule of Reduction Starting With the Concepts

- First, determine the student's BBAY/SAY Loan Eligibility, assuming 100% as you would for any student
- Keep in mind that the department has already said that the equal disbursement requirement does not apply when Loan Schedule of Reduction is involved
- Also keep in mind that the department has made it clear that a student may not receive greater than 50% of their eligibility on the front end of a BBAY/SAY
- We are being required to look at the full SAY/BBAY, not just one term

SOR THE BASICS

(this slide was taken from an FSA presentation)

- Requires the amount of any Direct Loan a student may borrow for AY to be reduced in direct proportion to the degree to which that student is not so enrolled on a full-time basis, as of the date the institution determined the student's eligibility for the disbursement in accordance with 34 CFR 668.164(b)(3), rounded to the nearest whole percentage point, as follows:

$$\left(\frac{\text{number of credit hours enrolled for academic year}}{\text{number of credit hours considered full time for that academic year for the program of study}} \right) \times 100$$

= reduced annual loan limit percentage (rounded to nearest whole percentage point)

SOR THE BASICS

(this slide was taken from an FSA presentation)

Institution must calculate the Direct Loan eligibility that student may borrow for the term in which the borrower is enrolled, or its equivalent, in direct proportion to the degree to which that student is not so enrolled on a full-time basis for that term.

- determine the amount of the academic year loan limit under this section that the term represents.
- determine the borrower's eligibility for a disbursement of a Direct Loan for the term, in accordance with 34 CFR 668.164(b)(3).
- The institution shall then reduce the borrower's Direct Loan amount based on less than full-time enrollment for that term at that institution, as follows:

$$\left(\frac{\text{number of credit hours enrolled for term}}{\text{number of credit hours considered full time for that term for the program of study}} \right) \times 100$$

= reduced annual loan limit percentage (rounded to nearest whole percentage point)

SOR THE BASICS

(this slide was taken from an FSA presentation)

STEPS FOR SOR PROCESS

1

**Maximum
Loan Limit**

2

**SOR
Percentage**

3

**Disbursement
Method**

*Steps are subject to borrower's loan period and any enrollment changes
Consider loan periods within SAY, BBAY, Subscription-Based, etc., (semester, trimesters, summer header or trailer)*

SOR THE BASICS

- Step 1 – determine student's award year eligibility – you have done this forever
- Step 2 – determine the SOR value for the annual loan eligibility
- Step 3 – Disbursement method:
 - Proportional – based on the number of credits taken each term (recommended)
 - Split 50/50
 - You can do both and it can be on a case by case basis

Loan Schedule of Reduction Starting With the Concepts

- First, determine the student's BBAY/SAY Loan Eligibility, assuming 100% as you would for any student
- Keep in mind that the department has already said that the equal disbursement requirement does not apply when Loan Schedule of Reduction is involved
- Also keep in mind that the department has made it clear that a student may not receive greater than 50% of their eligibility on the front end of a BBAY/SAY
- We are being required to look at the full SAY/BBAY, not just one term

Loan Schedule of Reduction Starting With the Concepts

- Also keep in mind that the department has made it clear that a student may not receive greater than 50% of their eligibility on the front end of a BBAY/SAY
- **You can make disbursements equal or proportional – example:**
 - PT STUDENT TERM 1 = 6 CREDITS, TERM 2 = 9
 - $6 + 9 = 15/24 = 62.5\%$ This is where you round up to the closest whole percent. So SOR is 63% of the student's max.
 - Proportional would be $6/15 = 40\%$ and $9/15 = 60\%$ of the SOR amount
 - Equal would be 50/50 while proportional is the outcome of the calculation

Loan Schedule of Reduction Starting With the Concepts

- **Cross over term? It depends** on how you do the awarding. If you use year one (25-26) for your crossover, there is no reduction impact until you start using year 2 (26-27). If you are a crossover-term school using year 2 ISIR, the Schedule of Reduction begins. So simply put, any loan made with the 26-27 ISIR and forward is subject to the new rule.
 - In short' 25-26 ISIR NO Loan Reduction, 26-27 ISIR (and forward) Loan Reduction.
 - The law states that the secretary will publish a “schedule of reduction”.
- Dropped/Withdrawn courses in the second term, after disbursement, do not require reduction. **THE DEPARTMENT'S FOCUS IS BEFORE OR AFTER DISBURSEMENT**
- Each BBAY/SAY has its own counter

Loan Schedule of Reduction Starting With the Concepts

- In the interest of time, I am not providing examples of dropped courses when a student started part-time, but the logic of dropped courses applies as per the full-time examples
- The department's guidance seems to be to continue as you do now for one term registration.
- PLUS LOANS are not subject reduction; however, Grad PLUS (for those that remain eligible due to the Interim Exception) will be subject to reduction.
 - This adds an extra layer because Cost of Attendance (COA) and Other Financial Aid(OFA) must be taken into consideration.

Loan Schedule of Reduction Starting Simple

- Let's talk about the differences between dropped/withdrawn
- **Mostly:**
 - Withdrawn classes are after drop/add and after disbursement
 - A dropped course is before the end of drop/add and can be before or after disbursement
 - If before disbursement – I see these all being treated equally
 - If after disbursement – again, I see these all being treated equally
 - Grades F and I – these are not drops or withdrawals unless that is how your institution treats these grades.

Loan Schedule of Reduction Starting With the Concepts

- Institutional policy on charges has no bearing on reduction. Just because a student earned full liability on the tuition loan, a reduction must still take place
- The OBBBA does state that "there will be no exceptions made to the reduced annual loan limits for students enrolled less than full-time" starting July 1, 2026, which may override some previous interpretations. **THE INTERIM EXCEPTION DOES NOT APPLY AND THERE CAN BE NO PJ**

Loan Schedule of Reduction Starting With the Concepts

- The Department has indicated the non-standard Terms and Clock Hours are not impact by SOR
- If an institution chooses to limit loan maximums by program, the reduction is based on that limitation, not normal eligibility
- A student loan whose lifetime aggregate is less than an otherwise full amount; reduction would take place on the remaining eligibility.

Loan Schedule of Reduction Starting Simple

- An institution can choose to adjust the loan in term one when a student withdraws rather than in term two.
- For mid-award-year transfer students, the new school is not required to know what occurred in the way of disbursement and withdrawn/dropped classes.
 - We must still complete the BBAY/SAY

Loan Schedule of Reduction Starting Simple

- There is still a little uncertainty regarding the term after R2T4 as it pertains to the schedule of reduction. We will discuss this in detail later in the presentation
- We are waiting on information regarding **stand-alone Summer Loans**

Loan Schedule of Reduction

Starting Simple – **NOTE ALL MY EXAMPLES
ASSUME PROPORTIONAL DISBURSMENT
EXCEPT FOR GRAD PLUS**

EXAMPLE 1

- Student is full-time in terms 1 and 2 (we will cover some quarter examples later)
- Student is a first-term dependent student
- Student is registered FT (for this presentation, we are assuming Undergraduate FT to be 12 or more credits) for both terms
- Term 1 + term 2 = FT 24/24 so 100%
- Term 1 = 12/24 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12/24 credits (50%)
- NO REDUCTION

EXAMPLE 1

							TOTAL FOR AWARD YEAR			
TERM		1			2			SUB	UNSUB	
CREDITS		12			12		24/24 (100%)	\$3,500.00	\$2,000.00	
PERCENTAGE FOR TERM		12/24 50			12/24 50					
SUB		\$1,750.00			\$1,750.00					
UNSUB		\$1,000.00			\$1,000.00					

Loan Schedule of Reduction Starting Simple

EXAMPLE 2

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Student is registered FT for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- Term 1 + Term 2 = $24/24 = 100\%$
- Student withdraws from a 3-credit course before disbursement in term 1 **but must recalculate the entire year first**
- School must reduce the term 1 loan

Example 2

					TOTAL FOR AWARD YEAR			
TERM		1		2				SUB UNSUB
CREDITS		12		12	24/24 (100%)			\$3,500.00 \$2,000.00
PERCENTAGE FOR TERM		12/24 50		12/24 50				
SUB		\$1,750.00		\$1,750.00				
UNSUB		\$1,000.00		\$1,000.00				
					NEW TOTAL FOR AWARD YEAR			
		NEW BY TERM						SUB UNSUB
					21/24 (87.5 GOES UP TO 88%)			\$3,080.00 \$1,760.00
TERM		1		2				
CREDITS		9		12				
PERCENTAGE FOR TERM		9/21 = 42.85		12/21 = 57.14				
SUB		\$1,320.00		\$1,760.00				
UNSUB		\$ 754.00		\$1,006.00				
			student withdraws from a 3 credit class prior to disbursement					

Loan Schedule of Reduction Getting Complicated

EXAMPLE 3

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Award year 24/24 100%
- Term 1 = 12 credits (50%)
- Term 2 = 12 credits (50%)
- Student withdraws from a 3-credit course after disbursement in term 1
- School must reduce the term 2 loan after recalculating the full year first

EXAMPLE 3

						TOTAL FOR AWARD YEAR			
TERM	1			2				SUB	UNSUB
CREDITS	12			12		24/24 (100%)		\$3,500.00	\$2,000.00
PERCENTAGE FOR TERM	12/24 50			12/24 50					
SUB	\$1,750.00			\$1,750.00					
UNSUB	\$1,000.00			\$1,000.00					
						NEW TOTAL FOR AWARD YEAR			
	NEW BY TERM							SUB	UNSUB
						21/24 (87.5 GOES UP TO 88%)		\$3,080.00	\$1,760.00
						FIRST TERM DISBURSED	LESS	\$1,750.00	\$1,000.00
						2ND TERM ELIGIBILITY		\$1,330.00	\$760.00
TERM	1			2					
CREDITS	12			12-3					
PERCENTAGE FOR TERM	12/24 =50			9/21 = 42.85					
SUB	\$1,750.00			\$1,130.00					
UNSUB	\$1,000.00			\$ 760.00					
			student withdraws from a 3 credit class after disbursement						

Loan Schedule of Reduction Getting Complicated

EXAMPLE 3A

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Student is registered FT for both terms $24/24 = 100\%$
- Term 1 = 12 credits (50%)
- Term 2 = 12 credits (50%)
- **SCHOOLS' POLICY IS TO ADJUST TERM 1, NOT TERM 2**
- Student withdraws from a 3-credit course **after disbursement** in term 1
- School will then return the adjusted portion in term 1 (which can leave the student with a large balance) rather than reduce term 2

Loan Schedule of Reduction Getting Complicated

EXAMPLE 4

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Student is registered FT for both terms $24/24 = 100\%$
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- Student withdraws from a 3-credit course **after disbursement** in term 1; however, the student adds a 3-credit course in Module B OF TERM 1 OR IN TERM 2 (term 2 example follows)
- School does not need to reduce the term 2 loan

Loan Schedule of Reduction Getting Even More Complicated

EXAMPLE 5

- Student is full-time in term 1 and part-time in term 2
- Student is a first-term independent student
- Student is registered
- Term 1 = 15 credits (62.5%) of the BBAY/SAY eligibility
- Term 2 = 9 credits (38.5%)
- $9 + 15 = 24/24 = 100\%$
- School cannot provide more than 50% of the loan eligibility in term 1, the school can apply the extra 12.5% to term 2.

Loan Schedule of Reduction Getting Even More Complicated

EXAMPLE 6

- Student is part-time in term 1 and full-time in term 2
- Student is a first-term independent student
- Student is registered $9 + 15 = 24/24 = 100\%$
- Term 1 = 9 credits (38%)
- Term 2 = 15 credits (62%)
- School cannot use extra credits from term 2 in order to make the split 50/50
- School can award greater than 50% of the annual loan limit in term 2
- School must reduce the term 1 loan and can award 62% in the second term
- **IT IS MY RECENT UNDERSTANDING THAT A SCHOOL CAN OPT TO DO A 50/50 SPLIT UNDER THIS CIRCUMSTANCE**

EXAMPLE 6

					TOTAL FOR AWARD YEAR		
TERM		1	2			SUB	UNSUB
CREDITS		9	15		24/24 (100%)	\$3,500.00	\$6,000.00
PERCENTAGE FOR TERM		9/24 38	15/24 62				
or school can decide on							
PERCENTAGE USED		50	50				
OPTION 1 SUB		\$1,330.00	\$2,170.00				
OPTION 1 UNSUB		\$2,280.00	\$3,720.00				
OPTION 2 SUB		\$1,750.00	\$3,720.00				
OPTION 2 UNSUB		\$1,000.00	\$1,000.00				

Loan Schedule of Reduction Getting Even More Complicated

EXAMPLE 7

- Student is part-time in term 1 and full-time in term 2
- Student is a first-term independent student
- Student is registered
- Term 1 = 3 credits (NE) (12.5%) of the BBAY/SAY eligibility
- Term 2 = 15 credits (62.5%)
- School can use UNUSED credits from term 1 towards term 2. School can award greater than 50% of the annual loan limit in term 2

EXAMPLE 7

					TOTAL FOR AWARD YEAR			
					18/24 (75%)		SUB	UNSUB
TERM		1		2			\$2,625.00	\$4,500.00
CREDITS		3		15				
PERCENTAGE FOR TERM		17		83				
PERCENTAGED USED		0		100				
SUB		\$0.00		\$2,625.00				
UNSUB		\$0.00		\$4,500.00				

Loan Schedule of Reduction Getting Even More Complicated (Graduate Students)

EXAMPLE 8

- Student is part-time in term 1 and term 2
- Student is a graduate student (9=FT, 6=HT, 3 = LTHT and NE) FT for the Award Year is $9 * 2 + 18$
- Student is registered:
- Loan Eligibility $12/18 = 67\%$
- Term 1 = 6 credits (6/12 50%)
- Term 2 = 6 credits (6/12 50%)

Loan Schedule of Reduction Getting Even More Complicated Graduate Students)

EXAMPLE 9

- Student is part-time in term 1 and full-time in term 2
- Student is a graduate student (9=FT, 6=HT, 3 = LTHT and NE)
- Student is registered 15 credits (15/18 83%)
- Term 1 = 3 credits (NE) $3/15 = 20\%$
- Term 2 = 12 credits $12/15 = 80\%$ but the 20% from term 1 can be applied to term 2 making term 2 $15/15 = 100\%$

Loan Schedule of Reduction Getting Even More Complicated Graduate Students with Grad PLUS)

EXAMPLE 10

- Student is part-time in term 1 and full-time in term 2
- Student is a graduate student (9=FT, 6=HT, 3 = LTHT and NE)
- Student is registered for 15 credits (15/18 83%) (\$17,015)
- Term 1 = 6 credits (6/15) =(40%) (\$6,806)
- Term 2 = 9 credits (9/15) =(60%) (\$10,209)

Loan Schedule of Reduction Getting Even More Complicated Graduate Students with Grad PLUS)

EXAMPLE 10 continued

- COA = \$50,000
- OFA = Only the Unsub loan
- For this example, **assuming COA is prorated by the number of credits** because many schools charge Grad Students strictly by \$s per each credit
- **First step** to determine full GRAD PLUS ELIGIBILITY – then **step two** is Loan reduction – Then step three determine disbursement methodology

EXAMPLE 10 (this example is looking at each term separately FOR GRADPLUS)

PROPORTIONAL

	1	2
TERM	1	2
CREDITS	6	9
PERCENT	40	60
UNSUB	\$6,806.00	\$10,209.00
GRAD PLUS	\$8,212.00	\$12,138.00
TOTAL LOANS FOR STUDENT	\$15,018.00	\$22,347.00

BASE UNSUB		\$20,500.00
SOR UNSUB	15/18 83%	\$17,015.00
COA		\$50,000.00
PRORATED COA		\$41,750.00
PROATED COA - OFA		\$24,735.00
SOR GRAD PLUS		\$20,530.05

THIS IS THE BASE GRAD PLUS

EVEN SPLIT 50/50

	1	2
TERM	1	2
CREDITS	6	9
ACTUAL PERCENT	40	60
USED PERCENT	50	50
UNSUB	\$8,507.00	\$8,508.00
GRAD PLUS	\$10,265.00	\$10,265.00
TOTAL LOANS FOR STUDENT	\$18,772.00	\$18,773.00



Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11

- Student is full-time in term 1, 2, 3 at a quarter term school
- FT = 12 thus 36 for the BBAY/SAY
- Student is a dependent senior who needs all 3 terms to graduate
- Student is registered for 36 credits ($36/36 = 100\%$)
- Term 1 = 12 credits (33%)
- Term 2 = 12 credits (33%)
- Term 3 = 12 credits (34%)

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11 Continued

- Student withdraws from a 3-credit course after disbursement in term 1
- Student adds a 3-credit course in term 2 but then drops a 3-credit course after disbursement
- Student then drops a 3-credit course in term 3 before disbursement

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11 Continued

- Because the student added 3 credits in the second term that disbursement does not need to be reduced
- Because the student dropped 3 credits in term 2, after disbursement, term 3 has to be reduced.
- Because the student dropped a 3-credit course in term 3, before disbursement, the loan has to be reduced again
- Result:
 - $(12-3) + (12+3-3) + (12 -3) = 30/36 = 83\%$

EXAMPLE 11

					ORIGINAL 36/36 100		FINAL 30/36 83
					SUB	\$5,500.00	\$4,565.00
TERM		1	2	3	UNSUB	\$2,000.00	\$1,660.00
CREDITS		12	12	12			
ORIGINAL PERCENTAGE		33	33	34			
		STUDENT WITHDRAWS FROM 3 CREDIT CLASS AFTER DISBURSEMENT	STUDENT ADDS 3 CREDITS BUT THEN WITHDRAWS FROM 3 CREDIT CLASS AFTER DISBURSEMENT	STUDENT DROPS 3 CREDITS BEFORE DISBURSEMENT			
FINAL PERCENTAGE		33	33	17			
SUB		\$1,815.00	\$1,815.00	\$935.00			
UNSUB		\$660.00	\$660.00	\$340.00			

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 12

- Student is full-time in term 1, 2, 3 at a quarter term school
- FT = 12 thus 36 for the BBAY/SAY
- Student is a dependent senior who needs all 3 terms to graduate
- Student is registered 36 Credits $36/36 = 100\%$
- Term 1 = 12 credits (33%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (33%)
- Term 3 = 12 credits (34%)

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 12 Continued

- Student withdraws from a 3-credit course before disbursement in term 1
- Student drops a 3-credit course in term 2 before disbursement
- The student added 6 credits in term 3 but then dropped 9 credits after disbursement.

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11 Continued

- Because the student dropped 3 credits in the first term before disbursement, the first term loan needs to be reduced
- The student dropping 3 credits, before disbursement, the second term loan needs to be reduced
- Because the student added 6-credits in 3 term disbursement can be increased to make the student whole for the entire BBAY/SAY
- Result: $(12- 3) + (12-3) + (12+6)$ (-9 has no impact after disbursement) = 36
- Final point – the 9 credit drop in term 3 does not impact the term 3 disbursement nor does it impact the next BBAY/SAY

EXAMPLE 12

							ORIGINAL 36/36 100	FINAL 36/36 100	
							SUB	\$5,500.00	\$5,500.00
							UNSUB	\$2,000.00	\$2,000.00
TERM		1	2	3	4				
CREDITS		12	12	12	NO IMPACT				
ORIGINAL PERCENTAGE		33	33	34					
		STUDENT WITHDRAWS FROM 3 CREDIT CLASS BEFORE DISBURSEMENT	FROM 3 CREDIT CLASS BEFORE DISBURSEMENT	CREDITS THEN WITHDRAWS FROM 9 CREDITS AFTER DISBURSEMENT					
FINAL PERCENTAGE		25	25	50					
SUB		\$1,375.00	\$1,375.00	\$2,750.00					
UNSUB		\$500.00	\$500.00	\$1,000.00					

Loan Schedule of Reduction | Modules

EXAMPLE 13

- Student is attending a semester institution that also offers three 5-week modules (A, B, and C) (not going to use dollars in this example, we think you got that)
- Student is registered:
 - 15 week Term 1 = 3 credits
 - Mod A Term 1 = 3 credits
 - Mod B Term 1 = 3 credits
 - Mod C Term 1 = 3 credits
 - TOTAL TERM 1 = 12 credits
 - 15-week Term 2 = 12 credits
 - Year total = 24/24 or 100%
 - Term 1 = 12/24 = 50%
 - Term 2 = 12/24 = 50%

Loan Schedule of Reduction | Modules

EXAMPLE 13 Continued

- The student proceeds to drop the 15-week term 1 class before disbursement.
- Reduced disbursement takes place for term 1 ($9/24 = 37.5\%$)
- Student then drops Term 1 Mod B 3 credits
 - At this point, the Term 2 loan needs to be reduced
- Student adds 6 credits in Term 1 Mod C
 - At this point $(12 - 3 - 3 + 6) = 12$
 - Term 1 loan can be increased back to full 50% term eligibility
 - Term 2 loan does not need to be reduced
- **IMPORTANT NOTE:** We will not discuss Pell Freeze dates today nor get into your institution's drop/add policies. However, keep in mind that your policies and systems must be prepared for all the above

EXAMPLE 13

		TERM 1		TERM 2	24/24 =%100	SUB	UNSUB
						\$3,500.00	\$2,000.00
15 weeks		3	STUDENTS DROPS BEFORE DISBURSEMENT LOAN IS REDUCED	12			
MOD A		3		0			
MOD B		3	COURSE IS DROPPED CAUSING TERM 2 TO BE REDUCED	0			
MOC C		3	STUDENT ADDS 6 CREDITS - TERM 1 LOAN CAN BE FULLY REINSTATED AND TERM 2 NOW DOES NOT HAVE TO BE REDUCED	0			
TOTAL		12		12			

Loan Schedule of Reduction Aggregate Loan Limit

EXAMPLE 15

- Student is dependent part-time (6 credits) in terms of 1 and 2.
- The student needs 2 terms to graduate (because of 2 terms, no reduction is required, but the schedule loan reduction applies).
- Student is \$2,000 away from the lifetime sub aggregate limit

Loan Schedule of Reduction | Aggregate Loan Limit

EXAMPLE 15 Continued

- The student's loan reduction is $(6 + 6)/24 = 50\%$ (25% per term)
- Student's max is \$2,000 sub
- Student's sub loan = $\$2,000 * 50\%$ (\$1,000 per each term)
- Student has only reached a total aggregate (sub + unsub) of \$21,000
- Unused portion of sub eligibility can be moved to unsub + the loan reduction.

EXAMPLE 15

DEPENDENT STUDENT			
LIFE TIME SUB AGGREGATE LIMIT		\$23,000	(STUDENT HAS \$2,000 LEFT)
TOTAL AGGREGATE (sub + unsub)		\$31,000	STUDENT HAS \$10,000 LEFT
AS A SENIOR STUDENT IS ELIGIBLE FOR \$5,500 + \$2,000			
\$2,000 LEFT IN SUB BUT THE ADDITIONAL \$3,500 CAN BE AWARD IN UNSUB			
UNSUB BASE IS \$3,500 + \$2,000			
TERM	1		2
CREDITS	6		9
PERECENT	25		37.5
SUB	\$500.00		\$750.00
UNSUB	\$1,375		\$2,062.00

R2T4



LET'S TALK R2T4

SCHEDULE OF REDUCTION OF
STUDENT LOANS—WHAT
I THINK IT'LL BE

Loan Schedule of Reduction Summer Term

- Questions to ask:
 - Is your summer a header or a trailer?
 - Is the student registered for Summer (assuming trailer) when SOR is calculated?
- If Fall + Winter + Summer is your Award Year then
 - Add those credits that are registered for as your numerator and the denominator is based on what you consider to be FT for the summer.
 - If the student registers for Summer after the original Fall/Spring Calculation you would have to revise the numerator as well as the denominator.

NO MORE EXAMPLES – BUT WHAT CAN SCHOOLS DO TO PREPARE?

- As mentioned earlier, creating a Preferred Lender List is highly recommended
 - For those that don't know, the Private Loan Industry changed dramatically as a result of the Affordable Care Act of 2010, which eliminated the FFELP.
 - The federal government is projected to lose approximately **\$197 billion** to over **\$200 billion** on student direct loans made over the last 25 years.
 - This administration would like to see a reversal of private to public back to private

NO MORE EXAMPLES – BUT WHAT CAN SCHOOLS DO TO PREPARE?

- Discuss all the reduction issues with:
 - Admissions
 - Academic Advisement
 - Bursar/Student Accounts
 - Your Financial Aid Staff
 - Communicate with your students ASAP
- Admission often discuss affordability so the conversation with potential part-time students needs to change
- Academic Advisement – needs to know because:
 - Maybe they can advise students to add a class to avoid reduction due to a dropped class
 - If students can handle greater than 12 credits, maybe they should register for 15 or 18 credits to act as buffers

NO MORE EXAMPLES – BUT WHAT CAN SCHOOLS DO TO PREPARE?

- Bursar may have or can look into payment plans or other options such as BNPL.
- Your Financial Aid Staff needs to be thoroughly retrained
- We recommend communicating with your students ASAP
 - Maybe starting with your part-time students, then educating all students on the impact of dropping a class.
- FINALLY – Update your catalog, website, and any other written materials.
 - Maybe add a student-friendly calculator to your website (see HTML handout)

12 CREDITS 33% \$34% \$5,000 \$4,150

33% \$2,000 \$1,660

33% \$5,000

33% \$2,000

33% \$850

\$1,650 \$660 \$340

\$1,650 \$340

\$660 \$340

ANY QUESTIONS FOR HOWARD?