

Time Limitation on Direct Subsidized Loan Eligibility for First-Time Borrowers on or after July 1, 2013

Maximum eligibility period to receive Direct Subsidized Loans

There is a limit on the maximum period of time (measured in academic years) that you can receive Direct Subsidized Loans. In general, you may not receive Direct Subsidized Loans for more than 150% of the published length of your program. This is called your “maximum eligibility period”. You can usually find the published length of any program of study in your school’s catalog.

For example, if you are enrolled in a 4-year bachelor’s degree program, the maximum period for which you can receive Direct Subsidized Loans is 6 years (150% of 4 years = 6 years). If you are enrolled in a 2-year associate degree program, the maximum period for which you can receive Direct Subsidized Loans is 3 years (150% of 2 years = 3 years).

Your maximum eligibility period is based on the published length of your current program. This means that your maximum eligibility period can change if you change programs. Also, if you receive Direct Subsidized Loans for one program and then change to another program, the Direct Subsidized Loans you received for the earlier program will [generally](#) count against your new maximum eligibility period.

See Examples #1 and 2 at the end of this document

Periods that count against your maximum eligibility period

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

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

If you receive a Direct Subsidized Loan for a period of enrollment that is shorter than a full academic year, the period that counts against your maximum usage period will generally be reduced accordingly.

For example, if you are a full-time student and you receive a Direct Subsidized Loan that covers the fall semester but not the spring semester, this will count as one-half of a year against your maximum eligibility period.

With one exception, the amount of a Direct Subsidized Loan you receive for a period of enrollment does not affect how much of your maximum eligibility period you have used. That is, even if you receive 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 your maximum eligibility period you have used. The one exception applies if you receive the full annual loan limit for a loan period that does not cover the whole academic year. In that case, the loan will count as one year against your maximum eligibility period regardless of your enrollment status (half-time, three-quarter time, or full-time).

Effect of borrowing while enrolled part-time

If you receive a Direct Subsidized Loan when you are enrolled less than full-time, the period 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 period of enrollment that covers a full academic year, this will count as only one-half of a year against your maximum eligibility period.

Loss of eligibility for additional Direct Subsidized Loans and becoming responsible for paying interest on Direct Subsidized Loans

After you have received Direct Subsidized Loans for your maximum eligibility period, you are no longer eligible to receive additional Direct Subsidized Loans. However, you may continue to receive Direct Unsubsidized Loans.

In addition, if you continue to be enrolled in any undergraduate program after you have received

Direct Subsidized Loans for your maximum eligibility period, we will no longer (with certain exceptions) pay the interest that accrues on your Direct Subsidized Loans for periods when we would normally would have done so. The chart below provides examples of these 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?	X	
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?	X	
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?	X	
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?		X
I lose eligibility for Direct Subsidized Loans and immediately withdraw from my program?		X
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?		X
I enroll in a graduate or professional program?		X
I enroll in preparatory coursework that I am required to complete to enroll in a graduate or professional program?		X
I enroll in a teacher certification program (where my school does not award an academic credential)?		X

Remember, your maximum eligibility period can change if you enroll in a different program. So, if you received Direct Subsidized Loans for your maximum eligibility period for one program and then enroll in a longer program, you will not become responsible for interest that accrues on your Direct Subsidized Loans.

If you meet any of the conditions on the prior page, you will become responsible for the interest

that accrues on your Direct Subsidized Loans, from the date of your enrollment after meeting the 150% limit, during periods when we would have normally paid the interest for you. Below is a chart that summarizes the periods when we normally pay the interest on your Direct Subsidized Loans, and an explanation and what happens after you become responsible for the interest.

See Example #3 at the end of this document

During what period 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	No	Yes
During my grace period on loans first disbursed (paid out) July 1, 2013 through June 30, 2014	Yes	Yes
During my grace period on loans first disbursed (paid out) July 1, 2014 or after	No	Yes
During deferment periods	No	Yes
During certain periods of repayment under the Income-Based Repayment or Pay As You Earn Plan	No	Yes
During forbearance periods	Yes	Yes
During all other periods of repayment	Yes	Yes

If you become responsible for the interest that accrues on your Direct Subsidized Loans, any interest that you do not pay will be capitalized (added to your loan principal balance) at the end of the grace, deferment, or other periods. Capitalized interest increases your loan principal, increases your monthly payment

amount under most Direct Loan repayment plans, and causes you to pay more interest over the life of your loan.

Your federal loan servicer will notify you if you become responsible for paying the interest on your Direct Subsidized Loans.

Regaining eligibility for Direct Subsidized Loans

If you become ineligible for Direct Subsidized Loans because you have received Direct Subsidized Loans for your maximum eligibility period, you may again become eligible to receive Direct Subsidized Loans if you enroll in a new program that is longer than your previous program.

See Example #4 at the end of this Document

If you regain eligibility to receive additional Direct Subsidized Loans because you enrolled a program that is longer than your prior program and you previously became responsible for paying all of the interest that accrues on your Direct Subsidized Loans, we will pay the interest that accrues on your new loans during the periods described in the chart above.

Example 1:

- (1) You are enrolled in a two-year undergraduate program. You then enroll in a four-year undergraduate program. When you change programs, your maximum eligibility changes from three years to six years.**
- (2) You receive Direct Subsidized Loans for only one year while enrolled in the two-year program. (You would have been eligible to receive two more years of Direct Subsidized Loans if you had stayed in that program.)**
- (3) When you enroll in the four-year program, you are eligible to receive five more years of Direct Subsidized Loans.**

Example 2:

- (1) You are enrolled in a four-year undergraduate program. You then enroll in a two-year undergraduate program. When you change programs, your maximum eligibility changes from six years to three years.**
- (2) You receive Direct Subsidized Loans for two years while enrolled in the four-year program. (You were eligible to receive two more years of Direct Subsidized Loans if you had stayed in that program.)**
- (3) When you enroll in the two-year program, you are eligible to receive one more year of Direct Subsidized Loans.**

Example 3:

If you are enrolled in a two-year undergraduate program and receive Direct Subsidized loans for three years, you are no longer eligible to receive Direct Subsidized Loans.

Whether you become responsible for interest on your Direct Subsidized Loans depends on what you do next:

- (1) If you complete the program in 3 years and do not enroll for a 4th year, the Federal government will continue to pay the interest accrued on your Direct Subsidized Loans as described in the chart on page 2. Even if you eventually enroll in another program, because you completed the program before enrolling for a 4th year, the Federal government will continue to pay your interest as described in the chart.**
- (2) If you continue to be enrolled in the program (without completing/graduating) for a 4th year, then on the date you enroll for the 4th year you will become responsible for paying all the interest that accrues on your Direct Subsidized Loans from that point forward.**
- (3) If you do not complete the program, but transfer to another undergraduate program that is two years or less (that has a maximum eligibility period of 3 years or less), then you will become responsible for the interest, starting with the interest that accrues on the date that you enroll in the other program.**

Example 4:

If you are enrolled in a two-year undergraduate program and then enroll in a four-year undergraduate program, your maximum eligibility changes from three years to six years.

If you received Direct Subsidized Loans for three years, you were not eligible to receive any more Direct Subsidized Loans in the two-year program. However, when you enroll in the four-year program, you are eligible to receive three more years of Direct Subsidized Loans.