

Federal Student Aid Changes for 2012-2013

Federal Student Loans for Graduate and Professional Students:

The **Budget Control Act (BCA) of 2011** was signed into law on August 2, 2011. This Act makes two changes to the **Federal Direct Stafford Loan Program**.

Loss of Subsidized Loan Eligibility for Graduate and Professional Students

Effective for loans made for periods of enrollment (loan periods) beginning on or after July 1, 2012, graduate and professional students are no longer eligible to receive Federal Direct Subsidized Loans. The terms and conditions of Direct Subsidized Loans received by any student for loan periods beginning before July 1, 2012, for either graduate or professional study, are not affected by this change.

The annual loan limit for graduate and professional students remains unchanged at \$20,500 but this amount will now be limited to Direct Unsubsidized Loans, as shown in the following chart:

Annual Loan Limits for Graduate/Professional Students				
	Loans for loan periods beginning before July 1, 2012		Loans for loan periods beginning on or after July 1, 2012	
	Subsidized Loan Maximum	Unsubsidized Loan Maximum	Subsidized Loan Maximum	Unsubsidized Loan Maximum
All Graduate and Professional Students	\$8,500	\$20,500, less any subsidized amount received	\$0	\$20,500

The aggregate loan limit for graduate and professional students remains unchanged at \$138,500 not more than \$65,500 of which may be in subsidized loans.

Termination of Direct Loan Borrower Repayment Incentives

With one exception as noted below, the **Budget Control Act** terminates the authority of the Department of Education (the Department) to offer any repayment incentives to Direct Loan borrowers to encourage on-time repayment of loans, including any reduction in the interest rate or origination fee, *effective for loans first disbursed on or after July 1, 2012*. As a result of this change, the up-front interest rebate that has been provided to Direct Loan borrowers at the time of their loan disbursement will no longer be offered on any Direct Loan Program loan with a first disbursement date that is on or after July 1, 2012 (this includes the Direct PLUS / Grad PLUS Program).

The law continues to authorize the Department to offer interest rate reductions to Direct Loan borrowers who agree to have payments automatically electronically debited from a bank account.

No changes have been made to the variety of repayment plans and options open to borrowers.