



Top AskRegs Questions

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What Makes a Program “Professional” (Direct Loan Purposes – 7/1/26)

- Leads to entry into a Profession
- Requires education beyond a bachelor’s degree
- Typically, doctoral level
- Requires licensure to practice

How Are Professional Student and Professional Degree Defined For Direct Loan Purposes Effective July 1, 2026?

A professional degree may be awarded in the following fields:

(i) Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), Theology (M.Div., or M.H.L.), and Clinical Psychology (Psy.D. or Ph.D.).

A professional student under this definition:

- (i) May not receive title IV aid as an undergraduate student for the same period of enrollment; and
- (ii) Must be enrolled in a program leading to a professional degree under paragraph (2) of this definition.

For Annual Loan Limits, What Does "Is or Has Been a Professional Student At an Institution" Mean?

Annual Loan Limits (Graduate Borrowers - 7/1/26)

- Never a professional student → \$100,000 limit
- Is or has been a professional student → \$200,000 limit
 - Reduced by prior graduate borrowing (this excludes Grad Plus)

Are Post-Enrollment Awards Considered OFA?

Yes!

If the school KNEW (or should have known):

- Must be included in the student's aid package

If the school did NOT know:

- Still OFA
- No required repackaging

Important:

- Institutional awards cannot be delayed to avoid OFA treatment

When Nonfederal Aid Covers COA → What Happens to Pell?

This is a Pell eligibility issue (not packaging)

- If nonfederal aid \geq **COA**, the school must:
 - Reduce nonfederal aid **OR**
 - Return Pell and cancel future disbursements
- If nonfederal aid $<$ **COA**:
 - No adjustment required

Does the Annual Loan Limit Adjustment For Less-Than-Full-Time Enrollment Apply To Legacy Borrowing?

- Yes, the requirement in [proposed 34 CFR 685.203\(m\)\(1\)](#) to adjust the annual loan limit for less-than-full-time enrollment applies to all undergraduate, graduate, and professional student Direct Loan borrowers—Direct Subsidized Loans, Direct Unsubsidized Loans, and graduate PLUS Loans.
- Parent PLUS loans are not subject to these adjustments for less-than-full-time study.

*Subject to change based on Final Rules

Does Changing Majors Disqualify Parent PLUS Borrowing Under the Loan Limit Legacy Provisions?

No, as long as the student remains within the same program of study and same degree **type** at the same institution.

Example 1: The student changes from a history major to an English major at the same school. Both are bachelor of arts (BA) degree programs, so the student has changed from one BA program to another BA program. This student stays within the bachelor's degree type, so they can change majors and are still enrolled in the same program of study for purposes of qualifying for the parent PLUS legacy limits.

Example 2: The student changes from an associate's degree to a bachelor's degree at the same school. This student does not stay within the same degree type, so they have changed program of study and no longer qualify for the parent PLUS legacy limits.

Example 3: The student initially enrolls in an undeclared major in a bachelor's degree program. The student then declares a major but remains enrolled in a bachelor's degree program. This student stays within the bachelor's degree type, so they are still enrolled in the same program of study for purposes of qualifying for the parent PLUS legacy limits.

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Schedule of Reductions (SOR)

- School is allowed to assume full-time for the year.
- No more than ½ of an aggregate annual limit for the term allowed unless resulting from an adjustment that returns the student to full time.
- If aware of reduced credits, must adjust prior to disbursement.
- Must evaluate for changes at the end of every term.
- If SOR is required, you can adjust the recent term completed or the next term.
- If at the end of the year, student has returned to full time enrollment, the SOR can be re-disbursed in the most recent term.
- SOR requirements follow registrar records/enrollment reporting for less than full time.

SOR Example – When Proration is Required

Student Packaging Assumption

- Full-time academic year: 24 credits (12/12)
- Annual loan eligibility:
 - \$3,500 Subsidized
 - \$2,000 Unsubsidized

What Changed?

- Enrolled 9 credits in Fall at disbursement

Result: SOR is required

SOR Calculation

- Academic Year Enrollment
 - $21 \div 24$ credits = 88%
- Prorated Annual Limits
 - Subsidized: \$3,080
 - Unsubsidized: \$1,760
- Adjusted Fall Disbursement
 - \$1,330 Sub
 - \$760 Unsub

SOR Example: Adjustment Made After Fall Term

Initial Packaging

- Assumed full-time: 24 credits (12 Fall / 12 Spring)
- Annual loans:
 - \$5,500 Subsidized
 - \$2,000 Unsubsidized

What Actually Happened

- Student completed 9 credits in Fall
- School policy: Evaluate SOR at end of term
- Adjustment will be applied to Spring

Calculate the Proration

Step 1: Determine Academic Year Enrollment

- Fall: 9 credits
- Spring (planned): 12 credits
- Total: $21 \div 24 = 88\%$

Step 2: Prorate Annual Loan Limits

- \$5,500 → \$4,840 (Subsidized)
- \$2,000 → \$1,760 (Unsubsidized)

Apply the Adjustment

What Happens to Disbursements?

- Fall (Already Disbursed)
- Remains unchanged at \$2,750 Sub / \$1,000 Unsub

Spring (Adjusted Term)

- Must reflect reduced annual eligibility
- Remaining eligibility after Fall is what is available for Spring
 - \$2,090 Sub / \$760 Unsub

SOR Example: Spring Enrollment Drops Again

After Fall review

- School adjusted Spring based on projected annual enrollment of 21 credits (9 + 12)
- That produced an 88% annual limit

New development

- Before Spring disbursement, student only enrolls 6 credits
- School must now evaluate based on actual annual enrollment: 15 credits out of 24

Recalculate the Annual Limit

Revised Annual Limit Based on 15/24 Credits

$$15 \div 24 = 62.5\%$$

- **Apply 62.5% to annual limits:**
 - $\$5,500 \text{ Sub} \times 62.5\% = \$3,437.50$ (Apply rounding = \$3437)
 - $\$2,000 \text{ Unsub} \times 62.5\% = \$1,250$

What Is Left After Fall?

Fall was already disbursed at:

- \$2,750 Subsidized
- \$1,000 Unsubsidized

Remaining eligibility for the same annual period becomes:

- Subsidized: $\$3,437 - \$2,750 = \$687$
- Unsubsidized: $\$1,250 - \$1,000 = \$250$

Spring can only receive the remaining amount

- \$687 Sub
- \$250 Unsub

Let's Continue This Example

Student adds Summer Trailer Enrollment of 6 hours

- New total enrollment for the academic year:
 - $9 \text{ (Fall)} + 6 \text{ (Spring)} + 6 \text{ (Summer)} = 21 \text{ credits}$
 - $21 \div 24 = 88\%$
- What That Means
 - Revised Annual Eligibility
 - $\$5,500 \times 88\% = \$4,840 \text{ (Sub)}$
 - $\$2,000 \times 88\% = \$1,760 \text{ (Unsub)}$

Compare to What Was Already Used

From earlier:

- Fall: \$2,750 / \$1,000
- Spring (reduced): \$687 / \$250

Total used before summer:

- Sub: \$3,437
- Unsub: \$1,250

Remaining Eligibility for Summer Using 88%

- Sub: $\$4,840 - \$3,437 = \$1,403$
- Unsub: $\$1,760 - \$1,250 = \$510$

Summer Loan for This Example

Sub = \$1,403

Unsub = \$510

- Remember Additional Requirement:
 - Student must be enrolled at least half-time
 - In this example: 6 credits → eligible for disbursement
 - If below half-time:
 - **✗** No Direct Loan disbursement allowed
 - Even if eligibility remains

Can We Further Adjust Direct Loans Within a Term After the SOR Adjustment Has Already Taken Place?

- Yes, if a student adds classes during a term after a SOR adjustment and disbursement has been made
- The school is not adjusting a disbursement that has already been made, it is choosing to make an additional disbursement for that term and determining eligibility at the time of the additional disbursement.
- If the school chooses to have such a policy, it must update its written policies and procedures and apply that policy equally to all students.
 - Alternatively, the school could wait until the next regularly scheduled disbursement for a subsequent term (if there is one) to reevaluate/adjust.

Operational Recap

- **Can a student recoup reduced eligibility in a later term?**
 - Yes. If the borrower later becomes full-time or otherwise has remaining annual eligibility, the school can deliver the remaining amount later in the year.
- **Can a spring disbursement exceed half the annual amount?**
 - Yes, ED indicated substantially equal disbursement rules were waived, so the school may place the remaining annual eligibility in spring.
- **Does summer assigned to 2025-26 get SOR?**
 - No. Summer trailers assigned to 2025-26 are outside the effective date. Summer headers attached to 2026-27 are different.

Documentation for SOR Policies

- Your school's intent-to-enroll packaging assumptions
- When staff revisit awards after enrollment changes
- How the school handles add-backs or late increases within the same award year
- Whether the school uses one spring disbursement or an additional spring disbursement for the difference

Can We Prorate the Student Aid Index For Periods Other Than Nine Months?

- The Student Aid Index (SAI) is not prorated for periods other than nine months
- There is no option for schools to choose to prorate in these circumstances.
- The full nine-month SAI is used when calculating aid for summer and any other periods of enrollment that are less than or greater than nine months.
- There are no exceptions and you cannot use professional judgment (PJ) to prorate the SAI.

See Dear Colleague Letter [GEN-23-11](#) for more information.

Can a Student Receive the Entire Annual Loan Limit In a Single Term Under the OBBBA?

- Generally, no, based on the [requirement](#) for less-than-full-time enrollment.
- In other words, in a two-semester academic year (Scheduled Academic Year or Borrower-Based Academic Year), a single semester represents half the annual loan limit.
- Exception: Student evaluated in a later term and has regained full-time status.

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Can a graduate student still access Grad PLUS after July 1, 2026?

- A student must be enrolled in a program of study as of June 30, 2026, and must have already received a loan for that same program before July 1, 2026. If those facts are true, the borrower may continue under the prior limits for a limited period.
- This is not an automatic three-year off-ramp for everyone already in school. Remaining program time still controls.
- Enrollment does not factor in.

Example Time to Completion for 4-Year Program

Program	Time Remaining	Eligibility	Legacy Status
Year 1 complete	3 years remain	3	Legacy PLUS can continue through 2028-29
Year 2 complete	2 years remain	2	Legacy PLUS can continue through 2027-28
Year 3 complete	1 year remains	1	Legacy PLUS can continue only for 2026-27
Year 4 complete	0 years remain	0	No interim exception; new PLUS limits apply 7/1/26

If a Student Is Independent By One Of the Other Dependency Questions, Do We Need To Confirm Homelessness?

No.

If the student already qualifies as an independent student, the school is not required to confirm or verify their status as being homeless or at risk of homelessness.

Does a Student Still Qualify For the Pell Special Rule If Their SAI Is Twice the Maximum Pell Amount?

Yes. The student is still eligible for a maximum Federal Pell Grant under the Pell Special Rule for dependents of certain deceased military servicemembers and public safety officers. The U.S. Department of Education (ED) confirmed this during their [September 2025 Federal Update](#).

When Is a Direct Loan Considered "Made" For the OBBBA Loan Limit Legacy Provisions?

During [negotiated rulemaking \(Neg Reg\)](#), the U.S. Department of Education (ED) confirmed that the word "made," which is used broadly throughout the Direct Loan regulations, means the first disbursement has been made on the loan. The same meaning applies to the loan limit legacy provisions under the One Big Beautiful Bill Act (OBBBA/OB3) and [proposed regulatory text](#).

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Can We Include Institutional Charges For Non-Title-IV-Eligible Courses In the R2T4 Calculation?

No. Institutional charges (such as tuition, fees, institutionally contracted food and housing, etc.) for courses that are not Title IV-eligible cannot be included in the R2T4 calculation, as the student cannot earn Title IV aid to pay for them.

Under the Special Rule for Pell, What Does It Mean To Have Died In the Line Of Duty While Serving On Active Duty?

According to guidance NASFAA received from the U.S. Department of Education (ED), not all servicemember deaths count for this purpose. In order to qualify as having died in the line of duty, the death must be the result of a [service-connected](#) injury or disease acknowledged by the U.S. Department of Veterans Affairs (VA) as such.

A parent or guardian who died from natural causes or an illness while serving on active duty that is not connected to the servicemember's active duty service does not meet the died in the line of duty criterion.

Does a Student Need To Have Previously Borrowed a Graduate PLUS Loan To Qualify For the PLUS Legacy Provision?

- No, students who were enrolled in a program of study as of June 30, 2026, borrowing any type of Direct Loan (subsidized, unsubsidized, or PLUS) for that program at that institution prior to July 1, 2026, qualifies the student for the graduate PLUS Loan legacy provision under the [interim exception](#) for certain students.

Do Institutionally Determined Loan Limits Apply Equally To Legacy and Non-Legacy Borrowers?

Yes. Since the [proposed 34 CFR 685.203\(m\)\(2\)](#) does not distinguish between legacy and non-legacy borrowing, but does stipulate that "such limit is applied consistently to all students enrolled in that program of study," any such institutional limit must apply to all students in the same program of study.

Do We Need To Separate Income Earned From Work When Verifying Or Resolving Conflicts For Joint Tax Filers?

- If still married, there is no need to collect W-2s to separate income.
- If separated, divorced, widowed, or married to someone other than the individual included on the joint tax return when filing the FAFSA, the school does need W-2s and other schedules necessary to separate the income and remove it from the ISIR.

After Setting an Institutional Loan Limit For a Program of Study, Can the School Use PJ to Increase the Limit On a Per Student Basis?

- No, after setting an institutional loan limit for a specific program of study, a school may not increase that limit on a per student basis using professional judgment (PJ). The school may, however, use their regulatory authority to deny or further reduce a student's loan eligibility.

Readiness for OB3?

Our colleagues at McClintock CPA have created a tool to help you make that determination.

<https://ob3assessment.mcclintockcpa.com/>



Thank you for your time!

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