



We would like to take the opportunity to advise you of the [Budget Control Act of 2011](#) which was recently passed by Congress and signed by President Obama. Even though we would prefer that student federal aid programs were kept out of the budget process, Congress has chosen to include it in this most recent legislation and it results in two provisions to the federal student aid programs. ***The new law will not affect the amount of funding available, but will affect the costs to the borrower.***

The two provisions will have an impact on future federal student loan borrowing for graduate and professional students **effective July 1, 2012**. The two provisions are outlined below:

- **Elimination of the subsidy on Stafford loans made to graduate students**

Stafford loans lent to graduate students beginning with the 2012-2013 academic year will no longer be subsidized. While the total annual loan limit that students can borrow will remain unchanged at \$20,500, the full amount will be unsubsidized on which interest will accrue from the time the loan disburses as shown on the following chart:

<b>Annual Loan Limits for Graduate/Professional Students</b>			
2011-12 Academic Year		2012-13 Academic Year	
Subsidized Loan Maximum	Unsubsidized Loan Maximum	Subsidized Loan Maximum	Unsubsidized Loan Maximum
\$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 subsidized loans.

- **Elimination of the upfront fee rebate on Stafford and Grad PLUS loans beginning with the 2012-13 academic year.**

Loans borrowed prior to 2012-13 have an origination fee of 1% for Stafford loans and 4% for Grad PLUS loans. Currently there is a 1% origination fee on direct loans (0.5% assessed at disbursement and 0.5% if the borrower fails to make the first 12 months on time). The new provision calls for Stafford borrowers to be charged the full 1% regardless of on time payments.

For the PLUS, the total is 4% (2.5% on disbursement and 1.5% if the borrower fails to pay the first 12 months on time). In this case, the new provision calls for PLUS borrowers to be charged the full 4% regardless of on time payments.

If you have any questions, please feel free to [contact our office](#).