

§ 1075. Limitations on individual federally insured loans and on Federal loan insurance

(a) Annual and aggregate limits

(1) Annual limits

(A) The total of loans made to a student in any academic year or its equivalent (as determined by the Secretary) which may be covered by Federal loan insurance under this part may not exceed—

(i) in the case of a student at an eligible institution who has not successfully completed the first year of a program of undergraduate education—

(I) \$3,500, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 1088 of this title); and

(II) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as the length of such program measured in semester, trimester, quarter, or clock hours bears to one academic year;

(ii) in the case of a student at an eligible institution who has successfully completed such first year but has not successfully completed the remainder of a program of undergraduate education—

(I) \$4,500; or

(II) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year;

(iii) in the case of a student at an eligible institution who has successfully completed the first and second years of a program of undergraduate education but has not successfully completed the remainder of such program—

(I) \$5,500; or

(II) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year; and

(iv) in the case of a graduate or professional student (as defined in regulations of the Secretary) at an eligible institution, \$8,500.

(B) The annual insurable limits contained in subparagraph (A) shall not apply in cases where the Secretary determines, pursuant to regulations, that a higher amount is war-

ranted in order to carry out the purpose of this part with respect to students engaged in specialized training requiring exceptionally high costs of education. The annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any year in excess of the annual limit.

(C) For the purpose of subparagraph (A), the number of years that a student has completed in a program of undergraduate education shall include any prior enrollment in an eligible program of undergraduate education for which the student was awarded an associate or baccalaureate degree, if such degree is required by the institution for admission to the program in which the student is enrolled.

(2) Aggregate limits

(A) The aggregate insured unpaid principal amount for all such insured loans made to any student shall not at any time exceed—

(i) \$23,000, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 1078-1¹ or 1078-2 of this title; and

(ii) \$65,500, in the case of any graduate or professional student (as defined by regulations of the Secretary) and (I) including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student,² but (II) excluding loans made under section 1078-1¹ or 1078-2 of this title,

except that the Secretary may increase the limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive.

(B) The Secretary may increase the aggregate insurable limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive.

(b) Level of insurance coverage based on default rate

(1) Reduction for defaults in excess of 5 or 9 percent

(A) Except as provided in subparagraph (B), the insurance liability on any loan insured by the Secretary under this part shall be 100 percent of the unpaid balance of the principal amount of the loan plus interest, except that—

(i) if, for any fiscal year, the total amount of payments under section 1080 of this title by the Secretary to any eligible lender as described in section 1085(d)(1)(D) of this title exceeds 5 percent of the sum of the loans made by such lender which are insured by the Secretary and which were in repayment at the end of the preceding fiscal year, the insurance liability under this subsection for that portion of such excess which represents loans insured after the applicable date with respect to such loans, as determined under subparagraph (C), shall be equal to 90 percent of the amount of such portion; or

¹ See References in Text note below.

² So in original. There is no opening parenthesis.

(ii) if, for any fiscal year, the total amount of such payments to such a lender exceeds 9 percent of such sum, the insurance liability under this subsection for that portion of such excess which represents loans insured after the applicable date with respect to such loans, as determined under subparagraph (C), shall be equal to 80 percent of the amount of such portion.

(B) Notwithstanding subparagraph (A), the provisions of clauses (i) and (ii) of such subparagraph shall not apply to an eligible lender as described in section 1085(d)(1)(D) of this title for the fiscal year in which such lender begins to carry on a loan program insured by the Secretary, or for any of the 4 succeeding fiscal years.

(C) The applicable date with respect to a loan made by an eligible lender as described in section 1085(d)(1)(D) of this title shall be—

(i) the 90th day after the adjournment of the next regular session of the appropriate State legislature which convenes after October 12, 1976, or

(ii) if the primary source of lending capital for such lender is derived from the sale of bonds, and the constitution of the appropriate State prohibits a pledge of such State's credit as security against such bonds, the day which is one year after such 90th day.

(2) Computation of amounts in repayment

For the purpose of this subsection, the sum of the loans made by a lender which are insured by the Secretary and which are in repayment shall be the original principal amount of loans made by such lender which are insured by the Secretary reduced by—

(A) the amount the Secretary has been required to pay to discharge his or her insurance obligations under this part;

(B) the original principal amount of loans insured by the Secretary which have been fully repaid;

(C) the original principal amount insured on those loans for which payment of first installment of principal has not become due pursuant to section 1077(a)(2)(B) of this title or such first installment need not be paid pursuant to section 1077(a)(2)(C) of this title; and

(D) the original principal amount of loans repaid by the Secretary under section 1087 of this title.

(3) Payments to assignees

For the purpose of this subsection, payments by the Secretary under section 1080 of this title to an assignee of the lender with respect to a loan shall be deemed payments made to such lender.

(4) Pledge of full faith and credit

The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under the provisions of section 1080 or 1087 of this title.

(Pub. L. 89-329, title IV, § 425, as added Pub. L. 99-498, title IV, § 402(a), Oct. 17, 1986, 100 Stat. 1359; amended Pub. L. 100-50, § 10(a), June 3, 1987,

101 Stat. 341; Pub. L. 102-325, title IV, § 413, July 23, 1992, 106 Stat. 512; Pub. L. 103-208, § 2(c)(2), (3), Dec. 20, 1993, 107 Stat. 2460, 2461; Pub. L. 105-244, title IV, § 415, Oct. 7, 1998, 112 Stat. 1679; Pub. L. 109-171, title VIII, § 8005(a), Feb. 8, 2006, 120 Stat. 158.)

REFERENCES IN TEXT

Section 1078-1 of this title, referred to in subsec. (a)(2)(A), was repealed by Pub. L. 103-66, title IV, § 4047(b)-(d), Aug. 10, 1993, 107 Stat. 364, eff. July 1, 1994, except with respect to loans provided under that section as it existed prior to Aug. 10, 1993. Subsequently, a new section 1078-1, relating to voluntary flexible agreements with guaranty agencies, was enacted by Pub. L. 105-244, title IV, § 418, Oct. 7, 1998, 112 Stat. 1691.

PRIOR PROVISIONS

A prior section 1075, Pub. L. 89-329, title IV, § 425, Nov. 8, 1965, 79 Stat. 1238; Pub. L. 90-575, title I, §§ 116(b)(1), 120(a)(2), Oct. 16, 1968, 82 Stat. 1023, 1027; Pub. L. 92-318, title I, §§ 132A(a), 132B(a), June 23, 1972, 86 Stat. 261, 262; Pub. L. 94-482, title I, § 127(a), Oct. 12, 1976, 90 Stat. 2104; Pub. L. 95-43, § 1(a)(15)-(17), June 15, 1977, 91 Stat. 214; Pub. L. 95-566, § 5(b)(2), Nov. 1, 1978, 92 Stat. 2403; Pub. L. 96-374, title IV, § 412(a), (b), (f), title XIII, § 1391(a)(1), Oct. 3, 1980, 94 Stat. 1416, 1417, 1503; Pub. L. 97-35, title V, § 535(a), (b), Aug. 13, 1981, 95 Stat. 455; Pub. L. 99-272, title XVI, § 16013(e)(1), Apr. 7, 1986, 100 Stat. 341, limited Federal loan insurance, prior to the general revision of this part by Pub. L. 99-498.

AMENDMENTS

2006—Subsec. (a)(1)(A)(i)(I). Pub. L. 109-171, § 8005(a)(1), substituted “\$3,500” for “\$2,625”.

Subsec. (a)(1)(A)(ii)(I). Pub. L. 109-171, § 8005(a)(2), substituted “\$4,500” for “\$3,500”.

1998—Subsec. (a)(1)(A)(i)(I). Pub. L. 105-244, § 415(1)(A), inserted “and” after semicolon.

Subsec. (a)(1)(A)(i)(II), (III). Pub. L. 105-244, § 415(1)(B), added subcl. (II) and struck out former subcls. (II) and (III) which read as follows:

“(II) \$1,750, if such student is enrolled in a program whose length is less than one academic year, but at least $\frac{2}{3}$ of such an academic year; and

“(III) \$875, if such student is enrolled in a program whose length is less than $\frac{2}{3}$, but at least $\frac{1}{3}$, of such an academic year;”.

Subsec. (a)(1)(A)(iii)(II). Pub. L. 105-244, § 415(2), inserted “and” after semicolon at end.

1993—Subsec. (a)(1)(A)(ii), (iii). Pub. L. 103-208, § 2(c)(2)(A), added cls. (ii) and (iii) and struck out former cls. (ii) and (iii) which read as follows:

“(ii) the case of a student who has successfully completed such first year but has not successfully completed the remainder of a program of undergraduate study—

“(I) \$3,500, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 1088 of this title);

“(II) \$2,325, if such student is enrolled in a program whose length is less than one academic year, but at least $\frac{2}{3}$ of such an academic year; and

“(III) \$1,175, if such student is enrolled in a program whose length is less than $\frac{2}{3}$, but at least $\frac{1}{3}$, of such an academic year;

“(iii) in the case of a student at an eligible institution who has successfully completed such first and second year but has not successfully completed the remainder of a program of undergraduate study—

“(I) \$5,500, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 1088 of this title);

“(II) \$3,675, if such student is enrolled in a program whose length is less than one academic year, but at least $\frac{2}{3}$ of such an academic year; and

“(III) \$1,825, if such student is enrolled in a program whose length is less than $\frac{2}{3}$, but at least $\frac{1}{3}$, of such an academic year; and”.

Subsec. (a)(1)(A)(iv). Pub. L. 103-208, §2(c)(2)(B), substituted a period for semicolon at end.

Subsec. (a)(1)(C). Pub. L. 103-208, §2(c)(3), added subpar. (C).

1992—Subsec. (a)(1)(A). Pub. L. 102-325, §413(1), added cls. (i) to (iv) and struck out former cls. (i) to (iii) which read as follows:

“(i) \$2,625, in the case of a student who has not successfully completed the first and second year of a program of undergraduate education;

“(ii) \$4,000, in the case of a student who has successfully completed such first and second year but who has not successfully completed the remainder of a program of undergraduate education; or

“(iii) \$7,500, in the case of a graduate or professional student (as defined in regulations of the Secretary).”

Subsec. (a)(2)(A). Pub. L. 102-325, §413(2), added cls. (i) and (ii) and concluding provision and struck out former cls. (i) and (ii) which read as follows:

“(i) \$17,250, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 1078-1 or 1078-2 of this title; and

“(ii) \$54,750, in the case of any graduate or professional student (as defined by regulations of the Secretary and including any loans which are insured by the Secretary under this part, or by a guaranty agency, made to such person before he or she became a graduate or professional student), excluding loans made under section 1078-1 or 1078-2 of this title.”

1987—Subsec. (a)(2)(A)(i). Pub. L. 100-50, §10(a)(1), inserted “, excluding loans made under section 1078-1 or 1078-2 of this title” after “undergraduate education”.

Subsec. (a)(2)(A)(ii). Pub. L. 100-50, §10(a)(2), inserted “, excluding loans made under section 1078-1 or 1078-2 of this title” after “graduate or professional student”.

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-171, title VIII, §8005(e), Feb. 8, 2006, 120 Stat. 159, provided that: “The amendments made by subsections (a), (b), and (d) [amending this section and sections 1078 and 1078-8 of this title] shall be effective July 1, 2007.”

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-244 effective Oct. 1, 1998, except as otherwise provided in Pub. L. 105-244, see section 3 of Pub. L. 105-244, set out as a note under section 1001 of this title.

EFFECTIVE DATE OF 1993 AMENDMENT

Amendment by section 2(c)(2) of Pub. L. 103-208 effective on and after July 1, 1994 and amendment by section 2(c)(3) of Pub. L. 103-208 effective on and after Dec. 20, 1993, see section 5(b)(2), (6) of Pub. L. 103-208 set out as a note under section 1051 of this title.

EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102-325 effective July 23, 1992, with changes made in subsec. (a), relating to annual and aggregate loan limits, applicable with respect to loans for which first disbursement is made on or after July 1, 1993, except that changes made in subsec. (a)(1)(A)(i) applicable with respect to loans for which first disbursement is made on or after Oct. 1, 1992, and except that changes made in subsec. (a)(1)(A)(iv) applicable with respect to loans to cover costs of instruction for periods of enrollment beginning on or after Oct. 1, 1993, see section 432 of Pub. L. 102-325, set out as a note under section 1078 of this title.

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by Pub. L. 100-50 effective as if enacted as part of the Higher Education Amendments of 1986, Pub. L. 99-498, see section 27 of Pub. L. 100-50, set out as a note under section 1001 of this title.

EFFECTIVE DATE

Section effective Oct. 17, 1986, except that subsec. (a) of this section applicable only to loans disbursed on or

after Jan. 1, 1987, or made to cover the costs of instruction for periods of enrollment beginning on or after Jan. 1, 1987, see section 402(b) of Pub. L. 99-498, set out as a note under section 1071 of this title.

§ 1076. Sources of funds

Loans made by eligible lenders in accordance with this part shall be insurable by the Secretary whether made from funds fully owned by the lender or from funds held by the lender in a trust or similar capacity and available for such loans.

(Pub. L. 89-329, title IV, §426, as added Pub. L. 99-498, title IV, §402(a), Oct. 17, 1986, 100 Stat. 1361.)

PRIOR PROVISIONS

A prior section 1076, Pub. L. 89-329, title IV, §426, Nov. 8, 1965, 79 Stat. 1238; Pub. L. 94-482, title I, §127(a), Oct. 12, 1976, 90 Stat. 2106; Pub. L. 96-374, title XIII, §1391(a)(1), Oct. 3, 1980, 94 Stat. 1503, related to insurability of loans made from funds owned by lender or held by lender in trust, prior to the general revision of this part by Pub. L. 99-498.

§ 1077. Eligibility of student borrowers and terms of federally insured student loans

(a) List of requirements

Except as provided in section 1078-3 of this title, a loan by an eligible lender shall be insurable by the Secretary under the provisions of this part only if—

(1) made to a student who (A) is an eligible student under section 1091 of this title, (B) has agreed to notify promptly the holder of the loan concerning any change of address, and (C) is carrying at least one-half the normal full-time academic workload for the course of study the student is pursuing (as determined by the institution); and

(2) evidenced by a note or other written agreement which—

(A) is made without security and without endorsement;

(B) provides for repayment (except as provided in subsection (c) of this section) of the principal amount of the loan in installments over a period of not less than 5 years (unless sooner repaid or unless the student, during the 6 months preceding the start of the repayment period, specifically requests that repayment be made over a shorter period) nor more than 10 years beginning 6 months after the month in which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except—

(i) as provided in subparagraph (C);

(ii) that the note or other written instrument may contain such reasonable provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default by the borrower, as may be authorized by regulations of the Secretary in effect at the time the loan is made; and

(iii) that the lender and the student, after the student ceases to carry at an eligible institution at least one-half the nor-