

# NASFAA's "Off the Cuff" Podcast – Episode 364 Transcript

## OTC AskRegs Experts: Diving Into Schedule of Reductions (SOR)

Speaker 1:

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Hugh Ferguson:

Hey, everyone. Welcome back to another episode of Off the Cuff. I'm Hugh Ferguson with our communications team.

David Tolman:

I'm David Tolman with Training and Regulatory Assistance.

Norma Robinson:

I'm Norma Robinson and I'm back for more. I'm with Training and Regulatory Assistance as well.

David Futrell:

And I'm David Futrell. I am also with Training and Regulatory Assistance.

Hugh Ferguson:

Yeah. So we've got our TRA crew with us this week to get even more into the weeds on all the regulations we've been sorting through these last couple of weeks before we came on. I was just noting about how the change in the timelines and just everything coming out has left me very confused with what day or month it actually is. And as we get towards the end of our fiscal year, everything seems to be happening all the time. And so yeah, just wondering, how's the TRA team doing with coping with everything that's been coming out lately?

David Futrell:

Are we allowed to answer that question honestly?

Norma Robinson:

David, this is Off the Cuff. So please be as off of the cuff as you want to be.

David Tolman:

It's something.

Norma Robinson:

I'll go ahead and start. First thing I do is I always wake up and I check my phone so that I know the date, I know the day, I know what time so that I don't automatically log on on a Saturday or something because we would not want that to happen.

David Tolman:

I've done that before.

Norma Robinson:

Oh, my gosh. My nightmare. But no, probably I guess what I do during the day, I spend my time working on a computer. I joke that it's me and Judge Marilyn Milian in my house working because I keep People's Court on repeat all day while I'm working. So low stakes, I don't have to pay attention unless I want to. So that's what I do.

David Tolman:

Mine's music and I'm like, "Okay, what do I listen to?" And Spotify has a billion playlists that they customize for you, but they have their day list, which is based on what your habits are; on this day at this time of the day, this is what you listen to. And so on Thursday morning, which usually actually Thursdays are stressful because we have a lot of NASFAA U courses. We have a regulatory call. We have podcast things. My day list is ambient neoclassical Thursday morning. So I just have my Zen music. I must have it on Thursdays in the background, because I know on other days I get Coastal Grandmother is what it's called. I don't even know what they mean.

Hugh Ferguson:

That is a great title. I feel like everyone on NASFAA staff should put together their own personalized playlist and figure out what their vibe is. What about you, David?

David Futrell:

And for me, everybody knows that I can't walk and chew gum at the same time. So if I'm listening to something, my eyes aren't working. If I'm reading something, my ears aren't working and that's just the way it is. So I don't listen to anything in the background during the day except my own tortured thoughts about what I'm reading and how to implement this stuff.

Hugh Ferguson:

But it's been so simple and straightforward this year, hasn't it, David? It hasn't been too difficult.

David Futrell:

It has been everything but.

Norma Robinson:

We need to know David's inner monologue.

David Futrell:

Well, you all usually hear it in our regulatory meetings. For those of you out there, we meet twice a week and we hash out your regulatory questions. Yeah, I have lots of opinions.

Hugh Ferguson:

We'll have to see if there's a meme that accurately expresses your emotions during these meetings. Or maybe you guys can share what the vibe is for each week, just a quick-

David Futrell:

Isn't there a Disney movie where the emotions are all different characters?

Hugh Ferguson:

Inside Out.

David Futrell:

There you go. Picture that. Picture that. That's all of those in 10 minutes.

Hugh Ferguson:

Oh, awesome. So yeah, if anyone just wants to fast-forward that movie, you can get a sense of what visually-

Norma Robinson:

See David's moods change.

Hugh Ferguson:

Well, yeah. It's been a crazy couple of weeks. I say that every week, but now, especially as we're getting close to another July 1st, we've got so many moving parts going on. And yeah, I know last week we did talk about more aspects of OB3 implementation with Jill and Sarah going over the RISE final rules. But today with having TRA on, I know there are more aspects of the rules that you guys get into. And so I was wondering if you could highlight what's keeping you up at night with these last couple of weeks?

David Tolman:

Well, there's a lot with these new regulations coming into effect on different schedules, but we thought for today we could narrow it down to one, which is a source of a lot of questions that are coming in, and that's the Schedule of Reductions or SOR. And we've got a podcast time limit. So there's not a lot of time to cover even Schedule of Reductions. Obviously we couldn't get into the calculation and all the stuff that we typically would if we were training on it.

Hugh Ferguson:

Yeah. So there seems to be a lot of confusion and anxiety among financial aid administrators on this topic. And Jill and Sarah worked through the regulatory package last week, but could you just remind listeners about what's different in this set of regulations than previous cycles?

David Tolman:

Yeah. What's driving a lot of this is the timeline and the implementation and the staggering of things. So typically, in regulations, proposed rules come out early enough to get comments and then final rules are published by November 1st. And in a normal set or a normal set of final rules, they would need to be

published by November 1st in order to take effect the following July 1st. And sometimes there's options for early implementation, but it's always options.

But Congress, when they passed OB3, waived that specific timeline, and in some cases said it's effective immediately as soon as this is signed into law, and that was really impossible just to implement it. But that whole November 1st was waived. And we know proposed rules, I can't remember the timeline on all the different packages, but we just got this month is when we started getting final rules. And even then usually final rules kick off a process of some trainings and some sub-regulatory guidance. Anyway, that's what's different: the November 1st timeline was waived by Congress.

Hugh Ferguson:

Right. And so even though we're starting to see final rules for these various negotiated rulemaking committees that went on, why is it that we still have outstanding questions now that we have some of these published final regulations?

David Futrell:

So ideally the regulations would be clear and you would not need a bunch of additional explanation in a federal register preamble discussion or even in sub-regulatory guidance. But unfortunately, you can't squeeze everything into the regulatory text and you certainly can't squeeze all of the scenarios and examples into regulatory text. So that's where preamble discussions come into play and that's when sub-regulatory guidance has to be issued to fill in all the gaps.

The law is very broad. The regulations narrow that down and then the preamble helps explain why the final regulations are the way they are and explanations of why they evaluate... Well, evaluation of school's financial aid administrators and other people's comment they address in the preambles. But sometimes even the preamble discussion isn't enough and they need sub-regulatory guidance, like guidance in the Federal Student Aid handbook, the FSA handbook or in FAQs or dear colleague letters or electronic announcements.

So can't fit it all into the preamble discussions. So the department, most of the time, comes out with implementation guidance for the new rules, and that's what we're still waiting on here. We got some FAQs this morning about Expected Time to Credential and other areas but not Schedule of Reductions, which we're discussing today.

Hugh Ferguson:

Right. And yet we also have a couple of webinars that have come out from the department that we've been following. And so even though we're getting closer to July 1, there's still updates that are coming out. So it's getting down to the wire here. But David, yeah, the effective date for the Schedule of Reductions is July. So what exactly does that mean?

David Futrell:

The Schedule of Reductions, being effective July 1st, the department has interpreted that as any payment period or term... First of all, these only apply to term-based programs and so it's all about which award year you assign your term to. So if summer is a trailer and it's a part of the '25, '26 award year, SOR does not apply. You do your packaging and just like you always would for loans. But if summer is attached to the '26, '27 academic year as a header, then SOR applies to '26, '27 starting with summer. So it's effective with the '26, '27 award year. Even though it says effective July 1st, it's for '26 '27, and that includes summer terms that are headers, even if they start before July 1st.

Hugh Ferguson:

Got it. Okay.

David Futrell:

I hope I didn't muddy that up too much.

Hugh Ferguson:

No, that was great. Yeah. So we've got a new, or at least a new acronym for me, SOR, Schedule of Reductions, which when I was reading over some of our comments and the first reference I saw to it was SOR. I'm like, "What exactly is this? I have not seen this before." I wasn't even sure the correct enunciation of the acronym. But Norma, for other listeners, can you explain what is meant by Schedule of Reductions?

Norma Robinson:

Yeah. So there's part of the One Big Beautiful Bill Act that states that a student's direct loan eligibility has to be reduced when they are enrolled on a less than full-time basis over the academic year. So the Schedule of Reductions is the way that schools will make those reductions. So to me, it's more a formula. When I think of a schedule, I do not think of this.

So it's really more of a formula that will provide schools. They can put in the student's enrollment, you can have a look at the formula, it's in the final rule that will give them that reduced limit based on the proportion to which the student is enrolled less than full-time. So it's a Schedule of Reductions, but really, to me, it's a formula, but it's giving you that reduced eligibility for that student based on their enrollment pattern.

David Futrell:

I think during neg reg, the department had envisioned releasing something they were going to call a Schedule of Reductions where if the students have time, this is their loan amount, this three-quarter [inaudible 00:13:34], this is their loan amount. I think they quickly realized that that would not work and it became this formula.

Hugh Ferguson:

Got it. Okay. So what loans does this apply to? Does it apply to all academic programs?

Norma Robinson:

Yeah. So it's almost easier to think about it in terms of, "What doesn't it apply to?" But yeah, as far as the loans that you are applying this schedule to, it is all direct loans, except for Parent PLUS Loans. So when I say all, I do mean all, and I even mean Graduate PLUS Loans. So we know that Graduate PLUS Loans will be eliminated for borrowers. Not going to get into the interim exception, but eliminated for borrowers as of July 1, but those Grad PLUS Loans that you can still package for students, those are also affected by SOR.

So it's all of the direct loans with the exception of Parent PLUS. It also applies to term-based programs. So that's going to be most of your programs. So the only exemptions there are if they are non-term programs. So we're talking about non-term credit hour programs, we're talking about clock hour programs. According to the preamble, it also seems to apply to certain programs that may have terms, but they track the student's progression by the successful completion of weeks and hours.

I'm not going to get into the details of that, but most schools, if you know, you know. So you will know whether or not that would apply to you. We're thinking that by that ED means those non-standard term non SE9W programs, but we are awaiting confirmation on that. But for the most part, if your program is a term-based program, meaning that it's not non-term, then SOR will also apply.

David Futrell:

Can I add to that? It's legacy or non-legacy borrowing. So interim exception/legacy or post-July 1st new loan limits. So it applies to both.

Norma Robinson:

Yeah. Being a package based on the interim exception does not get you out of SOR, so it still applies.

Hugh Ferguson:

Got it. So yeah, there's a lot to sort through with SOR and-

Norma Robinson:

Sort through? Was that intentional?

Hugh Ferguson:

No, that was not intentional. I'm still adjusting, because I feel like saying SOR, there should be an A in there, but each acronym gets its own enunciation, but...

David Tolman:

I think it's more like sore. There should be an E at the end.

David Futrell:

There you go.

Hugh Ferguson:

Oh, man. But yeah, there's so many details on this, enunciations and acronyms aside. But Norma, you're working on an upcoming webinar that digs into this further. Will SOR be covered then?

Norma Robinson:

Short answer, yes, we will be. Remember, this webinar is Top AskRegs Questions, OBBBA edition. So I feel like we would be remiss if we did not talk about SOR because we get a lot of questions about that. So much so, and there's so much to talk about during this webinar that it's actually been expanded from a 90-minute webinar to 120 minutes.

So you are getting me as well as my colleague, Jennifer Philen, for two hours that day. We're going to be talking SOR. We will also be talking about other OBBA provisions that apply to direct loans. So we'll be talking about Expected Time to Credential or ETTC. If you are a fan of acronyms like I am, we'll be talking about the interim exception. We'll also be talking about the new loan limits. So yeah, there's a lot.

Hugh Ferguson:

Great. Yeah. And so for people that have already signed up for the webinar or those that are just looking into it now, what do you hope that attendees will understand after viewing it?

Norma Robinson:

Well, I hope you understand SOR. I'm kidding. Because there's a lot to that, but seriously, I do hope that maybe you gain a little bit more confidence and maybe come out thinking that you know more than you thought you did. There's a lot that's uncertain out there, but you probably do know more about how to apply this, how it works than maybe you thought you did.

And then secondly, I hope that everyone understands how hard that we are working to try to get answers for you and put the information out there in a way that's understandable, but also understanding that there are still a lot of things we don't know. And we are getting a lot of this information at the same time you guys are. So we didn't get a sneak peek at the final rule or anything like that. So when that information comes out, we are on it.

We are trying to make informed interpretations based on things we know, trying to apply the logic. We are doing the best we can. So I hope that comes across on the webinar. And we are also trying to be transparent about the things that we do not know still so that you have some clarity there. We can confirm some things that we already know to be true, but yet, at the same time, make you aware of things that we are still trying to get clarification on.

Hugh Ferguson:

Great. Yeah. So I guess it's important to be using a lot of timestamps for when we're talking about these issues. So as of our recording today, this is what we understand as of May 21st around noon.

Norma Robinson:

Exactly.

Hugh Ferguson:

So anything that comes after that could be different, but yeah, I think it's good to focus on SOR today since we do know some things. But for SOR implementation, what concepts do financial aid administrators generally understand? And in what areas is there still a lot of confusion? Do we have places where there are questions that still need to be answered from ED? And let's just start with the topics that financial aid administrators understand as of, again, Thursday at noon on May 21st.

David Tolman:

Yeah. I think maybe one area that financial aid understands that the type of loans that it applies to, basically all direct loans except for Parent PLUS. And then the types of programs, so those term-based where you monitor by the term, because in the non-term there's not really a full-time. You've got to basically complete everything in a payment period that you're expected to complete, which is half of an academic year definition and the academic year definition ties back to full-time without going into much detail on that.

I think that's one. And then I think they understand maybe the direct loan eligibility requirements still apply. It didn't waive other things. Students still need to be enrolled half-time or greater to receive a loan. There's no less than half-time to apply a calculation to. And then all the other concepts, borrower-based, scheduled academic year, loan limits. And then we talked a little bit about this yesterday, but

loan proration. This isn't a new proration that replaces a former proration, and that's one of the reasons SOR or Schedule of Reductions is used rather than proration.

Because proration rules, somebody's in a remaining period of study, for example, in their last term and you're doing a single loan for that or a single payment period loan, you still have to prorate that amount. We'll talk about that. There's a portion of that, which is unknown, but I think people pretty much understand you still need to do this proration piece. And then I don't know, David, maybe you can talk about this one because it is a little bit of a change. It is possible just to presume full-time enrollment when you're packaging upfront, right? And that's a change.

David Futrell:

Yeah. The Department of Ed up until now, and it was in formal guidance, it was never in the handbook, but the Department of Ed had said that you should not originate a direct loan based on a presumption or assumed enrollment up until now. But that rule is out the window and the department is allowing you to assume full-time enrollment or you assume part-time enrollment, or if there's six credits in the fall, you can assume they will be six credits in the spring unless you know otherwise.

So that is a big change that went under the radar here, but it's built into this whole... now that you have to package over the... you have to consider loan eligibility over the entire award year, excuse me, for loans, it's that really academic year and not award year. So you have to determine the eligibility over the entire academic year. So you have more of a need to assume enrollment status for the second and the third term in that academic year, for example. So the department has loosened up that interpretation a little bit.

David Tolman:

Yeah. So I think as we are waiting for guidance to come out, sometimes suggested maybe if you can, because schools have been doing this with Pell for a long time. Do you project on full-time enrollment for Pell and award a full scheduled Pell, and then when it comes time to disburse, you actually adjust based on their enrollment at disbursement time? And that's how it can work with loans as well with this Schedule of Reductions. Apply it at the time of disbursement if you originally package them at full-time and now they're less or vice versa and that's with each disbursement.

And then I think the formula itself, the calculation, I think they're getting that and I got a preview of what Norma and Jennifer are going to be talking about in the webinar next week. Last week I got a preview of it, and this is where we're limited in the podcast format to be able to talk about the calculation, but Norma and Jennifer will go through those steps on some examples next week. I think those are the areas where financial aid administrators still pretty much understand what's going on.

Hugh Ferguson:

Got it. Great. So David, can you talk us through then where some of the confusion still exists?

David Tolman:

Well, I think there's confusion around the July 1st implementation, and want to make it clear when we talk about implementation for Schedule of Reductions, it's different than estimated time to completion and other parts of the OB3. So this applies only to Schedule of Reductions. David Futrell talked about this a little bit earlier in the podcast, but '26, '27, if the academic year or the award year that you're assigning the loan to is part of the '26, '27, then it applies Schedule of Reductions. It's not a hard change on July 1st, but there are other OB3 provisions, including those impacting loans that have a July 1st. Have I summarized that okay, guys? Is there anything else to...

David Futrell:

Yeah, that sounds about right. The loan limits are effective July 1st. The Expected Time to Credential is effective July 1st with some caveats where you have to take into consideration the number of years they've been in that program prior to July 1st. But yeah, just to illustrate where there are differences in the dates in other areas, effective dates in other areas.

David Tolman:

And then another area could be the enrollment status that you're using to plug into the formula and for other purposes it needs to match NSLDS reporting, right, Norma?

Norma Robinson:

Yeah. That's what I think we are starting to glean as more information comes out that a lot of these things are you will follow your enrollment reporting standards. So with regard to when a student maybe withdraws from credits or drops credits versus maybe completes credits and gets an F, whether or not you have to consider those as part of the SOR calculation, that determination is based on what do you do with those credits when you are doing your NSLDS reporting? So these are the kind of things when I'm talking about information as it comes out, we have to start trying to make those informed interpretations and that's where I think we are getting to there.

David Futrell:

And Tammy has specifically set out, she set out during webinars that in the end it's tied to that NSLDS enrollment reporting status. So if the student changes enrollment status after their first disbursement in the fall, they change enrollment status. Even though you lock them in at a census date, they change their enrollment status, you're going to be reporting them as less than full-time to NSLDS. So that's what you're going to do come time of reevaluating the SOR at the time of the spring disbursement. It's about what you're reporting to NSLDS. Now, you discuss with your registrar what you're reporting to NSLDS, but what you report to the NSLDS is what you have to use for SOR.

David Tolman:

Yeah. And that reminded me of a time when I used to be at a school, and the registrar was really reluctant to share that information with us because they didn't want financial aid looking over their shoulder on their NSLDS reporting. And I can imagine some schools are going to... If you have those kinds of things going on, it's going to... "Hey, we need to take a look. We need to look. We need to be consistent." But that was a long time ago. Then another one I'm going to say, "Well, we're going to discuss this."

The opinions expressed in the following discussion are our own and don't necessarily represent NASFAA or its staff, but it's about summer and how summer fits into your academic year definition, and is summer required or is it optional? So for example, if it's expected the academic year is on a semester, easy example, fall and spring semesters, they're not expected to attend summer. They can. Generally, schools will define the academic year for that kind of a program as 30 weeks of instruction and 24 credit hours, because that's what a student would attend during the academic year, 30 weeks.

And if they're full-time, it would be 12 credits each semester, 24 credits. And so 24 credits is going to be used in that SOR denominator. But boy, if it's required part of the academic year, you're going to have to have an academic year definition that's consistent with that. But the problem comes up when schools, if they insist on doing a summer-only loan. We're going to take a sidestep for a second and maybe even

move away a little bit from SOR, but they definitely intersect with summer. There's problems with doing a summer-only loan.

David Futrell:

There are now.

David Tolman:

And it has to do with... Well, one of the big ones is SAI in addition to SOR, right?

David Futrell:

Right.

David Tolman:

So if you do a summer-only loan, what's the SAI?

David Futrell:

Nine months.

David Tolman:

Based on nine months. And then you do a fall, spring loan. What's it based on? Nine months.

Norma Robinson:

Nine month SAI. I did not sign up for a quiz today, David Tolman.

David Tolman:

I can't help myself. I'm involved in too many NASFAA U courses.

Norma Robinson:

Yes. But yes, you are using that same nine-month SAI regardless of the length of that payment period. So makes a big difference.

David Futrell:

Yeah. The paradigm has shifted away from summer-only loans. You're evaluating Schedule of Reductions over the entire academic year, and if the student is enrolled in summer, you're evaluating SOR over the entire academic year, including summer. So schools really should start thinking in a different way and start thinking away from summer-only loans. Because if you've got a summer header and you know they're going to be enrolled, you should probably go ahead and do summer, fall, spring, because that's how you can calculate the loan eligibility under the SOR, Schedule of Reductions.

That's how you're going to determine whether it's still full-time and whether Schedule of Reductions even applies. So there's a paradigm shift here that I think a lot of schools aren't quite getting yet, that they're still sticking to summer-only loans. And this is an evaluation over the entire academic year, an evaluation of enrollment status over the entire academic year. So maybe we need to be rethinking that a little bit.

David Tolman:

And also, looking back at the denominator, and this is going to be really tuned into that webinar. But in the denominator, going back to that semester example, if summer is optional, it's going to be 24 credits because they would be expected to complete fall and spring full-time 24 credits.

But if summer is required, then you put in another 12 credits in that denominator and it becomes 36. And that goes back to academic year definitions, which I think a lot of schools, especially traditional schools, may not have just thought, "What is our academic year?" Or it's not defined in paper somewhere. Would you agree with that based on the kind of questions that are coming in?

David Futrell:

Yeah, I think a lot of schools are looking at the academic year now and realizing that, "Oh, our academic year doesn't really match what our students are doing."

Norma Robinson:

Yeah. And I think that we are using 24 and 36 here... Of course, 24 is what's in the regulation as the minimum number of hours or hours in the academic year for these term-based programs. But I just want to clarify that if your academic year definition is 24 credits for the academic year, you'll use that. If you are using a different number, if your defined academic year is a different number, you would use that number in the calculation. So don't just automatically default to 24 or 36 because we're saying that here. You do want to make sure that you are using your definition.

David Tolman:

Yeah. So we could talk a lot about that and maybe if there's a lot of feedback, we will talk about summer and packaging in a separate podcast later.

Norma Robinson:

I will not be here for that one.

David Tolman:

Yeah. But then the other place for confusion, there's so many nuances to this. The withdrawals and drops and timing. And are schools taking a second look within the same semester? They disperse, say, in August, but are they taking another look at students' status in December? Don't need to. You don't need to look at it again until spring, but sometimes they're saying, "Okay, we're planning to do this." And that actually does add some complications to it as well, right?

David Futrell:

Yeah. SOR is only required at the time of each... the SOR evaluation is at the time of each disbursement. If you choose to have a policy to evaluate more frequently, say the student dropped to six credits after the fall disbursement and you want to go ahead and make that adjustment prior to the spring disbursement rolling around when you would actually have to do the SOR evaluation, you can do that. You just have to have a policy and stick with it and apply it consistently to all students.

David Tolman:

Yeah. So those are areas of confusion where there is information out there, which is different than there's some areas of confusion because we're still waiting guidance on certain things, that sub-

regulatory guidance that David Futrell talked about earlier and one of those, and maybe David, I'll throw this one your way, mid-year grade level changes.

David Futrell:

Don't throw it my way because I don't know how to answer the question.

David Tolman:

Well, it's an area that we're waiting for information. So all of these now we don't know. We don't know yet. We're waiting.

David Futrell:

Yeah, we're trying to-

David Tolman:

Don't send it into AskRegs yet if you have this same question.

David Futrell:

Yeah. These are ones that you should hold off until you see an AskRegs article actually published in AskRegs. Yeah, we're trying to figure out all the combined years in Title IV, and we are still having trouble figuring out how to apply a grade level change between modules during the same term or grade level change during the academic year. It's a little easier if they change between terms or between payment periods within the academic year. It's easier. Supplemental loan additional eligibility, reevaluate SOR. But for students who change grade levels after one module in the middle of a term, yeah, I don't even know how to touch that.

David Tolman:

And then, Norma, maybe you could take this next one. When both historical loan proration and SOR apply, and we can assume on some of this, but we don't have it confirmed yet.

Norma Robinson:

Yeah, this is another one of those. And again, I'm going to go ahead and shout out Brad Barnett here because I think he was the one who created Historical Loan Proration or as I like to call it HELP. Again, fan of acronyms, so I'm going to call it HELP. But I think again, like I say, we are trying to make the most informed interpretations here, and I think what we are assuming is you apply historical loan proration first, because if you look at what ED has said during some of their webinars, you start with the student's maximum eligibility. So that is why we are leading toward you starting with the historical loan proration first and then you apply SOR second. Again, this is our informed understanding. We are waiting on confirmation for this, but this is the direction that we are going at this point.

David Tolman:

Yeah. David, anything you want to add?

David Futrell:

No, you just apply the preexisting historical loan proration formula. You get your new loan eligibility and that is the amount that is your starting point in the SOR calculation, step one of the SOR calculation

itself. So that's how that would apply. We're pretty sure that's where ED is going. The federal registered language brings up double proration and the department insists that it's not double proration. Okay, fine, but you got to apply two proration formulas to the student.

David Tolman:

And just a reminder, when we say historical loan proration, we're talking about a student who is enrolled in a program that's shorter than an academic year in length or has a final period of enrollment that is less than an academic year in length and you're doing a loan for that shorter period.

Norma Robinson:

Right. For undergraduate students.

David Tolman:

Undergrad. Thank you.

Norma Robinson:

Historical loan proration in that sense does not apply to graduate students. So this would be a sticking point only for those undergraduate programs.

David Futrell:

But SOR applies to grad and undergrad, just being clear on that.

Norma Robinson:

Yes.

David Tolman:

Yeah. Then another area that we're waiting on is overlapping academic years for transfer students and there's a lot of variations of that. But I don't know. David, do you want to take that one?

David Futrell:

Yeah, we were struggling with this one. I had originally answered an AskRegs question with, "Okay, the FSA handbook guidance for a transfer student is, in their first term at the new school, let's say School B, calculates their student's eligibility for that first term at the new school, School B, minus what they received at the prior school, School A."

That has been the traditional way we calculate loan eligibility for that first term at the new school. And then after that first term at the new school, you calculate their loan eligibility and minus what they previously borrowed at your school in that first term at your school. Well, the department put out one of their examples in the April 10th presentation, I think it was the April 10th presentation, one of the examples only says to apply the new single term formula.

So do you apply only the single term formula for transfer students now and ignore that previously existing FSA handbook guidance for processing loans for transfer students or do you have to do both? We don't know. So we started answering questions one way and we're like, "Now we're second-guessing that because the FSA presentation only has a single term loan calculation when it refers to a transfer student." So we're back in the confused boat on that one.

David Tolman:

Yeah. So another one, transfer student scenarios, if you can hold off on submitting those to AskRegs. The other one, Norma talked about this a little bit earlier, "If you know, you know." But there are term programs that are non-standard terms and the terms are not substantially equal in length or there's a term that is less than nine weeks in length. And those schools, even though they're term-based, monitor student loan progression like their non-term.

And so we're waiting for confirmation. We think that schools would not apply SOR in this situation, because students have to complete all the hours and weeks in the academic year definition before they progress to the next academic year. So there's not really a full-time... Makes sense that way, but we haven't received confirmation for sure, but I think those schools know. Then David-

David Futrell:

The federal-

David Tolman:

... do you want to take SOR and... Oh, go ahead.

David Futrell:

The federal register actually does say that they plan on issuing implementation guidance on the non-standard term piece, so that's what we're waiting for. Sorry, David.

David Tolman:

Yeah. No, no worries. You want to talk about SOR and Satisfactory Academic Progress?

David Futrell:

Sure. All right, this is one of those where we went out on a limb based on previous guidance, and that's about SOR and SAP, Satisfactory Academic Progress. So what if the student is not meeting SAP and is not Title IV eligible during the fall, but they come back, they regain SAP at the end of fall, so they're eligible again for the start of spring?

We think that because that student was not eligible in the fall, not Title IV eligible, not eligible for any Title IV funds, that you would not include those credits in the SOR calculation, and that we think that you'd do a single term spring-only calculation in that instance and not give them credit for the fall credits that they took while they were not eligible under SAP. We think that's the right answer, but SOR is an evaluation over the enrollment status over the entire academic year.

So the department could conceivably come back with a different answer here. They could come back with a different answer. So we're giving the most conservative response here, not eligible for those credits that were taken during the term and they were not Title IV eligible, those do not go in the denominator, but that's the most conservative approach. We're still waiting on confirmation from ED on that one.

Hugh Ferguson:

Okay, got it. So yeah, there's a lot up in the air. This topic isn't going anywhere, there's going to be a lot more conversations on SOR. But Norma, with the next most likely thing, being the May 27th webinar, we could have something in Today's News, but I think it's safe to assume that that webinar is going to be the next thing to come up on SOR. What other topics do you plan on covering during that session?

Norma Robinson:

Yeah, we could do an entire 120 minutes on SOR, but we're not because the OBBBA, there were a lot of other provisions that don't just apply to direct loans. So even though this is Top AskRegs Questions and these are not things that you have asked us about yet, and I'm not challenging you. This is not a challenge. You do not have to get your questions in if you don't have any.

But we have not gotten a lot of questions on these yet, but we're going to be talking about things like the new Pell provision. So we know that the final rule on that just came out. So we're going to be talking about Pell for eligible workforce programs. We'll be talking about those new Pell eligibility prohibitions for students with high SAIs as well as the prohibition for students who receive non-federal grants and scholarships that meet or exceed their cost of attendance.

We'll be talking about the changes that the OBBBA has made to the loan repayment options as well as changes to loan rehabilitation, forbearance, deferment. So you are going to have to tune in to find out what we have to say about that, but yeah, we are going to be trying to cover the full gamut.

Hugh Ferguson:

Great. Well, yeah, thank you to the TRA team today for helping us sort through this really important topic and things are still developing. So we're going to have to dedicate more time to SOR in the coming weeks ahead and we'll be sure to answer all of your questions as soon as we're able to get answers to our questions. So yeah, thanks everyone for tuning in to another episode of Off the Cuff. Please feel free to subscribe and send us your questions if you have any other comments or concerns you want us to address and we'll be back real soon.