

# KNOW BEFORE YOU GO:

## CHANGES IN FEDERAL LENDING FOR PART-TIME STUDENTS

Pursuing a part-time graduate degree has been a good option for students who plan to work or take care of family members while earning a degree, or who cannot afford to pay full-time tuition. While new laws restrict the financing options for part-time students, there are strategies for how to make graduate education affordable when enrolled part-time in a program.

### New Development: Loan Proration

Under OBBBA, annual federal loan limits for students enrolled less than full-time must be prorated based on the student's enrollment level relative to the institution's definition of full-time enrollment. For example, if a program defines "full-time" as 24 credit hours and a student enrolls in 12 credit hours, a student is eligible for only 50-percent of the annual loan limit for that year.

#### **DEFINITION: ENROLLMENT INTENSITY**

Enrollment intensity is the number of credit hours a student takes in an academic term. The three main categories of enrollment intensity are full-time (12 or more credit hours per semester), half-time (6-11 credit hours per semester), and less than half time (6 or fewer credit hours per semester).

### Strategies for Part-Time Students

- If working full time, check the Employer Education Assistance (Section 127) law and review it with your employer. This makes a \$5,250 annual tax-free employer benefit permanently available to employees.
- Check to see whether a faster full-time program is financially a better deal.
- Find out if you can negotiate tuition installment plans with your graduate school's financial aid or bursar's office to reduce the need to borrow large lump sums.
- If you are still an undergraduate, ask the faculty in your field of study if combined and accelerated degree programs will allow you to complete your graduate degree in less time or count undergraduate courses for graduate credit.

## CASE STUDY: MARÍA

María works full-time as a nurse while pursuing an Master's in Public Health part-time over three years at 16 credits per year when full-time status is 24 credits per year.

- **Enrollment Intensity\*:** 67% of full-time enrollment
- **Annual program cost:** \$22,000 (tuition and fees)
- **Annual loan limit under new rules:** \$13,735 (67% of \$22,000)
- **Gap not covered by federal loans:** \$8,265 per year, which must be covered by income, employer tuition reimbursement, savings, or private loans

**Options:** María's employer covers \$5,250/year in tax-free tuition assistance via the Section 127 benefit. María should maximize this benefit, check whether her employer will cover more, and aim to only reduce her course load if absolutely necessary.

**Lesson:** Before assuming you need to borrow more or cut back your course load, take full advantage of employer benefits and confirm your actual gap. Reducing enrollment shrinks your loan eligibility, so it's a last resort, not a first move.