

Direct Loan Schedule of Reductions (SOR)

What Is the Schedule of Reductions (SOR)?

Beginning with loans first disbursed on or after July 1, 2026, the U.S. Department of Education requires schools to reduce a student's annual Direct Loan eligibility when the student enrolls less than full-time during the academic year. This change was implemented through federal legislation and subsequent regulations.

Key Points

- Applies to Direct Subsidized and Unsubsidized Loans.
- Applies to Graduate PLUS Loans.
- Does not apply to Parent PLUS Loans.
- Students must still be enrolled at least half-time to receive Direct Loans.
- Enrollment changes can affect future loan disbursements and annual loan eligibility.

How the SOR Works

Under the new rules, annual loan limits are based on a student's enrollment intensity across the academic year rather than simply being awarded the full annual loan limit.

For undergraduate students:

- Full-time for the academic year = 24 credits (12 Fall + 12 Spring).
- A student completing fewer than 24 credits may have a reduced annual loan limit.
- Schools must review enrollment and adjust remaining eligibility when students reduce enrollment.

Example 1 – Undergraduate Student Drops Classes Before Fall Disbursement

Dependent freshman annual loan limit: \$5,500

Initial enrollment:

- Fall: 12 credits
- Spring: 12 credits (assumed)
- Total: 24 credits

Before fall disbursement, student drops to:

- Fall: 9 credits
- Spring: 12 credits (assumed)
- Total: 21 credits

SOR Formula and Result

Enrollment intensity:

$$21 \div 24 = 88\% \text{ (rounded up from 87.5)}$$

Reduced annual loan limit:

$$\$5,500 \times 88\% = \$4,840$$

Because the reduction occurred **before disbursement**, the loan is adjusted before funds are released. The student receives a reduced annual loan amount, which is split between Fall and Spring. Since 43% of the student's 21 credit hours will be in the fall and 57% will be in the spring, 43% of the new annual amount will be awarded in the fall and the remaining 57% will be awarded for spring.

Effect on Spring Eligibility

- Spring disbursement is calculated from the reduced annual limit.
- Student loses approximately \$660 in annual direct loan eligibility.
- No additional direct loan spring borrowing is available unless enrollment increases:

If the student were to take 15 hours in the spring, that in addition to the 9 from fall would give them 24 credit hours for the academic year and would therefore allow them to borrow the remainder of \$5,500 (full-time annual amount) as opposed to the reduced annual amount of \$4,840

Example 2 – Undergraduate Student Drops Classes After Fall Disbursement

Dependent freshman annual loan limit: \$5,500

Initial enrollment:

- Fall: 12 credits
- Spring: 12 credits (assumed)

Student receives Fall disbursement based on full-time enrollment.

After disbursement, the student withdraws from 3 credits and finishes Fall at 9 credits.

SOR Formula and Result

The Fall disbursement remains valid because the student was eligible when it was disbursed. However, the school must recalculate the student's annual loan eligibility under the Schedule of Reductions.

Annual eligibility becomes:

$$21 \div 24 = 88\% \text{ (rounded up from 87.5)}$$

Reduced annual loan limit:

$$\$5,500 \times 88\% = \$4,840$$

Maximum remaining Spring eligibility would be approximately **\$2,090** (remainder of the new annual limit of **\$4,840** after **\$2,750** Fall disbursement) rather than the originally planned **\$2,750**. The Spring loan is reduced to keep the student within the revised annual limit.

Again, student may take additional 3 credits in spring, for 15 total, to increase annual enrollment to 24 total credit hours and then receive full \$2,750 for Spring semester.

Example 3 – Graduate Student Drops Classes After Fall Disbursement

Graduate student annual loan limit: **\$20,500** in Direct Unsubsidized Loan

Initial enrollment:

- Fall: 9 credits
- Spring: 9 credits (assumed)

Student receives Fall disbursement based on full-time enrollment: \$10,250.

After disbursement, the student withdraws from 3 credits and finishes Fall at 6 credits.

SOR Formula and Result

The Fall disbursement remains valid because the student was eligible when it was disbursed. However, the school must recalculate the student's annual loan eligibility under the Schedule of Reductions.

Annual eligibility becomes:

$$15 \div 18 = 83\% \text{ (rounded down from 83.33)}$$

Reduced annual loan limit:

$$\$20,500 \times 83\% = \$17,015$$

Maximum remaining Spring eligibility would be approximately **\$6,765** (remainder of the new annual limit of **\$17,015** after **\$10,250** Fall disbursement) rather than the originally planned **\$10,250**. The Spring loan is reduced to keep the student within the revised annual limit.

Again, student may take additional 3 credits in spring, for 12 total, to increase annual enrollment to 18 total credit hours and then receive full \$10,250 for Spring semester.

SOR and Graduate PLUS Loans

Legacy* graduate student annual loan limit: **\$20,500** Unsub and remaining Cost of Attendance (COA) in Graduate PLUS (example: student with \$30,000 COA would have \$9,500 in Grad PLUS eligibility)

Graduate PLUS Loans are also subject to SOR. In the aforementioned scenario, where the student's annual Unsub was reduced to \$17,015, we would take the \$30,000 COA and subtract the \$17,015 which would result in a gap of \$12,985 gap. Due to SOR, student would not be eligible to borrow the full \$12,985 but only 83% of the amount, which would be \$10,778. This amount would be split proportionally based on proportion of hours in each semester.

Fall 6 credits (40%) = \$4,311 Spring 9 credits (60%) = \$6,467

*Legacy graduate students are students who borrowed Federal Direct Loans for their current program of study that disbursed prior to July 1st, 2026 and continue to meet the Legacy requirements.

Example 4 – Common Graduate Scenario

Many graduate students enroll in 6 credits per semester due specific program schedules or balancing course load with day-to-day life.

In these scenarios, we will calculate the SOR prior to disbursement and adjust the student's annual loan amount based upon an enrollment intensity of 67% (12/18 credit hours).

The annual Unsub amount becomes \$13,735, which is split between the fall and spring. Legacy students with approved credit or endorser would be eligible to receive 67% of the gap between \$13,735 and the COA in Grad PLUS.

Example 5 – Complete Withdrawal After Disbursement and After 60% of Term

A student who takes a complete withdrawal from the fall semester, after fall disbursement, may experience significant impact on spring loan eligibility. Attempted hours with W or I grades cannot be used when calculating SOR percentage. Therefore, if a student attempted 12 hours in the fall but withdrew after attending 60% of the term (R2T4 not required) and enrolled in the spring for 12 credit hours, we can only utilize the 12 hours for spring for the calculation:

$$12/24 \text{ credit hours} = 50\%$$

If this were a dependent freshman their annual max at full-time both semesters would be \$5,500 and with the 50% SOR above, their new annual max is \$2,750. Since this student already received \$2,750 in the fall, they would not be eligible for loan funds in the spring with an enrollment of 12 credit hours.

Example 6 – Complete Withdrawal After Disbursement and Before 60% of Term

If a student drops courses after aid has disbursed and the term has begun, but prior to the 60% mark of the term, we are required to return “unearned” aid based upon how long the student attended that term. This is referred to as Return of Title IV (R2T4).

In the prior scenario, if the student dropped before the 60% mark, we would return loan funds based on R2T4 calculation. If the student initially received the \$2,750 fall disbursement, but we returned \$2,000 of that through R2T4. The student would then have received only \$750 of their annual limit in the fall. Therefore, if they enroll in 12 hours in the spring, they can utilize the remaining \$2,000 that was previously returned to the Department of Education.

Final Takeaways

- Enrollment changes now affect **annual loan eligibility**, not just the current term.
- Dropping classes before disbursement results in an immediate loan adjustment.
- Dropping classes after Fall disbursement will likely reduce the **Spring disbursement**.
- Students who complete less than full-time hours in the fall, may take hours more than full-time (over 12 undergrad, over 9 grad) in order to meet the annual full-time amount and receive full loan eligibility.
- Please don't do SOR Calculation for student. If they are borrowing federal loans (minus Parent PLUS) and considering dropping Fall courses after disbursement, make them aware their spring eligibility will most likely be impacted but direct them to us for specifics.
- As this is all new, there are still unknowns and scenarios we have not yet encountered. This is all based on current guidance from the Department of Education and NASFAA and may be subject to change.

Questions?