

PART D—WILLIAM D. FORD FEDERAL DIRECT
LOAN PROGRAM

Editorial Notes

CODIFICATION

Parts A to J of title IV of the Higher Education Act of 1965, Pub. L. 89-329 (“the HEA”), would typically have been classified to parts A to J of this subchapter. However, part C of title IV of the HEA could not be classified to part C of this subchapter when it was enacted because it amended and related to various provisions of the Economic Opportunity Act of 1964, Pub. L. 88-452, which were classified to Title 42, The Public Health and Welfare. As a result, parts D to J of title IV of the HEA were editorially designated as parts C to I of this subchapter to fill the gap left in the Code by the absence of a part C. That original part C of title IV of the HEA was subsequently repealed, and part C of title I of the Economic Opportunity Act of 1964 was redesignated to become a new part C of title IV of the HEA. In order to merge the pieces of the HEA together after the redesignation and logically realign the part structure of the HEA with that of the Code, part C of title IV of the HEA was editorially transferred from its original location in part C (§ 2751 et seq.) of subchapter I of chapter 34 of Title 42 to part C (§ 1087-51 et seq.) of this subchapter, and subsequent parts D to I of title IV of the HEA were redesignated as parts D to I of this subchapter. Part J of title IV of the HEA was omitted instead of redesignated as part J of this subchapter because it had already been transferred to another part of the HEA.

PRIOR PROVISIONS

A prior part D, consisting of part E of title IV of Pub. L. 89-329, was redesignated part E of this subchapter.

§ 1087a. Program authority

(a) In general

There are hereby made available, in accordance with the provisions of this part, such sums as may be necessary (1) to make loans to all eligible students (and the eligible parents of such students) in attendance at participating institutions of higher education selected by the Secretary, to enable such students to pursue their courses of study at such institutions during the period beginning July 1, 1994; and (2) for purchasing loans under section 1087i-1 of this title. Loans made under this part shall be made by participating institutions, or consortia thereof, that have agreements with the Secretary to originate loans, or by alternative originators designated by the Secretary to make loans for students in attendance at participating institutions (and their parents).

(b) Designation

(1) Program

The program established under this part shall be referred to as the “William D. Ford Federal Direct Loan Program”.

(2) Direct loans

Notwithstanding any other provision of this part, loans made to borrowers under this part that, except as otherwise specified in this part, have the same terms, conditions, and benefits as loans made to borrowers under section 1078 of this title, shall be known as “Federal Direct Stafford/Ford Loans”.

(c) Maximum aid

The maximum dollar amount of financial assistance provided under this part to a student

shall not exceed the cost of attendance for such student.

(Pub. L. 89-329, title IV, § 451, as added Pub. L. 99-498, title IV, § 404, Oct. 17, 1986, 100 Stat. 1437; amended Pub. L. 102-325, title IV, § 451, July 23, 1992, 106 Stat. 569; Pub. L. 103-66, title IV, § 4021, Aug. 10, 1993, 107 Stat. 341; Pub. L. 103-382, title III, § 358A, Oct. 20, 1994, 108 Stat. 3968; Pub. L. 110-227, § 7(a), May 7, 2008, 122 Stat. 746; Pub. L. 116-260, div. FF, title VII, § 702(a)(2), Dec. 27, 2020, 134 Stat. 3138.)

Editorial Notes

PRIOR PROVISIONS

A prior section 1087a, Pub. L. 89-329, title IV, § 451, as added Pub. L. 90-575, title I, § 141, Oct. 16, 1968, 82 Stat. 1031; amended Pub. L. 92-318, title I, § 136(a), (b)(1), June 23, 1972, 86 Stat. 272, authorized appropriations for cooperative education programs from the fiscal year ending June 30, 1969, through the fiscal year ending prior to July 1, 1975, prior to repeal by Pub. L. 94-482, title I, § 129(a), Oct. 12, 1976, 90 Stat. 2144, eff. 30 days after Oct. 12, 1976.

AMENDMENTS

2020—Subsec. (c). Pub. L. 116-260 added subsec. (c).

2008—Subsec. (a). Pub. L. 110-227, in first sentence, inserted “(1)” before “to make loans” and “; and (2) for purchasing loans under section 1087i-1 of this title” before period at end and, in second sentence, substituted “Loans made under this part shall” for “Such loans shall”.

1994—Pub. L. 103-382 designated existing provisions as subsec. (a), added heading, and added subsec. (b).

1993—Pub. L. 103-66 amended section generally, substituting provisions relating to program authority for former provisions relating to program and payment authority.

1992—Pub. L. 102-325 amended section generally, substituting provisions relating to program and payment authority for Federal direct loan demonstration program for former provisions relating to statement of purpose of income contingent direct loan demonstration project.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2020 AMENDMENT

Amendment by Pub. L. 116-260 effective July 1, 2024, except as otherwise expressly provided, and applicable with respect to award year 2024-2025 and each subsequent award year, as determined under this chapter, see section 701(b) of Pub. L. 116-260, set out as a note under section 1001 of this title.

EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102-325 effective Oct. 1, 1992, see section 2 of Pub. L. 102-325, set out as a note under section 1001 of this title.

INCOME CONTINGENT LOAN DISTRIBUTION OF FUNDS

Pub. L. 102-325, title IV, § 452, July 23, 1992, 106 Stat. 575, provided that:

“(a) IN GENERAL.—After September 30, 1992, and not later than March 31, 1992, the capital balance of the student loan fund established under part D of title IV of the Higher Education Act of 1965 [20 U.S.C. 1087a et seq.] (as such Act was in effect on the date of enactment of this Act [July 23, 1992]) shall be distributed by allowing institutions to transfer any remaining funds, including future collections and all other funds at the institution’s discretion, to such institution’s part E [20 U.S.C. 1087aa et seq.] account, part C [20 U.S.C. 1087-51 et seq.] fund, or subpart 3 of part A [20 U.S.C. 1070b et seq.] fund under the terms and conditions of the appropriate program.

“(b) CONVERSION OF EXISTING LOANS.—Institutions may, after July 1, 1992, convert all outstanding loans made under part D of title IV of the Higher Education Act of 1965 [20 U.S.C. 1087a et seq.] (as such Act was in effect on such date) to part E [20 U.S.C. 1087aa et seq.] loans, provided that such institution—

- “(1) notify the borrower of such conversion;
- “(2) obtain a signed part E promissory note from the borrower for the remaining amount outstanding; and
- “(3) provide the borrower in writing with a description of all terms and conditions of the new loan.”

§ 1087b. Funds for origination of direct student loans

(a) In general

The Secretary shall provide, on the basis of the need and the eligibility of students at each participating institution, and parents of such students, for such loans, funds for student and parent loans under this part—

- (1) directly to an institution of higher education that has an agreement with the Secretary under section 1087d(a) of this title to participate in the direct student loan programs under this part and that also has an agreement with the Secretary under section 1087d(b) of this title to originate loans under this part; or
- (2) through an alternative originator designated by the Secretary to students (and parents of students) attending institutions of higher education that have an agreement with the Secretary under section 1087d(a) of this title but that do not have an agreement with the Secretary under section 1087d(b) of this title.

(b) No entitlement to participate or originate

No institution of higher education shall have a right to participate in the programs authorized by this part, to originate loans, or to perform any program function under this part. Nothing in this subsection shall be construed so as to limit the entitlement of an eligible student attending a participating institution (or the eligible parent of such student) to borrow under this part.

(c) Delivery of loan funds

Loan funds shall be paid and delivered to an institution by the Secretary prior to the beginning of the payment period established by the Secretary in a manner that is consistent with payment and delivery of Federal Pell Grants under subpart 1 of part A of this subchapter.

(d) Institutions outside the United States

Loan funds for students (and parents of students) attending institutions outside the United States shall be disbursed through a financial institution located or operating in the United States and designated by the Secretary to serve as the agent of such institutions with respect to the receipt of the disbursements of such loan funds and the transfer of such funds to such institutions. To be eligible to receive funds under this part, an institution outside the United States shall make arrangements with the agent designated by the Secretary under this subsection to receive funds under this part.

(Pub. L. 89-329, title IV, § 452, as added Pub. L. 99-498, title IV, § 404, Oct. 17, 1986, 100 Stat. 1437;

amended Pub. L. 102-325, title IV, § 451, July 23, 1992, 106 Stat. 569; Pub. L. 103-66, title IV, § 4021, Aug. 10, 1993, 107 Stat. 341; Pub. L. 105-33, title VI, § 6102, Aug. 5, 1997, 111 Stat. 652; Pub. L. 105-244, title IV, § 401(g)(5), Oct. 7, 1998, 112 Stat. 1652; Pub. L. 111-152, title II, § 2209(a), Mar. 30, 2010, 124 Stat. 1077.)

Editorial Notes

PRIOR PROVISIONS

A prior section 1087b, Pub. L. 89-329, title IV, § 452, as added Pub. L. 90-575, title I, § 141, Oct. 16, 1968, 82 Stat. 1031, authorized grants for programs of cooperative education, prior to repeal by Pub. L. 94-482, title I, § 129(a), Oct. 12, 1976, 90 Stat. 2144, eff. 30 days after Oct. 12, 1976.

AMENDMENTS

- 2010—Subsec. (d). Pub. L. 111-152 added subsec. (d).
- 1998—Subsec. (c). Pub. L. 105-244 substituted “Federal Pell Grants” for “basic grants”.
- 1997—Subsecs. (b) to (d). Pub. L. 105-33 redesignated subsecs. (c) and (d) as (b) and (c), respectively, and struck out former subsec. (b) which required the Secretary to pay fees to institutions of higher education and alternative loan originators to assist in meeting the cost of loan origination.
- 1993—Pub. L. 103-66 amended section generally, substituting provisions relating to funds for origination of direct student loans for former provisions relating to payment rules.
- 1992—Pub. L. 102-325 amended section generally, substituting provisions relating to payment rules for former provisions authorizing demonstration projects.

Statutory Notes and Related Subsidiaries

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 1992 AMENDMENT

Amendment by Pub. L. 102-325 effective Oct. 1, 1992, see section 2 of Pub. L. 102-325, set out as a note under section 1001 of this title.

§ 1087c. Selection of institutions for participation and origination

(a) General authority

The Secretary shall enter into agreements pursuant to section 1087d(a) of this title with institutions of higher education to participate in the direct student loan program under this part, and agreements pursuant to section 1087d(b) of this title with institutions of higher education, or consortia thereof, to originate loans in such program, for academic years beginning on or after July 1, 1994. Alternative origination services, through which an entity other than the participating institution at which the student is in attendance originates the loan, shall be provided by the Secretary, through 1 or more contracts under section 1087f(b) of this title or such other means as the Secretary may provide, for students attending participating institutions that do not originate direct student loans under this part. Such agreements for the academic year 1994-1995 shall, to the extent feasible, be entered into not later than January 1, 1994.

(b) Selection criteria

(1) Application

Each institution of higher education desiring to participate in the direct student loan