



# Direct Loan Webinar – HERA Changes

April 12, 2007



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Welcome and Thank you to:

DL Coalition for requesting up the webinar

AACRAO for providing the technical support (Matt, Chris, Ryan, and Cody)

DL Schools and vendors for taking the time to listen/learn

Introductions/Titles of those in the DC location.



## HERA Changes

- COD 6.0 Release - 4/13/2007
  - MPN Response changes
  - Discharge due to Identity Theft
  - Loan limit changes
  - Origination fee changes

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There is a lot of material to cover, so let us move right into the material.

We will implement system functionality for 2007-2008 as well as make updates to the system in the next COD Release is 4/13/2007.

More information is in the 6.0 Announcement on IFAP Web site

In this webinar, we will discuss 4 key DL items.

Questions: we will answer questions at the end.

We will try to answer as many as we can within the time allowed.



## MPN Response Changes-What/How?

- COD System will send MPN Response more often and include MPN Expiration Date
  - MPN response (message class CRPN##OP, where ## = award year)
  - New tag is <MPNExpirationDate>
  - Change applies to all award years

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What are we doing: Currently, response sent to schools only when MPN is accepted, but not linked to any award. After 6.0 implementation, we will send responses more often and will now provide the MPN's expiration date.

Who will get the responses: all schools associated with the MPN this means the school that created the MPN (or whose code is used in the eMPN) and any school that has an active loan linked to MPN

When will we send it?

MPN is received and doesn't link

MPN is received and links to one or more loans

MPN expiration date changes due to acceptance of actual disbursement

MPN Response won't be sent when:

Loan is inactive

School has confirmed closeout for year

FSA has confirmed school closed out for year

Year is closed and school isn't on extended processing for that year



## Discharge for Identity Theft-What/How?

- COD System will receive new false certification discharge type for identity theft
  - MPN associated with award will be inactivated and included on the MPN Discharge Report (reason code = “I”)
  - Discharged loan won’t count against loan limit

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**This may not impact your system per se, and it will work like the other discharge types. However, it will bring a change to your reports and the COD Web site.**

### **Other things to remember**

**Because MPN is inactive, additional awards won’t link, the person will need new MPN**

#### **Disbursements and adjustments for discharged loan may reject**

Disbursements dated on or after the discharge date will reject.

Disbursements dated before the discharge date will accept

#### **Person with stolen identity can receive future loans**

COD will accept disbursements for loans not discharged

COD will accept new loans for the person



## Loan Limit Changes-What?

- Certain loan limits will increase for loans first disbursed on or after 7/1/2007
- Applies to 2006-2007 and forward (when first disbursed on or after 7/1/2007)
- Aggregate loan limits are unchanged

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Now the big stuff: Some limits will be changing...we'll talk about those in a minute.

NOTE that the original regulations published on August 9, 2006 established the loan limit changes based on ORIGINATION DATE. However, that has changed and new regulations published on November 6, 2006 updated it to FIRST DISBURSED.

Some of you may be asking what does the 2<sup>nd</sup> bullet mean? Loan limit increase based on FIRST DISBURSED, and not restricted by award year. If you have a 06-07 award that will be FIRST disbursed on/after 7/1/07, it will be subject to the higher loan limits.

Limit applies to the ENTIRE LOAN even if subsequent disbursements come on/after 7/1; these subsequent disbursements can't be increased to the higher limit.

Aggregate loan limits are unchanged



## Loan Limit Changes-What?

Grade Level	Max Sub Amt (base amt)	Max Combined Sub/Unsub Amt
0 or 1	<b>\$3,500</b>	<b>\$7,500</b>
2	<b>\$4,500</b>	<b>\$8,500</b>
3, 4, 5	\$5,500	\$10,500
6 or 7	\$8,500	<b>\$20,500</b>
Additional Unsubsidized Loan for Health Professionals (HPPA Flag) = "Y"		
4 or 5	\$5,500	\$27,167
6 or 7	\$8,500	<b>\$47,167</b>
<b>Preparatory coursework</b> (to enroll in <b>graduate or professional</b> program) or <b>Teacher Certification</b> (PreProfessionalCourseworkIndicator = "true")		
5	\$5500	<b>\$12,500</b>

**COD Loan  
Limit Edits**

**(Edit 39)**

**Apply to loans  
first disbursed  
on or after  
7/1/2007**

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This chart is the view from the COD SYSTEM perspective.

Highlighted figures denote some change. Some key notes to make.

Health professional flag: Not an increase to the "HEAL Replacement". Because the max combined sub/unsub amount for grad/professional students has increased from \$10000 to \$12000, it affects the highest max allowed overall

NOT in chart, but limits for Prep coursework for undergraduate program don't change: \$2625 and \$6625

Prep coursework indicator flag is new. I will talk about this a little later. I will note now that it can only be sent for Grade level 5.



## Loan Limit Changes-How?

- COD System will accept loan origination records following implementation on 4/13/2007; however, higher limits apply only to loans first disbursed on or after 7/1/2007

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When will we start evaluating the new loan limits: following the 6.0 implementation, we will accept awards using the higher limits but the earliest disbursement date must be on/after 7/1/2007.



## Loan Limit Changes-How?

- COD System will determine loan limit by evaluating grade level, loan type, and the earliest disbursement date
  - Actual disbursements take precedence over anticipated disbursements

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We will evaluate grade level, loan type and earliest disbursement date

If all disbursement types are the same (all anticipateds/DRI=false, or all actuals/DRI=true), we will use the earliest date to determine what limit will be used.

If both disbursement types are in the award, the earliest actual will be used (even if there are anticipateds with an earlier date)



## Loan Limit Changes-How?

- Existing Edit
  - Edit 39
- New Edits
  - Edit 138 and 139
- Described in DLB-07-07 and COD Technical Reference (Volume II, Section 4)

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EDIT 39 is the current edit you see for loan limits. This edit is now updated to review the earliest disbursement date and then apply the appropriate limit as applicable.

FLAGS: We require flags to be sent in with awards to identify special circumstances that may change the amount a borrower is eligible to receive. Health professionals situations are identified with the HPPA flag. A new flag is the Preprofessional coursework indicator or PPCI. The PPCI flag will identify a student who is eligible for the additional unsubsidized loan amount when enrolled in:

Preparatory coursework required for enrollment in a graduate or professional program, OR

Coursework required for teacher certification

These new edits will be returned for certain conditions with these flags:

New COD Reject Edit 138 (Incorrect PreProfessional CourseWork Indicator) will be returned when the Grade Level does not equal 5 with the PreProfessionalCourseWorkIndicator set to true.

New COD Reject Edit 139 (Incorrect PreProfessional CourseWork Flag) will be returned when both the Additional Unsubsidized Loan for Health Professionals (HPPA) and PPCI flags are set to true.

Existing COD Reject Edit 996 (Invalid Value) will be returned when Grade Level equals 5 and the PreProfessionalCourseWorkIndicator is set to true, but the earliest disbursement date is before July 1, 2007.



## Loan Limit Changes-How?

- Awards with only anticipated disbursements - Option 1 (recommended)
  - Step 1: Reduce the award amount to \$0 (to inactivate the award)
  - Step 2: Submit a **new** award: must include the correct origination fee, an earliest disbursement date on or after 7/1/2007, and the award/disbursement amounts up to the higher loan limit

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***•If a school does not need to change the origination fee in the award record, the school only needs to adjust the award and disbursement amounts up to the applicable annual loan limit.***

***If a school needs to change the origination fee in the award record, there are two options for making the necessary changes. In both cases, a school must first inactivate the award before making the changes.***

Option 1 inactivates the first award and then you will submit a new award

The steps indicate that you should allow time COD to process the change and send a response, so you can avoid other edits that may come into play



## Loan Limit Changes-How?

- Awards with only anticipated disbursements – Option 2
  - Step 1: Reduce the award amount to \$0 (to inactivate the award)
  - Step 2: Reactivate the award: submit a change to the origination fee, a change to the earliest disbursement date on or after 7/1/2007, and change the award/disbursement amounts up to the higher loan limit

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Again, allow time for COD to process, otherwise you received other edits



## Loan Limit Changes-How?

- Awards with at least one actual disbursement:
  - Step 1: Reduce the original award to the amount disbursed
  - Step 2: Submit a **new** award: must include the correct origination fee, an earliest disbursement date on or after 7/1/2007, and award/disbursement amounts for up to the difference between the higher loan limit and current award

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Because the loan limit applies to entire loan based on when it was first disbursed, loans that you may have disbursed before 7/1/07 will not allow subsequent disbursements to be raised to the higher limit.

To do this when you have an actual, you should complete the steps here. HOWEVER, step 1 is optional...let me explain

Grade Level is 2625 before 7/1 and 3500 on/after 7/1 that is a difference of \$875  
If first disbursed on 6/5, Disbursement #1 is 1312 (and disbursement #2 will be \$1313).

If reduce original award to 1312, the new award can be 2188 (split by 1094 and 1094). This means the student will only get 1094 gross instead of the 1313.  
Another option is to leave the first award alone and disburse the 1313 and do the second award at \$875 (split 437 and 438).

Determine the best option for your borrower. Either way, step 2 must be done and you need to make sure the fee, earliest date and loan limit match.



## Loan Limit Changes-How?

- **IMPORTANT**
  - In all cases, don't forget to consider the origination fee percentage!

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Again, when you are adjusting awards for loan limits, you will need to consider the disbursement dates and how it may impact your origination fee and make changes accordingly.

Which leads us to...



## Origination Fee Changes-What?

- Origination fees decrease over next 4 years
- COD implements fee changes 4/13/2007
- Subsidized and unsubsidized loans only; PLUS remains at 4%

Loans first disbursed:			
On or after	Before	Fee	Rebate
	July 1, 2007	3.0%	1.5%
July 1, 2007	July 1, 2008	2.5%	1.5%
July 1, 2008	July 1, 2009	2.0%	???
July 1, 2009	July 1, 2010	1.5%	???
July 1, 2010		1.0%	???

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HERA also made changes to the origination fee, reducing them over the next 4 years. We will implement this change with the COD 6.0 Release.

Fee change is for Sub/Unsub Only. PLUS remains at 4% fee (for both parent and grad/prof)

Interest rebate will remain at 1.5% for now. We don't know how this will change in future periods at this time. For now, schools do NOT have to alter rebate calculations.



## Origination Fee Changes-How?

- COD System will determine correct origination fee by comparing the fee percent tag with the earliest disbursement date
  - Actual disbursements take precedence over anticipated disbursements

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As with loan limits, we will evaluate the earliest disbursement date and compare to the value in the origination fee percent tag. If they match, all is well. If not, it will reject (which I will discuss in a minute).

Again if all disbursement types are the same (all anticipateds/DRI=false, or all actuals/DRI=true), we will use the earliest date to determine the correct fee percent. If both disbursement types are in the award, the earliest actual will be used (even if there are anticipateds with an earlier date)



## Origination Fee Changes-How?

- Edits
  - 140, 141, 142, 143, 144
  - Described in DLB-07-06 and the COD Technical Reference (Volume II, Section 4)

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- COD Reject Edit 140 (Incorrect Origination Fee Percent on New Awards) will be returned when the Origination Fee Percent submitted with the award origination record does not correspond to the origination fee period in which the earliest disbursement date falls.
- COD Reject Edit 141 (Cannot change the Origination Fee Percent on an Active Loan) will be returned when a school attempts to change the Origination Fee Percent for an active loan. An active loan is one that has an award amount greater than \$0 on the COD System.
- COD Reject Edit 142 (Invalid Origination Fee Percent on Award Changes) will be returned when the Origination Fee Percent submitted with the award change record does not correspond to the origination fee period in which the earliest disbursement date falls.
- COD Reject Edit 143 (Disbursement Net, Fee, and/or Rebate Amounts are Incorrect based upon the Origination Fee Percentage) will be returned when the Origination Fee Percent for an award does not correspond to the Net, Fee, and/or Rebate amount for the disbursements.
- COD Reject Edit 144 (Disbursement Dates do not match Origination Fee Percent on file) will be returned when a change to the earliest disbursement date does not correspond to the Origination Fee Percent on file.



## Origination Fee Changes-How?

- Disbursement amount changes and refunds do not affect the fee percent used
  - Example: Loan first disbursed on 6/15/2007, but R2T4 requires a return after 7/1/2007... the downward adjustment must use the 3.0% fee in amount calculations

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The origination fee percent applies to the entire loan!

If you have a loan that is first disbursed before July 1, the 3% applies to all disbursements even if some of them are dated on/after July 1.

Accordingly, adjustments to amounts or refunds will also not affect the fee percent used. The example here reflects this concept.



## Origination Fee Changes-How?

- Systems/software will need to be flexible in using more than one origination fee percentage
- Same changes will need to be made for the next 3 years

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Systems will need to be flexible in using/accepting more than one value now. The fee reduces over the next few years, so valid values will continue to added and systems will need to be able to handle that.



## Origination Fee Changes-How?

- Schools that have originated Direct Sub/Unsub Loans with a 3 percent origination fee, but plan to make a first disbursement on or after 7/1/2007, must change the origination fee for these loans to 2.5 percent
  - Method to change the origination fee varies (next slides)



## Origination Fee Changes-How?

- Awards with only anticipated disbursements - Option 1 (recommended)
  - Step 1: Reduce the award amount to \$0 (to inactivate the award)
  - Step 2: Submit a **new** award using the 2.5 percent origination fee, an earliest disbursement date to match the fee period, and award/disbursement amounts

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These methods are not any different than what you do now to submit changes. The steps indicate that you should allow time COD to process the change and send a response, so you can avoid other edits that may come into play.

Example if needed: first award isn't reduced on COD and second award comes in...may take student over loan limit and trigger Edit 39



## Origination Fee Changes-How?

- Awards with only anticipated disbursements - Option 2
  - Step 1: Reduce the award amount to \$0 (to inactivate the award)
  - Step 2: Reactivate the award: submit a change to the origination fee, a change the earliest disbursement date to match the fee period, and update the award/disbursement amounts



## Origination Fee Changes-How?

- Awards with at least one actual disbursement - Option 1 (recommended)
  - Step 1: Reduce the disbursement amount(s) to \$0 (to inactivate the disbursements)
  - Step 2: Reduce the award amount to \$0 (to inactivate the award)

Again, allow time for COD to process, otherwise you received other edits

Example if needed: If disbursements aren't \$0 and award change to \$0 comes in, it may trigger Edit 41.



## Origination Fee Changes-How?

- Awards with at least one actual disbursement - Option 1, continued
  - Step 3: Submit a **new** award using the 2.5 percent origination fee, an earliest disbursement date to match the fee period, and award/disbursement amounts

Once the award is inactivated, you can send in a new award.



## Origination Fee Changes-How?

- Awards with at least one actual disbursement - Option 2
  - Step 1: Reduce the disbursement amount(s) to \$0 (to inactivate the disbursements)
  - Step 2: Reduce the award amount to \$0 (to inactivate the award)

Again, processing order is important.



## Origination Fee Changes-How?

- Awards with at least one actual disbursement - Option 2, continued
  - Step 3: Submit a change to the origination fee and change the earliest disbursement date to match the fee period (amounts remain at \$0)
  - Step 4: Submit a change to the award and disbursement amounts to reactivate the loan

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In this case, once you inactivate the old award, you can begin to submit changes to reactivate.

However, if you don't opt to submit a complete new award, you **MUST** submit changes in 2 steps:

You **MUST** change the fee and the disbursement date at the **SAME** time and they must match (fee percent matches earliest disbursement date).

Then you can change the amounts accordingly.

You will note that the 1<sup>st</sup> option is easier and faster. This is a key reason why we recommend the 1<sup>st</sup> option and submit new awards rather than making a number of changes. Of course, your procedures/process may determine how you approach making loan limit and origination fee changes.



## Origination Fee Changes-How?

- **IMPORTANT**
  - In all cases, schools must first inactivate the award before making changes

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Regardless of whether the originated award contains only anticipated disbursements or at least one actual disbursement, we strongly recommend the use of Option 1. However, the method a school chooses will depend on what its software will allow or its procedural preference.

Schools should discuss options with technical staff or the third party software provider to determine software capability. EExpress Users should refer to the Direct Loan Origination Fee section of the “Other HERA Changes Overview” topic in EExpress Online Help.



## PLUS Loans for Grad/Prof Students

- In-school deferments for Grad PLUS borrowers
  - “Summer Bridge”
  - See DLB-07-03
  - School must submit an accurate Anticipated Completion Date (ACD) through the Enrollment Reporting process

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In-school deferments have been processed to be automatic for Grad/Professional PLUS borrowers. We encourage you to refer to DLB-07-03 for information.

Many of you use this term “summer bridge”, however, we don’t use this term and it will not appear in the bulletin. Even so, it is covered in the bulletin. Key is to report accurate completion dates.

The process is similar to sub/unsub borrowers when they stay in “in-school” status. However, because Grad PLUS borrowers technically enter repayment 60 days after the loan is fully disbursed, they are placed in an “in-school deferment” status during the summer.

In key is to submit accurate Anticipated Completion dates through the Enrollment Reporting process.



## New PLUS MPN and other documents

What will change?	When?	How?
Direct PLUS MPN	Late summer 2007	New version
Direct PLUS Endorser Addendum	Late summer 2007	New version
Direct PLUS Borrower's Rights and Responsibilities	Late summer 2007	Becomes part of the new Direct PLUS MPN, but will also be available as a separate document
Direct PLUS HERA Addendum	Late summer 2007	No longer needed; discard
Direct PLUS Plain Language Disclosure	Late summer 2007	Replaces current version
Direct Subsidized/Unsubsidized HERA Addendum	June 2007	Replaces current version
Direct Subsidized/Unsubsidized Plain Language Disclosure	June 2007	Replaces current version

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Updated PLUS MPN will be implemented later this year

Still ONE MPN for all PLUS borrower types (parent and grad/prof student)

- Incorporates HERA changes

- New OMB form expiration date

- Incorporates Borrower's Rights and Responsibilities (BRR)

Endorser Addendum will also change

- Adds HERA changes and Grad PLUS references

Sub/Unsub MPN and BRR will be updated, but timeline more uncertain

More details will be issued in a future DLB. This is FYI only for now.

Note the last 2 rows: additional HERA changes required an update to the sub/unsub addendum and PLD. These will be available in JUNE. We will notify you when to begin to use the new versions and destroy the old.



## DL Publications for Students/Parents

- DL Basics for Students & DL Basics for Parents updated for HERA changes—revised editions for new loan maximums to be available this July
- NEW: DL Basics for Graduate & Professional Students — to be available this July
- DL Entrance & Exit Counseling Guides — revised editions to be available this July

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A lot of questions have surfaced about publications changing due to the HERA. We are working hard to get several publications printed and out by July. We thank you for your patience.

These are the student publications new or in revision.



## **DL Publications for Schools**

- DL School Guide (Part 1: Setup)—to be available this July
- DL School Guide (Part 2: Process) —to be available this September
- **NEW: Managing Direct Loans at Your School** — to be available this June

Some school publications in the works



## DL Dashboard Highlights-Processing

- Service requests/issues remain low
  - 16 active service requests
  - 5 older than 60 days (only 1 affects DL schools)
- Minimal impact to schools/students
  - Only 28 schools/2 students affected by open issues

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Direct Loan Dashboard...what is it? Each quarter we review a number of processing and financial statistics about the DL program as a whole. This is formatted into an Excel spreadsheet that we have named the DL Dashboard. We wanted to share a few highlights and some GOOD NEWS about the DL program.

COD System as a whole has a relatively low number of issues open. Some are a little older, but don't impact schools/borrowers much.



## DL Dashboard Highlights-MPNs

- eMPN trends up

Last 6 months (avg.)	05-06	06-07
Paper	50%	42%
Electronic	50%	58%



## DL Dashboard Highlights-Customer Service

- School Relations Calls
  - Password reset most common call reason
- Applicant Services Calls
  - Grad PLUS calls remain very low in volume
  - Loan status and appeals most common
- New CBT in the works for June 2007

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Fix to help schools reset passwords online via COD web site due to be implemented June 2007

good news: big problems or issues is not the focus. Overall, things are processing pretty smoothly.



## DL Dashboard Highlights-Financials

- Loan volume steady
- Closeout
  - 2002-2003, 2003-2004, and 2004-2005 Program Years are closed
    - In each year, a small number of schools have balances that we will collect
  - 2005-2006 closes July 31, 2007
    - Already 28% of schools closed for 05-06!
    - Already 63% of schools at \$0 for 05-06!

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Data on slide is prior to March SAS run.

Now: 31% closed and 65% of schools at \$0 after the March SAS report run.

THANKS FOR YOUR HARD WORK in tackling closeout! Keep up the good work.



## Contact Us

- Direct Loan Operations  
– [dlops@ed.gov](mailto:dlops@ed.gov)

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This is our e-mail address for Direct Loan issues that you would like to raise to our attention.

Of course, your first line of defense is our wonderful COD School Relations Center...Love your CSRs as they are ready to help!

[CODSupport@acs-inc.com](mailto:CODSupport@acs-inc.com)

800-848-0978