

I'm Wood Mason, not Wendy. That's Wendy over there, and we're gonna partner up here and take you through some of this information here this morning. Some of the topics we're gonna talk about – just a tad bit of history off the beginning to tell you where this all started and how it all started. Then we'll take you through some of the basics of the program itself, school and borrower eligibility. We'll talk a little bit about the Master Promissory Note, the credit check process that's associated with PLUS loans as well as entrance counseling, and actually processing the loan through COD. Let me get a drink of water here. Much better.

Okay, National Defense Education Act of 1958, that's what brought us our National Student Defense Loans. I'm not going to put anybody on the spot and have you divulge your age, but many of you out there remember back in '57 when they had the Sputnik up in the sky, and you saw that little light flash and go across and beep! beep! beep! beep! as the Sputnik came across. That's what kicked all this whole thing off, and from there things have evolved until 1980 when they first introduced, if you will, the PLUS loan itself for parents of dependent children. From then up until now there's been changes and enhancements and regulations and policy changes of that sort to get us where we are today, but this is where it all started way, way back. I, myself, am way too young to remember any of that stuff although some of you may remember it. But that's where it all began.

PLUS loan basics, they're pretty straightforward right now. There is a 4 percent origination fee associated with it. Generally speaking, there are no longer any rebates associated with the loans. That was changed with the reconciliation something act here late last year, whatever it was, that eliminated repayment incentives for PLUS Direct loans. It also hit on the PLUS loans as well where there is no eligibility for up front interest rebate percentages for those loans first disbursed on or after July 1, 2012. So, basically, what you're worrying about now is an origination fee of 4 percent, and that's pretty much the only calculation that you have to worry about. The last bullet up there says, of course, the PLUS loan can be used to cover the Expected Family Contribution or the EFC when it comes time for processing the loan.

Some school eligibility – generally speaking, you're gonna be meeting the same requirements that are applicable to the other award programs, subsidized and unsubsidized loans for grad students reflected as a program of participation on your PPA. If you look at COD, you will be able to see your start and end dates of that eligibility for the programs. It's broken down individually for sub, unsub, and PLUS. Direct PLUS loans offer an option to participate or not participate in the program. IN other words, you can participate in subsidized, unsubsidized loans and choose not to participate in PLUS loans. However, as it says up there as well, just because you don't choose to participate in PLUS loans, that does not constitute grounds to offer dependent students unsubsidized eligibility, okay? So you can't say you don't want to play PLUS just in order to give unsubsidized loans to some of your students.

Okay, let's go on here. A little bit more on eligibility from a borrower perspective, and as any other program you, the school, are responsible – is responsible for determining the

eligibility of the borrower of the program. The loan amount itself is limited only to the cost of attendance for that particular borrower. You can't hear me in the back? Distorted? Okay, hang on a second. *[Laughter]* Is that better? Is that better? How's that? Does that sound a little bit better back in the back? Is that clearer? This really looks good, huh?

Okay, I'm sorry. Is everybody good to go now? Okay. What was I talking about? Oh, COA, loans limited to the cost of attendance less estimated financial history, right? The borrower has to undergo a credit check and cannot have adverse credit. The borrower and student for whom that parent is borrower, if it's a parent/child pair, must both meet Title IV eligibility requirements including citizenship. They have to be a U.S. citizen or an eligible non-citizen in order to qualify for a PLUS loan for that dependent child. Parent must be the student's biological or adoptive mother or father. It can be a step-parent if his or her income is used to calculate the award itself. Okay, in other words, they're gonna show up on FAFSA. It can be a step-parent in that case; otherwise, it can't be. It can't be a grandparent. It has to be either a biological parent, adoptive parent, or a valid step-parent to be able to do it.

Not eligible if delinquent on a debt to the federal government or is incarcerated. There's other caveats as well that you can read about in the regulations, but we're just giving you most of the general ones here. Must not have an adverse credit history. We talked about that just a second ago on the other slide. We're gonna emphasize that several times as we go through this here, to keep that up front. Must meet the same basic eligibility requirements as the student for whom the borrower – we said that again as well. There's several things that we'll talk about as we go through this that we repeat so that it will stay with you after you leave here.

Federal gov _____ eligibility still a parent can borrow for multiple dependent students. That means that you can have a parent having a unique pairing with 1, 2, 3, 10, 12 children as well. It can be the same parent borrowing for all of them, each one constituting a unique parent student or child, if you will, pair. Each one of those loans is going to have its own individual and unique Master Promissory Note and if you work these through StudentLoans.gov from year to year to year, StudentLoans.gov will maintain those unique pairs for you as that parent and child go through the process from year to year.

Eligibility for graduate and professional students came in in 2005, 2006. They are a separate category from a parent borrower in the PLUS program, but that's all they are – a different category of borrowers. Same program. Same loan eligibility requirements. Same program itself. One thing about a PLUS loan though for a graduate or professional student is that you have to inform that borrower first of their eligibility for and benefits of an unsubsidized loan now. We don't have subsidized loans for graduate students anymore. So you have to let them know that first and offer it to them. They can decline that unsubsidized loan if they want. They don't have to take it, but you have to make that information available to them. That means that you have to participate in that program as well if you offer graduate programs, right? So keep that in mind as well. We talked a

little bit earlier about options. This is one of the little quirks when it comes to the options of participating in the program.

Master Promissory Note is unique to the PLUS Loan Program. It has its own Master Promissory Note. It has some information on the Master Promissory Note that you don't find on a subsidized or unsubsidized promissory note. It's actually a promissory and application combined into one. It contains the borrower and student data, both. It also is used the same note for both a parent/child pair as well as a graduate student who would have the student and the borrower as the same on that note. The expiration date of a Master Promissory Note for a PLUS loan is the same as it is for a Master Promissory Note in the sub or unsubsidized loan, meaning that as long as there is an actual disbursement associated with a Master Promissory Note in the first 12 months from the date of receipt at COD, not the date of signing or the date that they mailed it or the date that they – the date of receipt at COD, the expiration date on that Master Promissory Note is gonna kick out 10 years just like a subsidized and unsubsidized Master Promissory Note will go out to a 10 year expiration date, but there has to be an actual disbursement in the first 12 months of receipt at COD.

Master Promissory Note ID is just a little bit different than the subsidized, unsubsidized MPN in that the designator in the middle of the ID is an "N" as in November as opposed to an "M" as in Mike. Still gonna have the social security numbers, it says up here, as lead. You'll have the "N" designator. You'll then have – it says also the award year, 13 for 12/13, 14 for 13/14 as it always has been. Your direct loan school code will come next. That's your "G" code school along with those next 5 digits and then the 3 digit sequence number of that Master Promissory Note.

PLUS promissory notes link just like promissory notes for sub and unsub link; that is, they link on the social security number, the date of birth, and the first two characters of the first name, in this case, for the borrower and the student, okay? Same linking process. You're gonna have a unique MPN, little bullet there at the end, for each one of those pairs. Remember, I said earlier that a parent can borrow for multiple children if they want to, but each one of those pairs is unique, each loan for that pair is unique, and each promissory note is unique for that pair as well.

We have in the PLUS program what's called a Single Loan Master Promissory Note. Basically, what that means is if you have a PLUS loan for which an endorser is required, and that endorser is associated with that PLUS loan to make it valid, then that Master Promissory Note is inactivated because it is an endorsed loan. There can't be any more loans linked to that Master Promissory Note, hence the single loan MPN for this particular set of circumstances. The following year if that borrower wants to borrow more, they're gonna go out and go through the entire process all over again including executing a new Master Promissory Note, okay? That's how the Single Loan MPN comes in.

Credit. The borrower must undergo a credit check and, as you'll see here, when we go to talk about endorsers in a little bit, so do they have to undergo a credit check. You have to

have authorization to run a credit check on a borrower through the two ways that you can do that, being either a Loan Origination Record that you're sending in that's gonna generate or trigger a credit check to be done. Disbursements don't trigger credit checks. Original Records do. The other is where you go online to COD and do an instant credit check. If you're going to do either of those two, you have to have authorization from the borrower to run that credit check on him or her. That can be a handwritten note that they hand you. It can be a handwritten note that is faxed to you. It can be a signed Master Promissory Note, the text ND authorization to run the credit check is in the Master Promissory Note. No matter how you get it, you need to have authorization to do that. You can also get a document that's printable off of the COD website when you do an online credit check that will give you the same authorization that you can give to the person to complete; or if that borrower goes out to StudentLoans.gov, the PLUS Request Process online is a four step process, the last step being the credit check itself. They are giving their own self authorization to run that credit check if you will. You don't have to worry about that.

A little tip here; on the bottom of the slide, regardless of the credit result, it's in your interest in the long run to originate that loan even if it's not with acceptable credit, the reason being that that borrower may come back later and say, "I've got an endorser and I want to go ahead with that PLUS loan now, or I successfully appealed. I changed my mind. That's what I want to do, and I've successfully appealed through COD." If that loan was not originated during the loan period, you're out of luck. No matter what they do, you can't go back and originate that loan once the loan period has expired. So, just a little thing to keep in the back of your mind and a little tip that we give people in this session here.

Credit is initiated by those three different ways I said there a few minutes ago; Loan Origination Record, A PLUS request, or you guys doing an online instant credit. Again, keep in mind the authorization that's needed. The social security number is the key when we run credit checks, and any change to that social security number under the circumstances that allow it is going to trigger a new credit check as well. I have a hard hit on the borrower's credit history up here, and actually, it's not a hard hit that impacts their credit score, but it is going to show up as an inquiry by the U.S. Department of Education on their credit history. So, it's not gonna snake 20 points off of their credit score when you do it, but it will show up as an inquiry. It's reported to credit bureaus once the loan is processed and we disburse it, and it's in place just like any other obligation is reported to a credit bureau. Visa cards, MasterCard, Happy Jack's Auto Dealership, whatever it is; it's gonna be reported just like that other financial obligation or any obligation that they do have.

A credit check result will be used for 90 days if an additional activity occurs that would otherwise trigger a new credit check, a new award coming in. They go out to StudentLoans.gov for whatever reason and do another PLUS request or you, for whatever reason, go online and run another credit check for them as well. If the credit result on the system is older than 90 days old, a new credit check is going to be run. If one of those occurrences take place and COD sees that the credit result on the system is 90 days old or

less, it's going to use that same result in the return and the response. That's what we mean by a credit check result being good for 90 days. When we say a Loan Origination Record with an A result will undergo no additional credit check unless identifiers are changed, that comes into play in a lot of cases where a school has an initial PLUS loan on the system, and the parent comes back 3 1/2, 4 months, 5 months later and says, "I really need that other \$5,000.00 that I'm eligible for. I'd like to have that now." You can increase that 01 loan that's on the system, that \$5,000.00 and there won't be any additional credit check taking place, okay?

As you can see also up here, we have three different results. Accepted credit, you'll see is an A. Declined credit, denied credit, declination, denial – all of those terms really mean the same thing. Then a pending credit decision indicates that there's something wrong in the identifiers that we have sent to the credit bureau for that credit check. Social security number is off, a date of birth is off, or something is causing us not to be able to get a good hit on that person at the credit bureau. If that happens, we're gonna have the COD CSR contact you at the school and let you know that that's the situation that we're in; what is needed to be done in order to be able to successfully run that credit check and get that information back to us and get it taken care of. Those are the results that we'll get back on it.

A couple of other things on the basics here for credit. Denial of one parent is sufficient to offer additional unsubsidized funds to that dependent student. You don't have to make mom run credit if dad didn't pass initially. Once he fails or she fails, you're okay. Go ahead and offer the unsub if that's what they want to do after that. A credit result of declined is not school specific and can be used across schools. If dad is at school A and fails the credit for Timmy, and he also takes on a PLUS loan at school B for Marianne; if he failed at school A, school B can use that, document it, and not put him through the process of PLUS and go ahead and offer unsubsidized funds for Marianne at school B. So, it's not specific to any single school.

As it says there, the school can determine to forego the ____ PLUS process with knowledge and documentation of inability for the parent borrower due to adverse credit history. There's a citation there for the regulation that covers that, that talks about that, some of the conditions being on some kind of disability income, social security supplemental income. They were just at the other school and failed a credit there, and now they're at your school. You can document that and not put them through the process or they come to your school and say, "I just tried to buy a car down at Happy Jack's, and I failed the credit there. Here is the credit report." You've got documentation there as well and you can forego the process. You don't have to put them through the process.

Okay, a couple of other things here. A Parent PLUS loan with a credit decision pending or declined can be modified. We changed that a couple of years ago. In the past, once we had a declined or pended decision, in effect, that loan didn't show up in the system. Recently, we could reduce it to zero actually, but once you did that, you couldn't do anything else with it because at that point in time, a pending or declined decision – you couldn't disburse on that loan; still can't actually. But now you can change some of the

other factors association with that loan; dates, financials, and things of that nature. We just brought that in in the last couple of years so you have a little bit of leeway, if you will, to do some of those changes. Heed the last bullet though as well. Remember I said early on that the social security number is the key when it comes to working with PLUS loans and credit checks? You can't change the social security number on a PLUS loan that is not inactivated; meaning reduced all the way down to zero, or hasn't been fully disbursed for at least 24 hours. Outside of those conditions, you can change the social security number, and that's gonna generate a new credit check because it's, in effect, a new person, okay?

Okay, a couple of other things we're gonna look at here. I said a little bit earlier about documentation to use for getting authorization. I'll show you where to get that by going onto the COD website under person and credit check down there. You have two options at this point. You can search and see if there has already been a credit check done on this person by hitting the search button after entering the information; or you hit "request credit check" and that's gonna take you to the next screen where you will fill in the information necessary to run that credit check. If you look up in the text at the top gray box up there, the second blue hyperlink says, "Credit record authorization form." That's where you get that document that I said was available on the COD website. You can fill it out or they can fill it out if they are sitting across the desk from you, and give it right back to you, and you're good to go.

In any event, you're gonna put the information in there. Confirm that information, send it off, and in a matter of nanoseconds, milliseconds, a heartbeat, or a Chicago second if you guys are out there from Chicago, you're gonna get a result back like this; or you'll get a result back that says, "declined." By doing an instant credit check, it's gonna be just about that fast, and you're gonna right away what needs to happen next.

You need to have some process in place for PLUS loans that if you get a declination, you and that parent or borrower understand what's gonna happen next, meaning that the parent has some kind of an idea of what they want to do. "In a couple weeks, I'm gonna look for an endorser. I'm gonna go ahead and appeal this, so give me a couple of weeks to get all my documents together." Have something in place so you know what's gonna happen next, okay? Parent borrower can say, "I'm done. I'm not going any further. Give Johnny unsubsidized funds," and that's okay as well. Remember, there's things that can happen down the road a little bit later that could, in fact, override the declined credit decision so have in mind what's gonna happen with that borrower down the road a little bit.

PLUS loan with a credit declination can be accepted and displayed. We talked about that a little bit earlier. Even though it's accepted and displayed on the system, when you get the response back and you see that PLUS loan up there, you still can't disburse on it. You don't have an acceptable credit decision associated with that PLUS loan. Every week I get a call from the school. "I don't know what's going on. I can see this PLUS loan there; I got my response back, and I tried to disburse it, but I can't." Well, you don't have a good credit decision associated with that loan and that's why you can't disburse

on that loan. So that could be one of the reasons why. Also, another thing that comes up from time to time is an initial declined credit status that you see on the COD website, is there after the borrower says, "I've got the credit override and I'm good to go." If you look at that person in COD you'll see, in fact, the initial declaration and the date, and you'll see a subsequent approval on there with that later date, but the declination, the initial declination is not gonna go away. It's gonna stay on the website for you to see.

Credit appeals. You can appeal an extenuating circumstances or errant data that appears on a credit report. You're not the person that borrowed \$10,000.00 for that Mercedes Benz at Happy Jack's. It was somebody else. You get information from Happy Jack's, and document that it wasn't you. You can appeal under those circumstances. There are other circumstances, extenuating circumstances that you can appeal on. Jeff Baker and David Bertrand talked about that on Tuesday a little bit. They're unique to each person, each set of circumstances, but you can appeal them. When you go through that appeal process, COD, the CSRs are gonna help you with that, are gonna explain to you what you need to do, what documentation you need to send. It's important that if they tell you to send a specific document that your borrower – send that specific document.

Lots of times a borrower will say, "Well, this ought to do what you want," or "This will reflect this information," or "I think this will cover what you want." We ask for specific documentation because that's what we want and need in order to run that appeal. So impress upon your borrower if that's the condition or the situation and you're talking to them, that they need to send exactly what COD asks them to send. They can start the appeal on StudentLoans.gov if they've gone through that as well. They immediately know that they were declined. They also have the opportunity to indicate to us that they want to appeal this or not or do something else, and we'll get back in touch with them, and let them know what they need to send us to do the appeal.

Last bullet up there, a successful appeal will result in a credit override response. If you have an origination on the system, we'll cut another file to send back. You'll import it into your system, and it will update your database with that credit override.

Endorsers. Let's talk about endorsers a little bit here. Everybody knows that sometimes an endorser is the surest and quickest way to go ahead and get a PLUS loan taken care of. A couple of things you need to remember there that cannot be the student for whom the parent is borrowing. You can't endorse your own PLUS loan. That's a no-no. The endorser promises to pay, in effect, every penny that the borrower does not. If the borrower defaults, that endorser is on the hook for the outstanding principal balance that's associated with that loan. It's legal. Just like co-signing for a car. It's the same, same principle. The endorser completes an endorser addendum, not another MPN. It can be done either electronically or on paper. Either way we're gonna get it processed through, get a little differ quirks to how it's done depending upon whether it's electronic or by paper. The endorser is also reported to the credit bureau, okay? Hit on their credit just like the borrower. It's not gonna impact their score, but it's gonna show up as an inquiry on their credit history. That last one, as I said, reported to the credit bureau is sometimes a surprise to some people, so you need do keep that in mind as well.

If it's done electronically through StudentLoans.gov, the endorser can use their FSA pin or obtain an FSA pin in order to get onto the system. Go on there, and if they have a loan origination record that's already been sent to COD, it can be provided to that endorser, the PLUS loan ID and use that to link the endorser information to the loan. If there's not a loan origination record there, they can use the loan reference number that that PLUS applicant received when they went through the process on StudentLoans.gov, and we can link it through that way as well.

Either way that they go, paper or electronic, the endorser is going to set the amount that can be endorsed or awarded, if you will, to that particular borrower. That's part of the process. They can't skip that. They have to complete that part of it as well. Whatever they endorse as opposed to the loan amount requested, the lesser amount is what's going to be awarded and disbursed. A couple of things there is we'll see a COD response to the school if there is already a loan origination on the system. If not, if it's endorsed electronically through StudentLoans.gov, we'll send an updated SP file, CRSP file back to the school as well with the information.

The endorser can do it by paper also, as I said a little bit ago. They can go onto StudentLoans.gov. They'll be able to print an endorser addendum. We'll give them complete instructions on what to do with it, how to send it, and they can do it through paper instead of doing it electronically. A couple of things are a little bit different there. If there's not a PLUS loan on the system when they do this by paper, until that origination is sent to COD, you're not going to get any kind of a response that that endorsement has taken place, okay? So, if you don't originate and you have somebody do a paper endorser, you're not gonna know that it's taken care of until you send in that origination record.

PLUS loan, loan origination record will link to an endorser addendum and COD will send that credit override response if there is one there. So it's a little bit different with paper. Same process, same result, and same bottom line, but just a little bit of a quirk there if you do it by paper instead of electronically. This graphic up here kind of goes through the process. If you're gonna do it electronically on StudentLoans.gov, you'll find this and the current technical reference as well. There's also a graphic that shows you what happens with a paper endorser or a paper endorser process if they go through that way.

A couple of things here before we wind up real quick. The endorser data and endorser are now displayed on the COD information screen. It's there. You can see it in both the SP file that comes in or the loan detail screen when you pull it up in COD. It is also, as I said before, the guiding principle, if you will, when it comes to the loan amount, either the endorser amount or the loan amount initially awarded, whichever is less. If you have a PLUS loan with an endorser, you cannot increase that loan. Remember I said earlier on if you had a PLUS loan and they asked for more money, if you hadn't increased that 01 PLUS loan, if it's got an approved credit with it; if you have an endorser, you can't just arbitrarily go out and increase that loan. If they want more than is endorsed, you have to do another PLUS Process Request or another origination for the difference. That's gonna

kick off that whole process again, right, because you've only got a single loan MPN associated with it, and there will have to be another one of those as well.

Okay, entrance counseling. Graduate and professional students requesting a PLUS loan for the first time must undergo counseling just like a first time subsidized or unsubsidized loan borrower has to undergo. Okay, a first year borrower. You can do it electronically online at StudentLoans.gov. You can select the graduate counseling that's there. They'll go through the process electronically. We'll cut an acknowledgement and send it to your school indicating that they have completed it there for you. If you don't want to participate electronically in counseling in that way, you can of course do it yourself or have some other means of doing it. It's got to be done through before you can disburse to a first time grad PLUS borrower. They have to undergo the counseling.

As I said, it's not required that you do it the way as I described at StudentLoans.gov, but that's gonna be the quickest and easiest way to do it. Again, you're gonna get the response or acknowledgement sent to you immediately at the conclusion of that. It's gonna show up, of course, on the counseling report. The last bullet – keep in mind that the counseling that they do is not the same as a first year borrower when they do subsidized or unsubsidized counseling. It's different and it has to be completed.

Okay, I'm gonna turn this over to Wendy here. She's gonna take us through the processing aspects of the PLUs loan process, and I will shut up, sit down, and tuck my tie back in like it should be.

[Wendy speaking]

Hi everybody. Thanks, Wood, for going over a lot of the policy and guidance on how to process the PLUS loan and eligibility and everything. Now, I'm gonna walk you through more details of actually processing the PLUS loans. When you're processing Direct Loan PLUS loans, it's basically the same as processing your direct sub and unsubsidized loans. When you send the origination record, you are required to have disbursements total the award amount. You can submit actual disbursements with the origination record at the same time. If you are originating and you know the borrower is gonna be getting the money within seven days, you can actually do the actual disbursement and the origination in one shot in one record.

Each origination record can have up to 20 actual disbursements. When you're reporting those disbursements, you need to make sure you report the actual date you credited that student's account with the money because interest accrues from that date.

Schools can deny an origination or originate a reduced amount and that's on a case-by-case basis, and you must document that reason. You can find details for this in the Federal Student Aid Handbook, volume 3 or in Regulation 685203. PLUS loan processing can be done via batch from your school using your software, or you can also do it online. When you do it online, that's actually real time. You see the immediate

results. If you had any rejected records you can go right on and you can fix those records and resubmit the batch.

If your school participates in web responses, you can also have the response sent back to your software which will load into your system so you match. When you submit the batch, COD will send you a response back that has your information about your processing results.

Another option a school has is to participate in the Direct Loan PLUS Request, also known as a PLUS Application Process on StudentLoans.gov. If your school decides to do those options, your borrower or student would go onto the student loans and complete a four-step process, which will give them instant credit check results. At the time they get to the credit check, if they are denied, they will have options displayed to them where they can say they would like to pursue an endorser. They may want to get an appeal. They're undecided, or they might decide to get an endorser, which they can indicate on that screen. If they decide to do the appeal, information will be sent to our customer service center, and one of the CSRs will make outreach to that borrower to help them walk through the appeal process to obtain the documentation Wood alluded to earlier.

Even though the borrower is doing the PLUS application, the school is still responsible for determining the borrower's eligibility and certifying the loan and the amount.

Now, I'm gonna take you over to some COD web screens. If your borrower had gone online and done a PLUS application, you can actually view all the detail on the PLUS application search screen. You can search by the PLUS application ID, which would have been sent back to you in your response, or if the borrower provided it to you. You can search by borrower information, student information, or at the bottom of the screen – you can only see part of it – you can do a date range search. You put a date range in there, and you can export to CSV all of your applications that have been completed in your date range.

This is the detail screen after you've done your search and you've chosen the borrower you want to look at. The top of the screen actually gives you all the demographic information, address, citizenship status. The bottom of the screen gives you school and loan information, and you can also see on this screen if there's an endorser and the amount and what the loan amount requested from the borrower was. This is also where you can see that credit check date and the credit check expiration date so you will know how long that credit check is good for. You can choose to create your award right from this screen by clicking on the "create award" button on the bottom of the screen, and you'll validate some information on the next screen, and you'd be able to submit that origination record right there.

Another way to create a PLUS loan on the COD website is just right from the R person screen. You would just hit the "create new" button, and it will bring you to the "create person" screen. On this screen, you have to determine who you are creating the loan for. If this is gonna be a Parent PLUS loan, you would enter the student's information and if

it's a Grad PLUS, it's the student's information also, but when you're doing a Parent Plus loan another screen, which I'll show you later, is where you enter the borrower information.

So on this screen you enter your information, SSN, name, date of birth, demographics, and then you would click, "create award" on the bottom of the screen, and you enter the data on that screen, and enter disbursements and hit "submit." Another easier way to submit a PLUS loan is if the borrower has already existed in the system or the student. You can take an easier step and not have to enter some information. You would just search for person by SSN on that previous screen. If the person exists and comes up, you can then just hit "create new award" and then you don't have to enter the address and demographic information over again.

When you hit "create new award" the next screen is where you're gonna select the type and sub-type of the award. IN this case, we're gonna choose PLUS. Then it will come up with "new award uses this person as." This is where you're gonna determine if it's a student, a borrower, or if it is a Grad PLUS loan, you would choose in this box, "borrower and student are the same." In this case, we're gonna click "student" and then here is that borrower permanent information screen. This is where you would enter the parent's information.

Here is the top of the "create award" screen and this shows you parent and student information, and this is where you need to double check, make sure you've entered your SSN, name, and date of birth correctly because if it's wrong, on the bottom of the screen there's two orange links, a "view person" and "view borrower" that will take you back to the previous screens so you can correct any information that might have been wrong. Then from this screen, you would enter all your award detail information. You'd enter the award ID and amounts, and then you would hit "create new disbursement."

Here is the "create disbursement" screen and I've got the interest rebate amount highlighted here because I'm just gonna go right into the next screen, as we do have some PLUS loans on system that have invalid rebate amounts. Those do need to be corrected and, as you can see, we have it highlighted here. You must correct them immediately, especially ones that have been out there for several months because if they were given a 1.5 percent rebate that they weren't eligible for, they actually got too much money. So you will need to adjust their accounts.

Basically, we have on our system – right now we have 1,480 incorrect awards. 1,281 of them are awards that received the 1.5 percent rebate and the earliest disbursement date is after July 1. Then we have 139 that have a 0 rebate that were disbursed with a date before July 1. We have been sending reports to your newsbox on a weekly basis as well as our call center. The CSRs have been calling as well as people from the School Support Team have been calling you guys to remedy these loans and get them correctly immediately.

Earlier, Wood told you guys about the award information screen where you can actually see endorser information. This is one of the screens. After you search for person and you click on the Direct Loan Award ID, you can come to this screen and you can see the endorser's SNN, name, and date of birth as well as the endorsed amount. In this example, which I'm sure you guys cannot read, the endorsed amount is \$50,500.00, but the award amount approved was only \$50,305.00; therefore, when you go to do your disbursements, the COD system will only let you disburse up to the \$50,305.00.

Another area where you can see the endorser information, the endorser amount is through the response screen for your override responses, and here you can see again the endorser amount. Some new functionality we added to the COD system a couple of weeks ago is the ability to search for endorser addendums. You can come to the screen and you would choose your user type first, which is borrower SSN, student SSN, or endorser. Then you would enter the SSN and click the "search" button. The next screen will display the details for the endorser addendum. In this case, you can see that the borrower did not complete a PLUS app because that field was left blank. You can also view the actual endorser addendum if it is electronic. If it's a paper addendum you will be able to see that one exists. You just will not have a link to view it. Then here is just a screen of what the endorser addendum looks like, the top of the endorser addendum. You will be able to print these off for your files if you want to.

Some more basic information about disbursements. You need to assure the eligibility of the dependent student and unless otherwise directed, any credit balance is to be given to the parent. Any parent who completes the PLUS application on StudentLoans.gov can indicate who they want the credit balance to go to, but if you don't participate in that, you'll have to determine that by working with the parent and then providing the credit balance to whoever it was decided on. You must also adhere to all normal and required notifications such as the 14-day cancellation request.

Another item to note is the disbursement data must be accepted by COD within 30 days of the actual disbursement date. COD takes the disbursement information and passes it on to the services. So the more timely we get it, the more timely our servicers get it, and then the borrowers will know who their servicer is. Again, we're highlighting make sure you report the actual disbursement date.

This is a web screen where you can actually process your disbursements. The easiest way to do that is when you get to the disbursement screen, you would click on that check box next to the number one, and at the bottom of the screen there is an orange button that says "process selected disbursements." When you do that, that's the same thing as changing the DRI to true in your own software, and it will submit a batch and process the disbursement.

A second option if you're looking at the screen and you notice a disbursement date is wrong or maybe the amount is wrong and you want to update it. You can actually click on the number one and on the next screen, you'll be able to change any of the information and then hit "change the DRI to true" on that screen and submit it from there.

As Wood talked about earlier, you can increase a PLUS loan that's established on COD. You send a change record if your software allows it, or you can just send in a new loan. However, if it has been 90 days, you need to know that that new loan will go through another credit check. However, you cannot increase the PLUS loan if you're in receipt of a subsequent adverse credit decision.

So if the borrower went out to StudentLoans.gov and did another PLUS application indicating they wanted to do an increase, and it was 110 days since the first credit check, we're gonna do another credit check. If that comes back as declined, at that point you cannot increase the loan and you cannot give them a new loan. You can fully disburse the loan if the first loan hasn't been disbursed – you can fully disburse that one, but you cannot give them any more money.

If the established PLUS loan has been fully disbursed, you can offer the dependent student additional unsub loan funds up to their eligibility appropriate to their grade level and cost of attendance. You've got to reflect the disbursed PLUS loans as estimated financial assistance. If you are gonna do the additional unsub, you've gotta make sure that the unsub award reflects that it is additional unsub. Here is the screen if you were gonna do it online. There's an additional unsub indicator field that you should be submitting with your record.

My screen keeps blinking. If an established PLUS loan with declined credit is remedied by getting an endorser or an appeal after you've provided additional unsub money to the students, if it was not disbursed at all, you are to reduce it to 0, but if it was partially disbursed, you must cancel any pending disbursements before awarding the PLUS loan. As I stated before, the funds must be applied as estimated financial assistance when calculating the new PLUS loan. You should reduce the disbursed additional unsub funds and unsub loan itself to 0 if the parent and the student has decided that's what they want to do.

Finally, our last slide is some repayment information. For PLUS loans deferment and forbearance options are the same as subsidized and unsubsidized loans. Parents can request to defer repayment until their student ceases to be enrolled. In addition, they can also defer their payments for six months after they cease to be enrolled. Repayment options are basically the same for parent and graduate students except for the income-based repayment and income-contingent repayment plans. They are not eligible for those plans.

At this time, I'm gonna go ahead and open it up for questions, and please come to the microphones in the center of the room. No questions? Oh, we have one coming. Did it cool down out there at all? I felt it up here. Yeah, go ahead.

Audience: I have a question in regards to the PLUS loans that were in a declined status. There was some chatter on a listserv earlier this academic year. We didn't have any cases personally at our

institution, but I gathered from some other schools that there were PLUS loans that were in a credit denied status that, based on some credit underwriting – or not necessarily underwriting, but the qualifications for what would put somebody eligible for a PLUS loan changed slightly. So those loans moved from a denied status to an approved status, and the information that I was reading on the listserv seemed to indicate that the parents did not request a review of their credit in order to move to an approved status based on this new criteria, and they had already been processed in additional unsubsidized loan and there was some question at that point whether or not the student was entitled to retain the unsubsidized loan or whether those funds had to be canceled and then move forward with the PLUS processing. Are you aware of that situation, and could you speak on that topic?

Wood: There was some folks that were reevaluated under the extenuating circumstances part of the appeal process. Jeff Baker and David Bertrand talked about that a little bit earlier. It dealt with some of the factors in there, how much in debt you were and length of time and loan history and stuff like that. A couple of things to keep in mind, I don't know all of the details. I do know though that you have to keep in mind that when it's appealed under extenuating circumstances, each one is kind of unique based on some of that criteria that Jeff and David talked about. That's kind of something you have to keep in mind when it comes to that.

The second thing I can tell you though, the process itself was based upon the PLUS borrower telling us that, "Yes, I want to be reevaluated." FSA did not at any time go out and just run credit again or arbitrarily give people an accepted when they were once declined. We did nothing at all without that borrower knowing up front what could happen, would they like to do it, and what the result was. I hope that helps. I just don't know all of the particulars associated with it.

Audience: Sure, yeah. As I said, we didn't have any of these cases personally on our campus, but I know sometimes there is a case of things kind of getting lost in translation as far as parents telling us exactly what steps they initiated with the department versus what actually happened.

Wood: Right.

Audience: So thank you for that.

Wood: You're welcome.

Audience: Hi. I just wanted to make sure I understood that with the increase in PLUS loans – so if you have a PLUS loan that's been accepted, credit check was good, and it has been over 90 days, and the parent wants to increase that loan, you can increase that same loan without it going through a subsequent credit check? The only way that would go through a subsequent credit check is if you did another – a new loan to increase. Is that right?

Wendy: That's correct. So if you just increase it, it will not go through another credit check, but if that parent was to go do another PLUS app or you send in a new loan, that would cause a second credit check.

Audience: Even if it has been over the 90 days?

Wendy: That's correct.

Wood: That's what would cause it. If you did that 02 loan within that 90 days, it would use the result that's already on the system.

Audience: Right, okay, thank you.

Audience: Good morning.

Wendy: Good morning.

Audience: Could you discuss how the Master Promissory Note comes into the process when a parent has initially been denied the PLUS loan, and then subsequently is approved either through an appeal or applying an endorser? I'm assuming when they're initially denied, they are not given the opportunity or suggested that they do a Master Promissory Note, but we have had a number where the endorser has been applied or we've received a credit override; we originate that loan, submit it, and then it comes back "no promissory note on file." I was just wondering when is the parent told to complete a promissory note in that process?

Wendy: On the StudentLoans.gov website, they can actually do a promissory note whenever. There is nothing to stop them from doing a promissory note, and at the end when it's completed, there's actually a message if they haven't completed one to go complete one. So, basically, the P note has to be done before you do a disbursement, but the option is there for a parent to do it whenever. They can do a PLUS application and immediately go right over and do a promissory note.

Audience: But does _____ trigger _____ parent?

Wood: No.

Audience: For example, if they are initially denied _____ appeal, are they told at that time to do a promissory note, or how are they supposed to know that, or is it an expectation that the institution lets them know to go back and _____?

Wendy: At the time of the PLUS app, they don't and at the time of appeal they don't. All the appeal does is override the credit. There's nothing that the appeal triggers to a borrower that sends correspondence, but it's something we can put down as possible.

Wood: Yes.

Audience: [Inaudible]

Audience: Even if they are denied? Even if they are denied? It will be suggested that they do a promissory note?

Wendy: Yeah, on the StudentLoans.gov website, yes.

Audience: Okay.

Wendy: What Liz was just saying so everybody else can hear, if the school elects to do the quick web credit check that you have on the COD website, there isn't any correspondence or endorsement information sent to the borrower. So they don't get anything from a quick credit check, but the PLUS application itself does have a "next step" on it at the end, and the next step is to complete a promissory note if they haven't done one. If they are declined and they get an override, no, at that point there isn't anything to trigger to say, "Go get your promissory note."

Audience: So maybe just initially ignoring that suggestion, after denial, forgetting to come back and do it later.

Wendy: Right, right. They're just not reading the next step at the bottom of the screen.

Audience: Thank you very much.

Wendy: You're welcome.

Audience: Just a clarification on Grad PLUS endorsers. I have a student who has medical issues. We knew and she knew that ____ medical cost of attendance appeal. Her endorser endorsed the loan for several thousand dollars over the cost of attendance, and we originally gave her the loans up to cost of attendance just so she would have money. Then when the cost of attendance appeal process was finished, we increased her Grad PLUS loan based on the endorsement which was several thousand dollars over cost of attendance, but within the range of the appeal amount. Were we wrong to do that?

Wendy: You can disburse the lesser of the two.

Wood: Did the cost of attendance increase? Are you still under the cost of attendance?

Audience: We increased the cost of attendance after the appeal. The question is the endorser – earlier you had said that you can't raise an endorsed loan amount.

Wood: If your endorser was higher than what you originated for, if you had an adjustment to the cost of attendance, you could do it by raising up to that, as long as you don't exceed what that endorser has endorsed or your cost of attendance.

Audience: Okay, I was clear on that?

Wood: You're okay.

Audience: Hi, I have a couple of questions. The first one relates to the Grad PLUS. You had mentioned that a student needs to decline the unsubsidized loan if they just want the PLUS. Do they have to be awarded with the unsubsidized loan and decline it or – so they don't have to do a FAFSA at all to get the PLUS loan?

Wood: No, they don't have to take a subsidized loan. They can immediately tell you that's great and all wonderful, but I don't want a unsubsidized loan, I want a PLUS loan.

Audience: But they still have to do the FAFSA form, correct?

Wendy: Yeah, they'll have to do the FAFSA because we'll match the identity before we'll even process the loan.

Audience: Okay, all right. So the second question relates to if a Parent PLUS loan is denied and they get a co-signer, and we disburse the money,

you mentioned that we can give them an unsub after. How can they have a PLUS loan and an unsub together?

Wood: If you've got a PLUS loan that's been approved, you can't give an unsubsidized loan. I think maybe you're referring to somebody that had a declined PLUS loan, and then you gave them an unsubsidized loan, and then they later were approved again.

Audience: Mm-hmm.

Wood: That's possible. Once that approval comes through though –

Audience: You have to take the unsub back.

Wood: No, you don't have to take the unsubsidized money back, you just can't give them any more. So if you've already made your first disbursement in the unsubsidized loan, and then they're approved at that point, you can keep that unsubsidized loan in place if that's what the student and the parent want to do, and then you would award the PLUS loan showing what they've already been awarded. The unsubsidized loan is estimated financial assistance when you calculate that PLUS award, but you don't have to take the unsubsidized funds back that's already been disbursed. You just can't give any additional.

Audience: But with our system that we use at the college I work for, it won't allow us to give both the unsubsidized loan and the PLUS loan together. You have to have one or the other.

Wood: I don't know what to tell you about that. All I can tell you is what the regulations and policy is that it can happen. If your system has to back down the unsubsidized loans, you need to talk to the parent and the student and say, "This is how we have to do this now that you're approved," but the regulations and policy allow it to do it the other way.

Audience: Okay, all right, thank you.

Wood: Uh-huh.

Audience: Hello.

Wood: Hi.

Audience: I just want a little clarification. You said in the presentation that as long as PLUS MPN has a disbursement within the first 12 months,

it is good then for 10 years, but what happens in a situation where there has been a gap for more than 12 months where loans haven't been disbursed on that MPN, but that MPN did have a disbursement in the first 12 months. Would that MPN still be good for the remainder amount of time for the 10 years?

Wood: So you're saying you have an MPN. You disburse on it. That person doesn't come back to school for two years, and then you do another loan for them. That Master Promissory Note, all else being good, is still valid, and that new PLUS loan will link to that Master Promissory Note when you originate it.

Audience: Thank you.

Wood: Uh huh.

Audience: We have a lot of parents who actually don't want to be approved and then the loan _____. So they call us back and say – so I've got two scenarios. One in a married household, can the other parent apply and get denied? Then in a single household, can a non-FAFSA parent go back and apply for the student? You see what I'm saying?

Wood: Yes. Actually, what you are asking is do we dictate who takes the PLUS loan and goes through the credit check. No, we don't. You don't have to be the parent. You don't have to be the custodial parent. You just have to be a biological or adoptive parent.

Audience: Okay, well what about in the married household though where the first parent is approved and then they want to go back in with the second parent for whatever reason.

Wood: If they're approved, they're approved, but there's a reason, a legitimate reason that you can forego that approval – in other words, they are on Social Security income or they're – whatever the reason is they can justify to you that they shouldn't have been, like I talked about in those regulations, you can go ahead and give them unsubsidized funds. That's the caveat that we discuss there, but you've got to make sure that it's legitimate and that it is a valid reason that you're gonna override that, the reason being is that, "I just don't want to take a loan," is not a reason not to do it. The Department of Education gives taxpayer funds to these people to go to school after the family, who has the initial responsibility, has done all they can do to help that person go to school. So just saying, "I don't wanna," is not grounds to give unsubsidized funds to a borrower.

Audience: All right, thanks.

Wood: Does that make sense? Okay.

Audience: I have a question about – it was about five slides back, and I think it piggybacks on someone else’s question where it talks about if the established PLUS loan has been fully disbursed, and maybe the student hasn’t received all of the cost of attendance, you can then offer them additional unsubsidized funds? I guess I’m kind of – that doesn’t make sense because I thought you couldn’t offer a student additional unsubsidized funds if a Parent PLUS loan is approved.

Wood: I think – is that getting back to where we were about one that’s been denied and then is –

Audience: Right, ___ was talking about ___ slide before that, so I didn’t know if that was then – it was five slides back.

Wendy: Is it this one?

Audience: No, no, you’ve gone too far. Okay, this is that.

Wendy: Yeah, I think it’s this one.

Wood: Is this the one we’re talking about here?

Wendy: The one I had up before was the one where if you get a subsequent – so you’ve already given them a PLUS loan. Now, for some reason, you know they now have adverse credit whether you submitted another loan, you did a web credit check, or if they did another PLUS app.

Audience: Okay. I wasn’t quite sure because it first talked about endorsed. It said you cannot increase that established PLUS loan if the recipient had an adverse credit decision. Then on the next slide it says, “If an established PLUS loan has been fully disbursed, offer the dependent student additional unsubsidized loan funds up to their eligibility.”

Wendy: The endorser.

Wood: That’s based on a subsequent denial of credit. I think that’s what you’re getting at.

Audience: That's why I was confused because it said PLUS loan being fully disbursed and that's an approved PLUS loan.

Wood: Correct, that first one was approved. It was fully disbursed, and then you have a subsequent denial after that.

Audience: Okay.

Wood: Okay, that make sense now?

Audience: Yes, thank you.

Wood: Uh-huh, you're welcome.

Audience: Hi, just a quick question. Could you go back to the deferment slide, which was the one right before the questions? I'm from a private four year college, so I'm working only with undergraduates, so our PLUS loans are – obviously, the parents are borrowers only. I had a parent in regard to the deferment come up to me and say, "Well, I understand that while my son is enrolled at your school I can put it in deferment and even a six month grace period afterwards, but what if he goes onto graduate school? Can I still keep that PLUS loan in deferment?"

Wood: Yeah.

Wendy: Yes, they –

Audience: My first – oh because I said no because I just assumed – no?

Wendy: Yeah, no. The requirement is they have to be enrolled more than half time at an eligible school.

Audience: So it doesn't matter if they're going for undergraduate or graduate degree?

Wendy: Right.

Audience: Okay, now, that same parent borrower – say, the son graduates and gets a job or whatever. If that parent ends up going back to school themselves, they can use the deferment?

Wendy: Yes, and it's a different type of deferment, so they need to contact their servicer.

Audience: Okay, thank you.

Wendy: 12:15, right? 11:00 to 12:15? We've got like 5 more minutes.

Wood: Okay, anything else?

Wendy: Anything else? We have five more minutes. If not, have a great rest of your day.

[Applause]

[End of Audio]