

**Questions and Answers About Annual Loan Limit Increases for Certain
Direct Unsubsidized Loans
Attachment #1 to DLB-08-16**

Q1: When will the Common Origination and Disbursement (COD) System be ready to receive Direct Unsubsidized Loan awards based on the increased annual loan limits?

A1: Beginning with implementation of the COD System enhancements (scheduled to occur during the period June 27-28, 2008), the COD System will use the increased annual loan limits when determining if a Direct Unsubsidized Loan award first disbursed on or after July 1, 2008 (that is, with an earliest disbursement date on or after July 1, 2008) has exceeded the applicable maximum annual loan limit. The COD System will continue to use the lower annual loan limits when determining if a Direct Unsubsidized Loan award with an earliest disbursement date before July 1, 2008 has exceeded the applicable maximum annual loan limit.

Note: The COD System will reject Direct Unsubsidized Loan awards made under the increased loan limits (including those submitted with an earliest disbursement date on or after July 1, 2008) that are submitted prior to the COD System implementation during the period June 27-28, 2008.

Q2: How will the COD System determine if a Direct Unsubsidized Loan award results in the student exceeding the applicable maximum annual loan limit for his or her grade level?

A2: Beginning with implementation of the COD System enhancements (scheduled to occur during the period June 27-28, 2008), the COD System will first evaluate the earliest disbursement date submitted in an award. Actual disbursements (Disbursement Release Indicator or DRI equals "True") will take precedence over anticipated disbursements (DRI equals "False") when determining the earliest disbursement date.

- *If the earliest disbursement date is before July 1, 2008*, the lower annual loan limits will be used by the COD System to determine if the award results in the student exceeding the maximum annual loan limit for his or her grade level. The COD System will reject the award and/or disbursements if the total award at the school or the total amount disbursed across schools exceeds the maximum annual loan limit for the student's grade level.
- *If the earliest disbursement date is on or after July 1, 2008*, the increased annual loan limits will be used by the COD System to determine if the award results in the student exceeding the maximum annual loan limit for his or her grade level. The COD System will reject the award and/or disbursements if the total award at the school or the total amount disbursed across schools exceeds the maximum annual loan limit for the student's grade level.

Q3: Will there be changes to existing edits related to the increased annual loan limits for Direct Unsubsidized Loan awards?

A3: Yes. We will update existing COD Reject Edit 157 (Sum of Award Amounts Exceeds Base Annual Loan Limit) and COD Reject Edit 39 (Incorrect Award Amount) to reflect the increased annual loan limits for loans with an earliest disbursement date on or after July 1, 2008. The COD System will return these edits to a school when the award and/or disbursements exceed the applicable maximum annual loan limit based on the earliest disbursement date, grade level, and loan type information submitted in the award record.

For complete information about these edits, including how to correct affected records, refer to Volume II, Section 4 of the [2008-2009 COD Technical Reference](#).

Note: As always, a school must carefully work all COD System reject edits to ensure the accuracy of the information in an award record, including the dates disbursements are made. Disbursement dates reported to the Department of Education (the Department) must comply with all regulatory requirements and must be consistent with the school's records. With the upcoming increases to the annual loan limits, a change to a disbursement date may also result in a change to the student's annual loan limit.

Q4: Will there be any new edits related to the increased annual loan limits for Direct Unsubsidized Loan awards?

A4: No. At this time, there will be no new edits related to the increased annual loan limits for Direct Unsubsidized Loan awards. However, we will be adding additional edits in late 2008. Information about these new edits will be provided in a forthcoming Direct Loan Bulletin.

Q5: When can my school begin originating Direct Unsubsidized Loan awards based on the increased annual loan limits?

A5: A school can originate Direct Unsubsidized Loan awards based on the increased annual loan limits at any time; however, the earliest disbursement date for these awards must be on or after July 1, 2008.

Reminder: Such origination records will be accepted by the COD System beginning with the implementation of the COD System enhancements (scheduled to occur during the period June 27-28, 2008).

Q6: My school has already originated and transmitted to the COD System Direct Unsubsidized Loan awards with an amount based on the lower annual loan limits and we plan to make a first disbursement on or after July 1, 2008. What do we need to do with these awards?

A6: A school that has originated and transmitted to the COD System a Direct Unsubsidized Loan award with an amount based on the lower annual loan limits, but plans to make a first disbursement on or after July 1, 2008, may either submit a change to the amount of the loan based on the applicable increased annual loan limit, as explained below, or notify the student that he or she may be eligible for an increased Direct Unsubsidized Loan amount. If the school chooses to notify the student and the student requests (and is otherwise eligible for) the increased loan amount, the school must process the student's request.

If the school changes the amount of the loan, the change must be submitted after implementation of the COD System enhancements scheduled to occur during the period June 27-28, 2008. (Note that the original award should contain only anticipated disbursements, since no actual disbursements will have been made.) In addition, as explained in [Direct Loan Bulletin 08-05](#), the origination fee for the award must be 2.0 percent.

- ***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. ***With both options outlined in the chart below, a school must first inactivate the award before making the changes.*** We

strongly recommend the use of Option 1; however, the method the school chooses will depend on what its software will allow or its procedural preference. The school should discuss options with its technical staff or third party software provider to determine software capability. EDEExpress Users should refer to the Direct Loan-Loan Limits section of the “Other HERA Changes Overview” topic in EDEExpress Online Help.

<i>When Award Contains Only Anticipated Disbursements</i>	
<p>Option 1</p> <p>Step 1: Reduce the award amount to \$0 to inactivate the award.</p> <p>Step 2: <i>Submit a new award</i> that includes all of the following information:</p> <ul style="list-style-type: none"> • The 2.0 percent origination fee; • An earliest disbursement date on or after July 1, 2008; and • An award amount up to the applicable increased annual loan limit, and appropriate disbursement amount(s). 	<p>Option 2</p> <p>Step 1: Reduce the award amount to \$0 to inactivate the award.</p> <p>Step 2: <i>Reactivate the award</i> by submitting all of the following information:</p> <ul style="list-style-type: none"> • A change to the origination fee; • A change to the earliest disbursement date that is on or after July 1, 2008; and • An updated award amount up to the applicable increased annual loan limit, and appropriate disbursement amount(s).

Q7: My school has originated and transmitted to the COD System Direct Unsubsidized Loan awards with loan periods that begin before July 1, 2008 and end after that date. These awards have been or will be first disbursed before July 1, 2008, but the students would be eligible for the increased loan limits. Can we give these students the additional amount for which they are eligible by increasing subsequent disbursements of the award that are scheduled to be made on or after July 1, 2008?

A7: No. The increased annual loan limits apply only to awards with an earliest disbursement date on or after July 1, 2008. However, a school may award the increased amount by originating a new Direct Unsubsidized Loan award with an earliest disbursement date on or after July 1, 2008 for up to the difference between the increased annual loan limit and the amount already awarded and disbursed to the student before July 1, 2008. In addition, as explained in [Direct Loan Bulletin 08-05](#), the origination fee for the new award must be 2.0 percent.

Note: A school is not required to review its records for the purpose of identifying and notifying students who might be in this situation. However, if a student requests (and is otherwise eligible for) the increased amount, the school may not refuse to accommodate the student.

As outlined in the chart below, there is only one option for making the necessary changes.

<i>When Award Contains At Least One Actual Disbursement</i>
<p><i>Submit a new award</i> that includes all of the following information:</p> <ul style="list-style-type: none">• The 2.0 percent origination fee;• An earliest disbursement date on or after July 1, 2008; and• An award amount up to the difference between the applicable increased annual loan limit and the amount already awarded to the student, and the appropriate disbursement amount(s).