Direct Loans BULLETIN

William D. Ford Federal Direct Loan Program

Subject: Annual Loan Limit Increases for Certain Direct Subsidized Loan and Direct Unsubsidized Loan Borrowers

Dear Partner:

As part of the changes to the student loan programs made by the Higher Education Reconciliation Act of 2005 (the HERA), Pub. L. 109-171, some (but not all) of the annual loan limits that apply to Direct Subsidized Loan and Direct Unsubsidized Loan borrowers will increase for loans first disbursed on or after July 1, 2007. Through a series of questions and answers, this bulletin provides operational guidance for schools and third party software providers on processing Direct Subsidized Loan and Direct Unsubsidized Loan awards affected by the increased annual loan limits.

Q1: What is changing?

A1: The increased annual loan limits that will be effective for Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed on or after July 1, 2007 are as follows:

For Undergraduate Students

- The first year base subsidized/unsubsidized annual loan limit will increase from $2,625 to $3,500.

- The second year base subsidized/unsubsidized annual loan limit will increase from $3,500 to $4,500.

For Graduate/Professional Students

- The additional unsubsidized annual loan limit will increase from $10,000 to $12,000.

For Students Enrolled in Preparatory Coursework Required for Enrollment in a Graduate/Professional Program

- The additional unsubsidized annual loan limit will increase from $5,000 to $7,000.

For Students Enrolled in Coursework Required for Teacher Certification

- The additional unsubsidized annual loan limit will increase from $5,000 to $7,000.

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The following chart summarizes the annual loan limits for students enrolled in undergraduate and graduate programs, preparatory coursework, and teacher certification coursework (increases are shown in *bold and italics*):

	Grade Level In COD System	Maximum Base Sub/Unsub	Maximum Additional Unsub	Maximum Combined Sub/Unsub
1st year undergraduate	0 or 1	*$3,500*	$4,000	*$7,500*
2nd year undergraduate	2	*$4,500*	$4,000	*$8,500*
3rd year & beyond undergraduate	3, 4, or 5	$5,500	$5,000	$10,500
Graduate/professional	6 or 7	$8,500	*$12,000*	*$20,500*

	Grade Level In COD System	Maximum Base Sub/Unsub	Maximum Additional Unsub	Maximum Combined Sub/Unsub
Preparatory coursework (for enrollment in an undergraduate program)	0 or 1	$2,625	$4,000	$6,625
Preparatory coursework (for enrollment in a graduate or professional program)	5	$5,500	*$7,000*	*$12,500*
Teacher certification	5	$5,500	*$7,000*	*$12,500*

Q2: What is not changing?

A2: As shown in the chart in Q&A #1, many of the annual loan limits are not increasing. In addition, the aggregate loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans are not changing.

The HERA also did not change the increased annual Direct Unsubsidized Loan amounts that schools may award to students enrolled in certain health professions programs. These increased annual unsubsidized loan amounts, which are in addition to the regular annual loan limits shown in the chart in Q&A #1, remain at $16,667 and $26,667, depending on the student's program. However, because the regular additional unsubsidized annual loan limit for graduate and professional students will increase from $10,000 to $12,000, the maximum combined subsidized/unsubsidized annual loan limit for graduate and professional health professions students who qualify for the increased annual unsubsidized amounts will also increase by $2,000.

Q3: When will the Common Origination and Disbursement (COD) System be ready to receive Direct Subsidized Loan and Direct Unsubsidized Loan awards based on the increased annual loan limits?

A3: Beginning with implementation of the COD System for the 2007-2008 Award Year (scheduled to occur during the period April 13-14, 2007), the COD System will use the increased annual loan limits when determining if a Direct Subsidized Loan or Direct Unsubsidized Loan award with an earliest disbursement date on or after July 1, 2007 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 Subsidized Loan or Direct Unsubsidized Loan award with an earliest disbursement date before July 1, 2007 has exceeded the applicable maximum annual loan limit.

Note: A complete listing of the annual loan limits, including the increased loan limits, is available in Volume II, Section 1 of the 2006-2007 COD Technical Reference and the 2007-2008 COD Technical Reference.

Q4: How will the COD System determine if a Direct Subsidized Loan or Direct Unsubsidized Loan award results in the student exceeding the applicable maximum annual loan limit for his or her grade level?

A4: Beginning with implementation of the COD System for the 2007-2008 Award Year (scheduled to occur during the period April 13-14, 2007), the COD System will first evaluate the earliest disbursement date submitted in an award. Actual disbursements (Disbursement Release Indicator (DRI) = 'true') will take precedence over anticipated disbursements (DRI = 'false') when determining the earliest disbursement date.

- *If the earliest disbursement date is before July 1, 2007,* 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, 2007,* 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.

Q5: Will there be changes to existing edits related to the increased annual loan limits for Direct Subsidized Loan and Direct Unsubsidized Loan awards?

A5: Yes. We will update existing COD Reject Edit 39 (Incorrect Award Amount) to reflect the increased annual loan limits for loans first disbursed on or after July 1, 2007. The COD System will return this edit 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 this edit, including how to correct affected records, refer to Volume II, Section 1 of the 2006-2007 COD Technical Reference and the 2007-2008 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.

Q6: Will there be any new edits related to the increased annual loan limits for Direct Subsidized Loan and Direct Unsubsidized Loan awards?

A6: Yes. We will add a new PreProfessionalCourseworkIndicator tag on the Common Record Layout, and there will be new related edits. In addition, there will be a new field, Pre Professional Coursework Indicator (PPCI), on the COD Web site's Create Award and Update Award Information screens for the Direct Unsubsidized Loan Program. The PreProfessionalCourseworkIndicator tag and PPCI field are flags that identify a student who is eligible for the additional unsubsidized loan amount for students enrolled in one of the following programs:

- Preparatory coursework required for enrollment in a graduate or professional program
- Coursework required for teacher certification

The edits are as follows:

- 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.

For complete information about these edits, including how to correct affected records, refer to Volume II, Section 1 of the 2006-2007 COD Technical Reference and the 2007-2008 COD Technical Reference.

Q7: When can my school begin originating Direct Subsidized Loan and Direct Unsubsidized Loan awards based on the increased annual loan limits?

A7: A school can originate Direct Subsidized Loan and 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, 2007.

Reminder: Such origination records will be accepted by the COD System beginning with the implementation of the COD System for the 2007-2008 Award Year (scheduled to occur during the period April 13-14, 2007).

Q8: My school has already originated and transmitted to the COD System Direct Subsidized Loan and Direct Unsubsidized Loan awards with an amount based on the lower annual loan limits and a first disbursement date that is on or after July 1, 2007. What do we need to do with these awards?

A8: A school that has originated and transmitted to the COD System a Direct Subsidized Loan or 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, 2007, may submit changes to the amount for these loans based on the applicable increased annual loan limit. In this case, the originated award should contain only anticipated disbursements. In addition, as explained in Direct Loan Bulletin 07-06, the origination fee for the award must be 2.5 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. EDExpress Users should refer to the Direct Loan-Loan Limits section of the "Other HERA Changes Overview" topic in EDExpress Online Help.

When Award Contains Only Anticipated Disbursements	
Option 1	**Option 2**
Step 1: Reduce the award amount to $0 to inactivate the award.	Step 1: Reduce the award amount to $0 to inactivate the award.
Step 2: *Submit a new award* that includes all of the following information: • The 2.5 percent origination fee; • An earliest disbursement date on or after July 1, 2007; and • An award amount up to the applicable increased annual loan limit, and appropriate disbursement amount(s).	Step 2: *Reactivate the award* by submitting all of the following information: • A change to the origination fee; • A change to the earliest disbursement date that is on or after July 1, 2007; and • An updated award amount up to the applicable increased annual loan limit, and appropriate disbursement amount(s).

Q9: My school has originated and transmitted to the COD System Direct Subsidized Loan and Direct Unsubsidized Loan awards with loan periods that begin before July 1, 2007 and end after that date. These awards have been or will be first disbursed before July 1, 2007, 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, 2007?

A9: No. The increased annual loan limits apply only to awards with an earliest disbursement date on or after July 1, 2007. However, a school may award the increased amount by originating a new Direct Subsidized Loan or Direct Unsubsidized Loan award with an earliest disbursement date on or after July 1, 2007 for up to the difference between the increased annual loan limit and the amount already awarded and disbursed to the student before July 1, 2007. In addition, as explained in Direct Loan Bulletin 07-06, the origination fee for the new award must be 2.5 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.

When Award Contains At Least One Actual Disbursement
Submit a new award that includes all of the following information: • The 2.5 percent origination fee; • An earliest disbursement date on or after July 1, 2007; 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).

We appreciate schools' assistance in the operational implementation of the increased annual loan limits. If you have questions about the information contained in this bulletin, please contact the COD School Relations Center at 800/848-0978 or by e-mail at CODSupport@acs-inc.com.

Thank you for your ongoing partnership in the Direct Loan Program.

Sincerely,

Bill Leith
Acting General Manager, Application, Operations and Delivery Services