

Questions and Answers Document for the April 12, 2007 Direct Loan Webinar

The following table contains most of the questions received during and after the April 12, 2007 Direct Loan Webinar. Each question's answer is provided as well. The questions are grouped in the following categories:

- Origination Fees
- Annual Loan Limits
- Master Promissory Notes (MPNs)
- Identity Theft
- Other

#	QUESTION	ANSWER
ORIGINATION FEES		
1.	Currently when figuring the loan amounts we use the .985 percentage. What will this be with the new rate of 2.5?	Schools should use the Six Step Calculation process as described in Volume II, Section 1 of the COD Technical Reference under the section "Calculating Direct Loan Disbursements." However, conceptually, the net loan amount using the 2.5% origination fee is .990.
2.	Will I have a problem if I set my interest origination fee to 2.5 % but I originate loans before July 1 but I will actually disburse after July 1?	No. As long as the first disbursement date is on or after July 1, 2007, the COD System will accept the 2.5% origination fee. See also DLB-07-06 Q and A #3 .
3.	Does the new origination fee percentage apply to the 2nd disbursement of a loan first disbursed BEFORE 7/1/07?	No. See DLB-07-06 Q and A #9 . The origination fee applies to the entire loan rather than to individual disbursements, and the percentage that is charged depends on the date the loan is first disbursed, regardless of the loan period dates. For example, if a loan is first disbursed BEFORE July 1, 2007, the 3% fee applies to all disbursements for that loan, even if they are made after July 1, 2007.
4.	Will the updated software adjust automatically when the first disbursement is 7/1/07 or do we have to change the set up information in EDExpress?	No. The EDExpress software will not adjust automatically. Each school's setup will depend on a number of factors. See DLB-07-06 Q and A #6 for more detailed information.
ANNUAL LOAN LIMITS		
5.	06-07 "First Disbursed" Clarification...If student with second year loan eligibility of \$3500 was originated and fully disbursed during Fall'06/Spring'07 terms. We would like to originate a new loan for Summer 2007 (new 1st disbursement for #2 loan) reflecting additional \$1000 2nd year eligibility, with the 1st disbursement of this second loan to occur after 7/1, is this allowed?	Yes. 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. See DLB-07-07 Q and A #9 .

#	QUESTION	ANSWER
6.	We are a trailer school for summer. If we award a grade level one student their 2625 for fall/sp 06/07 and they come in the summer, and we were to award them the additional \$875 for the 3500, does that come off the 07/08 school year?	<p>No. If you treat the summer 2007 term as a trailer to the preceding fall-spring Scheduled Academic Year (SAY), any loan amount awarded for the summer term counts toward the annual loan limit for the 2006-2007 SAY plus the summer trailer, and does not reduce the amount the student may borrow for the 2007-2008 SAY. A student regains eligibility for a new annual loan limit beginning with the fall 2007 term, which starts a new SAY.</p> <p>A loan awarded for the summer 2007 term would count against the student's annual loan limit for the upcoming 2007-2008 SAY only if the summer term is treated as a header to the next SAY. In that case, the applicable annual loan limit applies to the summer header plus the following fall-spring SAY.</p>
7.	(Edited) What about the use of a header term?	See the response to Question 6 (2 nd paragraph).
8.	<p>For our graduate students, after 7/1/07 their annual aggregate loan limit will be increased to 12,000; however, summer is our header term, we can not wait until 7/1 to disburse the loan, so here are my questions:</p> <p>If I create 2 Unsub loans: 001 loan: amount = \$3,000, origination fee = 3% and one disbursement with date = 6/25/2007 002 loan: amount = \$9,000, origination fee = 2.5% and 3 disbursements with dates as 9/24/07, 1/7/08 and 3/31/08</p> <p>Will COD edit loans individually or in total? If I submit both of the origination records before 7/1, will they be accepted?</p>	<p>Yes. The two loans will be accepted even if submitted before July 1, 2007. We will edit the loans individually, but also in total. Because the second loan has a first disbursement after July 1, 2007, we edit against the higher loan limit.</p> <p>However, we must clarify that \$12,000 is not the new "annual aggregate loan limit" for graduate students. Rather this amount is the new additional unsubsidized annual loan limit.</p>

#	QUESTION	ANSWER
9.	<p>(Edited) If we awarded a sophomore \$3500 for both fall and spring terms of 2007 and this student is attending summer, can the student, after July 1, 2007, receive the new sophomore increase of \$1000? Mr. Baker's response was "yes" but he also stated that the additional \$1000 would be counted against the student's remaining annual limit for the upcoming year, leaving the student with \$3500 for fall and spring. If the summer "trailer" loan has a disbursement date after July 1, 2007, why would the upcoming year be affected?</p>	See the response to Question 6.
10.	<p>(Edited) We have the summer session as our trailer semester. We have several parts of term during summer. One of the summer terms begins meeting on June 25th. The 1st scheduled disbursement date for this part-of-term is July 2nd, 2007. For those students in this particular term, we would have to reduce the loan origination fee amount in order for their loan record to be accepted. Do we also have to reduce the amount of loan eligibility for 2007-08 by the amount of the loan the student received for this summer term, even though the summer loan is part of the 2006-07 aid year?</p> <p>If we originate a loan record after July 1st, 2007 for a summer student whose summer term began on June 11th, 2007, would we also have to reduce the loan origination fee as the 1st actual disbursement was after July 1st (even though the 'scheduled' 1st disbursement was for June 18th for that summer term)? Would we also have to reduce the loan eligibility for 2007-08 for that student if the regulations indicate loans awarded and disbursed after July 1st affect the loan amount for 2007-08?</p>	See the response to Question 6.
11.	<p>If we have a 06/07 loan at 2625 for fall and spring and want to award the additional sub of 875 on or after July 1 does that eat into 07/08 school year? We are a trailer school.</p>	No. See the response to Question 6.

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12.	(Edited) Please clarify if increased loan eligibility counts towards next year even if summer trailer.	See the response to Question 6.
13.	You said the higher loan limits apply to 06/07 forward but in the follow-up question it sounded like the extra loan would be for 07/08 instead of 06/07. Please clarify.	The increased annual loan limits are for loans first disbursed on or after July 1, 2007, regardless of the academic year to which the annual loan limit applies. See the response to Question 6.
14.	Clarification: COD will be able to receive loan records with new loan limits and correct fees, as long as the actual disbursement occurs after 7.1.07.	Yes.
15.	Please clarify new loan limits for teacher certification programs.	For students enrolled in coursework needed to obtain a professional credential/certification from a state that is required for employment as a teacher, the “additional unsubsidized” annual loan limit increases from \$5,000 to \$7,000, effective for loans first disbursed on or after July 1, 2007. There is no change to the “base” subsidized/unsubsidized annual loan limit for these students, which remains at \$5,500. Effective for loans first disbursed on or after July 1, 2007, this means that the maximum annual combined subsidized/unsubsidized amount that an independent student may receive for teacher certification coursework is \$12,500 (not more than \$5,500 of which may be in subsidized funds). See DLB 07-07 Q and A #1 .
16.	Student is 2nd year student. We certify and fully disburse \$3500 May 2007. We build new award for same 06-07 year 7/3/07 for loan period 6/07 to 08/07 for \$1875 to fully disburse after 7/1/07. Is that OK?	<p>We assume that the \$3,500 loan and the \$1,875 loan are for the same academic year. The answer depends on the student’s dependency status.</p> <p>For a dependent 2nd-year undergraduate, the new base subsidized/unsubsidized annual loan limit is \$4,500. Therefore, you could not award an additional \$1,875 to a dependent 2nd-year student, since the combination of that amount and the \$3,500 already awarded for the same academic year would exceed \$4,500. The maximum additional loan amount that a dependent 2nd-year student could receive based on the increased loan limit would be \$1,000.</p> <p>If the student is independent, he or she would be eligible to receive the additional \$1,875. For an independent 2nd-year undergraduate (or a dependent student whose parent is unable to obtain a PLUS loan), the combined subsidized/unsubsidized annual loan limit is \$8,500 (not more than \$4,500 of which may be in subsidized loans). See DLB-07-07 Q and A #1.</p>

#	QUESTION	ANSWER
MASTER PROMISSORY NOTES (MPNs)		
17.	Do all returning parents need to fill out a NEW MPN for the PLUS Loan?	No. There have been no changes to the requirements for when a borrower who has previously signed an MPN needs to sign a new MPN.
18.	Can we still use the 06-07 paper promissory note for 07-08 until the new one is available?	Yes. The Direct Loan MPNs (both Subsidized/Unsubsidized and PLUS) are not associated with specific award years. The same version of a Direct Loan MPN may be used to make loans for multiple award years. The current MPNs will remain valid for use until revised MPNs have been approved and implemented. We will provide further guidance prior to the implementation of revised MPNs.
19.	When will there be a new Rights and Responsibilities for Sub/Unsub for 07-08?	The Borrower's Rights and Responsibilities Statement for the Direct Subsidized/Unsubsidized Loan MPN will be revised when the MPN is revised, probably later in 2007. At this time, we are unable to provide a more specific date.
20.	Will the current extended MPN (paper MPN) we are using for 06/07 be invalid for 07/08 (loans disbursed after 7/1/07) (Current MPN set to expire March 08)?	See the responses to Question 18 and 19.
IDENTITY THEFT		
21.	Is identity theft that big of a problem? Have there been a lot of requests to discharge these loans?	Identity theft has not been a significant issue in the Direct Loan Program, but it is a growing problem nationwide. The Higher Education Reconciliation Act of 2005 added a provision to the HEA authorizing the discharge of a FFEL or Direct Loan program loan if the loan was falsely certified as a result of a crime of identity theft.
22.	Is there a special file name of the discharge report?	The file name is MPNDISOP. Note that this report is not new; there is just a new reason code for Identity Theft (code "I") now included in the report.
23.	What will the discharged loan look like in NSLDS?	At this time, NSLDS is not updated to reflect loan discharges for identify theft. Once the system is updated, there will be a new reason code for this discharge type. Federal Student Aid will provide more information about this update at a later time.

#	QUESTION	ANSWER
OTHER		
24.	Re In-school deferments for Grad PLUS borrowers: do these students still need to submit a paper deferment request?	Generally, a graduate/professional student Direct PLUS Loan borrower will automatically receive an in-school deferment based on enrollment information reported by the borrower's school. If the borrower's school does not report enrollment information in an accurate and timely manner, the borrower will have to submit a paper In-School Deferment Request form (which must be certified by the school). See DLB-07-03 for more information on in-school deferments for graduate/professional student Direct PLUS Loan borrowers.