

## Origination Fee and Up-Front Interest Rebate Reductions for Direct Subsidized Loans and Direct Unsubsidized Loans

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### Summary

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, the origination fee for Direct Subsidized Loans and Direct Unsubsidized Loans will again be reduced as explained below. The up-front interest rebate will also be reduced. In summary—

- For *all* Direct Subsidized Loans and Direct Unsubsidized Loans for which the earliest disbursement date is on or after July 1, 2010, *the origination fee is changing from 1.5 percent to 1.0 percent.*
- For *all* Direct Subsidized Loans and Direct Unsubsidized Loans for which the earliest disbursement date is on or after July 1, 2010, *the up-front interest rebate is changing from 1.0 percent to 0.5 percent.*

**Note:** The Direct PLUS Loan origination fee is not changing and will remain at 4.0 percent for Direct PLUS Loans made to both parent borrowers and graduate/professional student borrowers. In addition, the up-front interest rebate amount is not changing and will remain at 1.5 percent for all Direct PLUS Loans.

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### COD System Implementation Information

Beginning with implementation of the COD System for the 2010-2011 Award Year (scheduled to occur during the period March 26-27, 2010), the COD System will process awards with a 1.0 percent origination fee and a 0.5 percent interest rebate, as appropriate, based on the earliest disbursement date.

The COD System will continue to accept awards with a 1.5 percent, 2.0 percent, 2.5 percent, or 3.0 percent origination fee, as appropriate, based on the earliest disbursement date.

The COD System will continue to accept awards with a 1.5 percent or 1.0 percent interest rebate, as appropriate, based on the earliest disbursement date.

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### Origination Fee and Rebate Amounts for Direct Subsidized Loans and Direct Unsubsidized Loans

If the award's earliest disbursement date is...	...the origination fee is...	...and the up- front interest rebate is...
Before July 1, 2007	3.0%	1.5%
On or after July 1, 2007 and before July 1, 2008	2.5%	1.5%
On or after July 1, 2008 and before July 1, 2009	2.0%	1.5%
On or after July 1, 2009 and before July 1, 2010	1.5%	1.0%
On or after July 1, 2010	1.0%	0.5%

When determining an award's earliest disbursement date, actual disbursements [Disbursement Release Indicator (DRI) equals "True"] will take precedence over anticipated disbursements (DRI equals "False").

The applicable origination fee and rebate percentages as determined by the earliest disbursement date apply to all of an award's disbursements, regardless of when they are made. For example, if an award's earliest disbursement date is on or after July 1, 2009 and before July 1, 2010, the 1.5 percent origination fee and 1.0 percent up-front interest rebate will apply to all of the award's disbursements, including disbursements made on or after July 1, 2010.

Some schools may have already begun the origination process. If a school has already originated a Direct Subsidized Loan or Direct Unsubsidized Loan award, it should confirm that the origination fee, rebate percent, and earliest disbursement date are consistent with the rules stated above.

If a school must make a change to the origination fee or rebate percent for an award, it must complete the following actions:

1. Determine if the original award contains only anticipated disbursements or at least one actual disbursement.
2. Follow all applicable steps outlined in the appropriate section below.

**Note for EDEExpress Users:** EDEExpress schools may follow either option when making changes to awards with only anticipated disbursements. However, when making changes to awards with an actual disbursement, schools should follow Option 1, unless the award period has ended. For assistance when the award period has ended or when changing origination fee or rebate percentages, schools should contact CPS/SAIG Technical Support at 800/330-5947 or by e-mail at [CPSSAIG@ed.gov](mailto:CPSSAIG@ed.gov).

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**Origination Fee  
or Rebate  
Percentage  
Changes for  
Awards  
Containing  
Only  
Anticipated  
Disbursements**

***Option 1***

Step 1: Reduce the award amount to \$0 to inactivate the award.

*Wait for an accepted acknowledgement.*

Step 2: **Submit a new award** that includes all of the following information:

- The origination fee;
- A rebate percentage that corresponds to the origination fee period;
- An earliest disbursement date that corresponds to the origination fee and rebate percentage period; and
- The award amount and appropriate disbursement amount(s).

***Option 2***

Step 1: Reduce the award amount to \$0 to inactivate the award.

*Wait for an accepted acknowledgement.*

Step 2: **Reactivate the award** by submitting all of the following information:

- A change to the origination fee;
  - A change to the rebate percentage that corresponds to the origination fee period;
  - A change to the earliest disbursement date that corresponds to the origination fee and rebate percentage period; and
  - An updated award amount and the appropriate disbursement amount(s).
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**Origination Fee  
or Rebate  
Percentage  
Changes for  
Awards  
Containing At  
Least One  
Actual  
Disbursement**

**Option 1**

Step 1: Reduce the disbursement amount(s) to \$0 to inactivate the disbursement(s).

*Wait for an accepted acknowledgement.*

Step 2: Reduce the award amount to \$0 to inactivate the award.

*Wait for an accepted acknowledgement.*

Step 3: **Submit a new award** that includes all of the following information:

- The origination fee;
- A rebate percentage that corresponds to the origination fee period;
- An earliest disbursement date that corresponds to the origination fee and rebate percentage period; and
- The award amount and appropriate disbursement amount(s).

**Option 2**

Step 1: Reduce the disbursement amount(s) to \$0 to inactivate the disbursement(s).

*Wait for an accepted acknowledgement.*

Step 2: Reduce the award amount to \$0 to inactivate the award.

*Wait for an accepted acknowledgement.*

Step 3: **Submit a change** to the origination fee, a change to the rebate percentage, and a change to the earliest disbursement date that corresponds to the origination fee and rebate percentage period.

**\*\*All disbursement amounts must = \$0\*\***

*Wait for an accepted acknowledgement.*

Step 4: **Reactivate the award** by submitting an updated award amount and the appropriate disbursement amount(s).

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