

COD System Changes for the Determination of Adverse Credit History and the Duration of a Credit Check

Attachment to February 2015 Electronic Announcement

In this attachment, we highlight the changes specific to the determination of adverse credit history and the duration of a credit check (extended from 90 days to 180 days). Information about other COD System changes that will be implemented during the March 27-29, 2015 period will be posted in a separate electronic announcement on the Information for Financial Aid Professionals (IFAP) Web site.

We cover the information in the following order:

- Summary of Changes to the Adverse Credit History Criteria
- Change in the Duration of a Credit Check from 90 days to 180 days

Summary of Changes to the Adverse Credit History Criteria

In the [Federal Register notice posted on January 14, 2015](#) and in the [January 27, 2015 Electronic Announcement](#), the U.S. Department of Education (the Department) announced that it will implement changes to the adverse credit history provisions for the determination of an applicant's eligibility for a Direct PLUS Loan. The new standards for determining adverse credit will apply to all Direct PLUS Loan applicants with a credit decision date on or after March 29, 2015, regardless of the academic year or loan period associated with the loan.

Beginning March 29, 2015, a Direct PLUS Loan applicant (either a parent of a dependent undergraduate student or a graduate/professional student) is considered to have an adverse credit history if:

1. The applicant has one or more debts that are 90 or more days delinquent as of the date of the applicant's credit report, or that have been placed in collection or charged off (written off) during the two years preceding the date of the applicant's credit report, and the total combined outstanding balance of those debts is greater than \$2,085; or
2. The applicant has been subject to any of the following conditions during the five years preceding the date of the credit report:
 - Repossession
 - Default Determination
 - Foreclosure
 - Bankruptcy Discharge
 - Tax Lien
 - Wage Garnishment
 - Write-Off of a Title IV Debt

Under the new standards, if there are no other adverse credit history conditions, a Direct PLUS Loan applicant will not be considered to have an adverse credit history if he or she has one or more debts that are 90 or more days delinquent as of the date of the credit report, or that have been placed in collection or charged off (written off) during the two years preceding the date of the applicant's credit report, and the total combined outstanding balance of those debts is \$2,085 or less.

An applicant who is determined to have an adverse credit history but was previously approved for a Direct PLUS Loan first disbursed between July 1, 2010 and June 30, 2013, may still qualify for a Direct PLUS Loan under the existing reconsideration process. Applicants that are identified as eligible for reconsideration will continue to be notified by the Department.

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Note: Additional information about the Direct PLUS Loan Reconsideration process is posted in an [August 13, 2013 Electronic Announcement](#) on the IFAP Web site.

All other applicants determined to have an adverse credit history will be notified by the Department that they may be eligible for a Direct PLUS Loan if they:

- Obtain an endorser who does not have an adverse credit history
- OR***
- Document to the satisfaction of the Department that there are extenuating circumstances related to the adverse credit information
- AND***
- Complete the new PLUS Counseling on the StudentLoans.gov Web site.

Note: Additional Information about the new PLUS Counseling that will be implemented during the March 27-29, 2015 period is posted in a separate Electronic Announcement on the IFAP Web site.

A Direct PLUS Loan applicant who is determined to have an adverse credit history may begin the process of documenting extenuating circumstances (or a request for reconsideration, if eligible) by using the “Document Extenuating Circumstances” link on the StudentLoans.gov Web site or by contacting the Student Loan Support Center at 800/557-7394.

Change in the Duration of a Credit Check from 90 days to 180 days

Beginning March 29, 2015, the duration of a credit check will be changed from 90 days to 180 days. The change to 180 days will also be applied to all credit checks on the COD System prior to March 29, 2015. For example, if a credit check was performed on November 30, 2014, that credit check would expire on February 28, 2015 under the current 90-day standard. After March 29, 2015, the credit check expiration date will be updated from February 28, 2015 to May 29, 2015, 180 days from the date the initial credit check was performed.

Notification to Schools of Borrowers Whose Credit Check Duration has Been Extended

We will provide schools with a list of borrowers that have a Direct PLUS Loan Request, Direct PLUS Loan, and/or COD Web Credit Check on file for their school whose credit check expiration date was updated from 90 days to 180 days. An e-mail will be sent to the school’s Financial Aid Administrator with instructions on how to retrieve the list from the school’s “File Share & Messages” page on COD Web site.

The list will include the following information:

- Borrower Name (Last Name, First Name, Middle Initial)
- Borrower SSN
- Borrower Date of Birth
- New Credit Check Expiration Date