

## **COD System Changes for the 150% Direct Subsidized Loan Limit – July 2017 Attachment to June 2017 Electronic Announcement**

In this attachment, we highlight the Common Origination and Disbursement (COD) System changes specific to the 150% Direct Subsidized Loan Limit. The changes are being made to improve processing and the accuracy of 150% Subsidized Loan Limit calculations. Information about other COD System changes that will be implemented during the July 14-16, 2017 period is posted in a separate Electronic Announcement on the Information for Financial Aid Professionals (IFAP) website.

We cover the information in the following order:

- Automatic Reductions to Disbursements and Awards Following Closeout
- Automatic Changes to Financial Award Begin and Financial Award End Dates (Loan Period Dates) Following Closeout
- School Notifications and Reports

**Note:** As explained below, these automatic reductions will only be made after the closeout process is complete. The automatic reductions **do not** exempt schools from regulatory reporting requirements and timelines. Schools should already be making these types of adjustments as they are identified and well before the closeout deadline.

### **Automatic Reductions to Disbursements and Awards Following Closeout**

In order for the COD System to correctly calculate the Subsidized Usage Period for a Direct Loan award, a school must ensure both the loan amount and disbursement amounts reflect the total amount disbursed to the student. As part of our efforts to improve the accuracy of the calculations, effective July 16, 2017, we will make changes to the COD System to automatically reduce pending disbursements (Disbursement Release Indicator (DRI) = False) and award amounts after the closeout process for the program and award year is completed.

With this change, the COD System will automatically reduce the applicable disbursements and awards after the earliest of the following occurs—

- A school confirms closeout (completes the Program Year Closeout Balance Confirmation process) via the COD Web Site,
- Federal Student Aid confirms closeout on behalf of a school, or
- The closeout date has passed for the program and award year, the school is not on extended processing, and the latest Financial Award (loan period) End Date is in the past.

As noted earlier, the COD System will reduce **pending** disbursements (DRI = False) to zero, regardless of the amount; actual disbursements will remain unchanged. Once the pending disbursement amounts are reduced, the COD System will also reduce the award amount to equal the sum of the actual disbursements.

The reduction will apply to **all** Direct Loan awards (Subsidized, Unsubsidized, and PLUS) for the school for the applicable award year.

**Example 1** – A Direct Loan award has three disbursements; the third disbursement has not been funded and closeout has occurred. Once the reduction process takes place, the pending disbursement is reduced to zero and the award amount is also reduced to the sum of the actual disbursements.

<b>ACTION</b>	<b>LOAN AMOUNT</b>	<b>1<sup>ST</sup> DISB (DRI=T)</b>	<b>2<sup>ND</sup> DISB (DRI=T)</b>	<b>3<sup>rd</sup> DISB (DRI=F)</b>	<b>TOTAL OF ALL DISBS</b>
Pre-reduction	\$3500	\$1166	\$1167	\$1167	\$3500
Post-reduction	<b>\$2333</b>	\$1166	\$1167	<b>\$0</b>	\$2333

**Example 2** – A Direct Loan award has three disbursements, but the third disbursement was never funded and was previously reduced to zero. However, the award amount was not reduced. Once the reduction process takes place, the award amount will be reduced to the sum of the actual disbursements.

<b>ACTION</b>	<b>LOAN AMOUNT</b>	<b>1<sup>ST</sup> DISB (DRI=T)</b>	<b>2<sup>ND</sup> DISB (DRI=T)</b>	<b>3<sup>rd</sup> DISB (DRI=F)</b>	<b>TOTAL OF ALL DISBS</b>
Pre-reduction	\$3500	\$1166	\$1167	\$0	\$3500
Post-reduction	<b>\$2333</b>	\$1166	\$1167	\$0	<b>\$2333</b>

**Automatic Changes to Financial Award Begin and Financial Award End Dates (Loan Period Dates) Following Closeout**

In addition to the disbursement and award amount changes, the COD System will also update the Financial Award Begin and End Dates (Loan Period Dates), if necessary. The updates will ensure that the payment periods in which an actual disbursement was not made are not considered in the subsidized limit calculations.

**Example 1** – A Direct Loan award has two disbursements, but the first disbursement is inactive (\$0). Once the reduction process occurs, the Financial Award Begin Date is updated to the payment period start date of the earliest active (greater than \$0) disbursement.

<b>ACTION</b>	<b>1<sup>ST</sup> DISB (DRI=T)</b>	<b>2<sup>ND</sup> DISB (DRI=T)</b>	<b>Financial Award Begin Date</b>	<b>Financial Award End Date</b>
Pre-reduction	\$0 PPSD = 9/1/2017	\$1250 PPSD = 2/1/2018	9/1/2017	6/1/2018
Post-reduction	\$0 PPSD = 9/1/2017	\$1250 PPSD = 2/1/2018	<b>2/1/2018</b>	6/1/2018

**Example 2** – A Direct Loan award has three disbursements, but the second and third disbursements are inactive (\$0). Once the reduction process occurs, the Financial Award End Date is updated to one day before the payment period start date of the earliest inactive (\$0) disbursement.

<b>ACTION</b>	<b>1<sup>ST</sup> DISB (DRI=T)</b>	<b>2<sup>ND</sup> DISB (DRI=T)</b>	<b>3<sup>RD</sup> DISB (DRI=T)</b>	<b>Financial Award Begin Date</b>	<b>Financial Award End Date</b>
Pre-reduction	\$1250 PPSD = 9/1/2017	\$0 PPSD = 1/5/2018	\$0 PPSD = 4/1/2018	9/1/2017	6/1/2018
Post-reduction	\$1250 PPSD = 9/1/2017	\$0 PPSD = 1/5/2018	\$0 PPSD = 4/1/2018	9/1/2017	<b>1/4/2018</b>

**Note:** The COD System will not update the Financial Award Begin or End Dates when—

- An inactive disbursement falls between two active disbursements
- The Payment Period Start Date is the same for all disbursements
- The entire award has been reduced to zero

### **School Notifications and Reports**

Schools will receive information about changes in the following ways. **Important:** Because these adjustments will be made after closeout, schools will not receive Common Record responses. As a result, the changes will only be made on the COD System. As noted earlier, schools should make these adjustments on their systems before the closeout deadline.

### **Subsidized Usage Change (CRSU) System-Generated Responses**

Once the automatic disbursement and award reductions occur and financial award begin and end dates are adjusted, the COD System will recalculate the Subsidized Loan Limit calculations. The updated values will be returned to schools through the existing Subsidized Usage Change (CRSU) system-generated response. **Note:** All schools associated with the award will receive the CRSU response. This includes schools that have already confirmed closeout.

### **New SULA Adjustments Needed Report**

Beginning July 16, 2017, we will create a SULA Adjustments Needed Report. This report will help schools identify awards that should be adjusted and/or corrected in their system **before** the automatic reductions take place. A Direct Loan award will be included on the report if it meets one of the following criteria:

1. The sum of the award’s actual disbursements (DRI = True) is less than the award amount (and award has least one actual disbursement).
2. The sum of the all of award’s disbursements is greater than the award amount.
3. All of the award’s disbursements have the same Payment Period Start Date (excluding single disbursement awards).

4. The award has at least one inactive disbursement with Payment Period Start Date inside the Loan Period.
5. The award has only anticipated disbursements and the award amount and/or disbursements are greater than zero.

The report will be generated monthly and will be created in comma delimited (csv) with headers format. A separate report will be generated for each of the three most recent ***closed out*** award years.

The report will be available to schools via the COD Web Site. It will not be sent to schools' SAIG mailboxes.

For more information about the report and to view the file layout, refer to Volume VI, Section 8 of the COD Technical Reference.