

COD System Changes for the 150% Direct Subsidized Loan Limit – October 2016 Attachment to October 2016 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 October 28-30, 2016 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:

- Changes to Subsidized Usage Period Calculations
- Changes to COD System Edits
- New COD System Edits

Changes to Subsidized Usage Period Calculations

Effective October 30, 2016, we will make changes to the COD System that will modify how we calculate the Subsidized Usage Period (SUP).

Zero Disbursement Exception

Currently, the payment period of a Direct Loan award is excluded from the Subsidized Usage Period calculation if the disbursement amount for that payment period is \$0 and the **disbursement date** is outside the Financial Award Begin and End (loan period) dates.

Beginning October 30, 2016, a payment period of a Direct Loan award will be excluded from the Subsidized Usage Period calculation if the disbursement amount for that payment period is \$0 and the **Payment Period Start Date (PPSD)** is outside the loan period dates.

As a result, a school will be able to change the Financial Award Begin and/or End (loan period) dates as long as the disbursement amount is \$0. A school will no longer have to change the disbursement date to adjust loan period dates. **Note:** The Payment Period Start Date must be outside the revised loan period dates.

Loan Limit Exception

Currently, the Subsidized Usage Period of a Direct Loan award is calculated as 1 year when the award amount is equal to the annual loan limit for that grade level and the loan period is less than the academic year regardless of the actual length of the loan period and academic year.

Beginning October 30, 2016, we will change the COD System to also consider a student's highest grade level when a student progresses to a higher grade level during the academic year when applying the loan limit exception.

The Subsidized Usage Period for a Direct Loan award will be calculated as 1 year, regardless of the actual length of the loan period and academic year, when all of the following conditions are true:

- The award amount is equal to the annual loan limit (for that grade level)

- The loan period is less than the academic year
- The borrower does not have another active Direct Subsidized Loan within the same academic year at a higher grade level

Example of the loan limit exception change

Before COD System Implementation – Total SUP is 1.2 years; Loan limit exception triggers on the 001 loan.

LOAN	LOAN PERIOD	ACADEMIC YEAR	GRADE LEVEL	LOAN AMOUNT	SUP
001	Fall-spring	Fall-spring-summer	1	\$3500	1.0 year
002	Summer	Fall-spring-summer	2	\$1000	0.2 year

After COD System Implementation – Total SUP is 1 year; Loan limit exception no longer triggers.

LOAN	LOAN PERIOD	ACADEMIC YEAR	GRADE LEVEL	LOAN AMOUNT	SUP
001	Fall-spring	Fall-spring-summer	1	\$3500	0.8 year
002	Summer	Fall-spring-summer	2	\$1000	0.2 year

Changes to COD System Edits

Effective October 30, 2016, we will make changes to the COD System to modify the conditions for returning some existing COD System edits to schools.

COD Reject Edit 046 – Incorrect Academic Year Dates

Schools have been reporting Direct Loan Academic Year Start and End Dates that are less than the required minimum number of weeks. Schools should be reporting academic year start and end dates that reflect their defined academic year for annual loan limit purposes.

In general, an academic year for a credit-hour or direct assessment program must include at least 30 weeks of instructional time. An academic year for a clock-hour program must include at least 26 weeks of instructional time.

Beginning October 30, 2016, COD Reject Edit 046 will be returned when the Direct Loan Academic Year Start and End Dates do not equal at least 26 weeks for origination and maintenance records. The new edit will apply to the 2016-2017 Award Year and forward.

Example

Fall disbursement was made, but the student withdrew before the spring term and no spring disbursement was made. The school ***correctly***—

- zeroed out the spring disbursement
- reduced the loan amount to the amount disbursed in the fall
- shortened the loan period to remove the spring term

But the school *incorrectly*—

- also reduced the academic year from fall-spring to fall-only

Reject edit 046 will be returned in the Common Record response because the academic year length in the maintenance record is less than 170 days.

Additional information about academic years and payment periods for Direct Loan awards can be found in the Federal Student Aid Handbook, Volume 3, Chapter 1 and Volume 3, Chapter 5.

COD Reject Edit 205 – Payment Period Start Date is outside the Award Begin and End dates

Currently, COD Reject Edit 205 is returned when the Payment Period Start Date for a disbursement is not contained within the Financial Award Begin and End Dates (Loan Period) of a Direct Loan award. However, the edit is not returned when the disbursement amount has been reduced to \$0, the Payment Period Start Date is outside the loan period, and the disbursement date remains *inside* the loan period.

Beginning October 30, 2016, COD Edit 205 will not be returned when a disbursement has been reduced to \$0 and the Payment Period Start Date is outside the loan period, regardless of whether the disbursement date falls inside or outside of the loan period.

Refer to the ‘Zero Disbursement Exception’ section above for additional information.

COD Reject Edit 206 - The Remaining Subsidized Eligibility Period is less than zero for this award and COD Reject Edit 207 - The Remaining Subsidized Eligibility Period is less than zero for this award after this disbursement was approved from the Action Queue

Currently, Edits 206 and 207 are returned to schools when a Direct Loan award or maintenance record is submitted and the calculated Remaining Subsidized Eligibility Period is less than zero. Edits 206 or 207 are also returned when a maintenance record is submitted and the Remaining Subsidized Eligibility Period increases but the period remains less than zero.

Beginning October 30, 2016, Edits 206 and 207 will no longer be returned when a maintenance record is submitted and the Remaining Subsidized Eligibility Period is increased or remains the same but the period is still less than zero.

Example

Student was in a 2-year program (maximum eligibility = 3.0 years) and received subsidized loans before transferring to a 4-year program where he or she received additional subsidized loans. The sum of the student’s subsidized usage is now 4.0 years when the school realizes it failed to make an update to an earlier loan that was awarded for the 2-year program.

Former loan:

Loan amount: \$3500

Fall disbursement: \$1750

Spring disbursement: \$0

Loan period: fall

Academic year: fall-spring

Subsidized Usage Period (SUP) of this loan: 1.0 year

Remaining Eligibility Period (REP) on this loan/for this program: -1.0 year

Before COD System implementation – The school should reduce the loan amount, but cannot do so because even though the SUP decreases, the REP is negative.

After COD System implementation – The school should reduce the loan amount and can do so now as long as the SUP does not increase. This update will decrease the SUP by around 0.5 years.

Subsidized Usage Period (SUP) once the update is made: 0.5 year

Remaining Eligibility Period (REP) on this loan once the update is made: -0.5 year

New COD Edits

Effective October 30, 2016, we will make changes to the COD System to return two new edits to schools.

Correcting Edit 219 - Award Amount was greater than the sum of the Disbursement Amount(s)

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. We have determined that many schools have been reducing the disbursement(s) of a loan without also updating the loan amount.

Beginning October 30, 2016, a new Correcting Edit 219 will be added for Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and TEACH Grants for the 2016–2017 Award Year and forward. When a school submits a maintenance record to reduce the disbursement(s) on a Direct Loan or TEACH Grant award, the COD System will correct the award amount to equal the new sum of the actual and anticipated disbursements.

The updated award amount will be returned to the school in the Common Record response (COMREC, CRDL, CRTH, CRAA) within the existing <ResponseErrorValue> tag.

Example – A school zeroes out an unused disbursement but fails to reduce the loan amount.

ACTION	LOAN AMOUNT	1ST DISB	2ND DISB	3RD DISB	TOTAL OF ALL DISBS
New origination	\$3500	\$1166	\$1167	\$1167	\$3500
Maintenance record sent	\$3500	\$1166	\$1167	\$0	\$2333
Correcting Edit 219 triggers	\$2333	\$1166	\$1167	\$0	\$2333

Note for EExpress Users: Currently, in the EExpress software, the Loan Amount Approved is automatically reduced when the total disbursements are lowered below the current Loan Amount Approved amount. After October 30, 2016, when an EExpress user imports a CRAA response, the user will see the corrected Loan Amount Approved values on the Import Edit Report for review and action.

Warning Edit 220 – The disbursement has an amount of \$0 and a payment period start date within the loan period

When a student does not receive a disbursement for a payment period, schools have been reducing disbursement amounts to \$0 without also making the appropriate adjustments to the loan period. As a result, the Subsidized Usage Period is not calculated correctly. **Note:** Refer to the ‘Changes to Subsidized Usage Period Calculations’ section above for additional information.

Beginning October 30, 2016, a new Warning Edit 220 will be added for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans for the 2014-2015 Award Year and forward.

Warning Edit 220 will be returned at the disbursement level when a disbursement amount is reduced to \$0 and the loan period remains the same, leaving the Payment Period Start Date within the loan period.

Warning Edit 220 will be returned at the award level when a disbursement is equal to \$0 and the Financial Award Begin and/or Award End (loan period) dates are changed but the Payment Period Start Date remains within the loan period.

The warning edit reminds schools to verify that the reported Financial Award Begin and/or End dates reflect the correct period of enrollment for the loan.

Example – A school zeros out an unused disbursement but fails to shorten the loan period.

ACTION	LOAN PERIOD BEGIN	LOAN PERIOD END	DISB-1 AMOUNT, DATE, & PPSD	DISB-2 AMOUNT, DATE, & PPSD
Loan originated	9/1/2016	5/15/2017	\$1750 on 9/15/2016 PPSD = 9/1/2016	\$1750 on 1/10/2017 PPSD = 1/9/2017
First maintenance record sent and accepted	9/1/2016	5/15/2017	\$1750 on 9/15/2016 PPSD = 9/1/2016	\$0 on 1/10/2017 PPSD = 1/9/2017

When the first maintenance record is accepted, the school will receive Warning Edit 220. The school should have shortened the loan period so it ended at the end of the first term/payment period. Warning edit 220 alerts a school that the PPSD is still inside the loan period so the loan period has not yet been shortened.

ACTION	LOAN PERIOD BEGIN	LOAN PERIOD END	DISB-1 AMOUNT, DATE, & PPSD	DISB-2 AMOUNT, DATE, & PPSD
Second maintenance record sent and accepted	9/1/2016	12/18/2016	\$1750 on 9/15/2106 PPSD = 9/1/2016	\$0 on 1/10/2017 PPSD = 1/9/2017

When the second maintenance record is accepted, the school will not receive Warning Edit 220 because the PPSD of the \$0 disbursement no longer falls within the loan period. **Note:** A school no longer has to change the disbursement date for the second disbursement to be able to adjust the loan period.