

# PLUS Loan – Adverse Credit History Regulatory/Implementation Webinar

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Federal Student Aid  
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# Regulatory Effort



# Program Integrity and Improvement

- Issues Negotiated:
  - Cash management
  - State authorization of distance education programs
  - State authorization of foreign locations of domestic institutions
  - Repeat coursework
  - Clock-to-credit hour conversion
  - **PLUS Loan Adverse Credit History**

# Program Integrity and Improvement

- Four negotiations: Feb. 19 - 21, March 26 - 28, April 23 – 25, May 19 – 20, 2014
- Consensus not reached on entire package
- Agreement on PLUS Adverse Credit
- Continuing to work on remaining issues

# PLUS Loan Adverse Credit

- Definition of PLUS Loan adverse credit history
  - NPRM published on August 8, 2014
  - Final rule published October 23, 2014
  - Applies to both Parent PLUS and Grad PLUS
  - Early implementation on March 29, 2015

# Higher Education Act (HEA)

- Sections 428B(a)(1)(A) and 455(a)(1) of the HEA provides that to be eligible to receive a PLUS Loan the applicant must not have an adverse credit history, as determined pursuant to regulations promulgated by the Secretary.

# Regulations – 34 CFR 685.200(b) &(c)

- A PLUS loan applicant (either a parent or a graduate or professional student) has an adverse credit history if, in addition to other conditions (e.g., bankruptcy, foreclosure, tax lien, or a default determination) the applicant has one or more debts that:
  - Are 90 or more days delinquent;
  - Are in collection or have been charged 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.

# PLUS Loan Adverse Credit History

- Required PLUS Loan counseling for borrowers with an adverse credit history who nonetheless are determined to be PLUS Loan eligible because of –
  - Satisfactorily meeting the “extenuating circumstances” provision; or
  - Obtaining an endorser.
- Counseling provided by the Secretary.
- Other PLUS loan borrowers may voluntarily complete the counseling.



# COD Modifications for PLUS Counseling

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# COD Modifications for PLUS Counseling

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# COD Modifications for PLUS Counseling

## AGENDA

- What Can You Do To Prepare?
- Implementation & Modifications
- PLUS Counseling
- Credit Requirements Met
- Other COD Changes

# What Can You Do To Prepare

## What can you do to prepare?

- Become familiar with EAs already posted to IFAP and those to come over the next several weeks
  - ✓ EA dated January 27, 2013
  - ✓ EA dated February 3, 2015
  - ✓ EAs (2) dated February 27, 2015
- COD Release for Award Year 2015 – 2016 webinar  
March 17<sup>th</sup>, 2015 and March 19<sup>th</sup>, 2015
  - ✓ Register via the IFAP website
- COD Technical Reference for Award Year 2015 – 2016

# What Can You Do To Prepare

## What can you do to prepare?

- If you provide Direct PLUS Loan information on your school website you should update it to include information on the new PLUS Counseling requirement
- You should update any correspondence you send to Direct PLUS Loan borrowers to include information on the new PLUS Counseling requirement
- Talk with your Software provider to make sure you understand how your solution will capture, store, and display credit relative data
- You may need to modify or change your day-to-day routine to make sure you have the means to successfully monitor a borrower's attainment of "Credit Requirements Met"

# Implementation and Modifications

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# Implementation and Modifications

## COD modifications are effective March 29, 2015

- Extension of the expiration date on credit checks from 90-days to 180-days
- Updated adverse credit history criteria for ALL credit checks performed on or after March 29, 2015
- New PLUS Counseling requirement
- New “Credit Requirements Met” tag
- New Credit Status Response (Doc Type CS)
- New Credit Status Report
- Updated COD and StudentLoans.gov website screens
- Updated electronic & paper COD communications

# Implementation and Modifications

The expiration date on credit checks on the COD database will be extended from 90-days to 180-days upon implementation

- COD will identify those borrowers whose credit check has been extended and provide that information via a spreadsheet to the school
  - ✓ ALL credit checks performed within 180-days of the date the file is generated
  - ✓ Displays the new credit check expiration date
  - ✓ Posted to the COD website for download
  - ✓ Access via the “File Share/Messages” link under the COD School Information screen



# Implementation and Modifications

The new credit criteria will apply to ALL Direct PLUS Loan credit checks performed on or after March 29, 2015

- NOT award year specific
  - ✓ A credit check performed on or after March 29, 2015, will be used for the upcoming 2015 – 2016 award year
  - AND
  - ✓ A late Spring 2015 or Summer 2015 Direct PLUS Loan application
  - ✓ No impact on the eligibility of a borrower who had ***previously been approved*** to receive a Direct PLUS Loan for all or part of the 2014-2015 academic year including Spring and/or Summer 2015 terms

# Implementation and Modifications

Borrowers whose Direct PLUS Loan credit checks are processed on or after March 29, 2015 and who are denied based on an adverse credit history...

- Can secure an approved endorser
  - ✓ The endorser is subject to, and must pass, the same credit check as the applicant
- Can successfully appeal on extenuating circumstances
- In both cases, the applicant will be **REQUIRED** to complete PLUS Counseling
  - ✓ PLUS Counseling **MUST** be completed before disbursement of the Direct PLUS Loan funds
  - ✓ A completed PLUS Counseling session remains valid for the duration of the associated credit check

# PLUS Counseling

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# PLUS Counseling

PLUS Counseling is a distinct and unique counseling module

- PLUS Counseling is NOT Entrance Counseling and does not fulfill the Entrance Counseling requirement for first-time Graduate/Professional Student
  - ✓ Some first-time Graduate/Professional students will be required to complete both modules
- PLUS Counseling is provided ONLY via the StudentLoans.gov (SLG) website
  - ✓ Schools are NOT responsible for providing PLUS Counseling

# PLUS Counseling

Modifications to SLG will transition an applicant with declined credit into a PLUS Counseling module

- Parent and Grad PLUS Counseling process
- English only
  - ✓ Error message displayed if Spanish is selected
- Must be done in one “sitting”
  - ✓ Drafts will NOT be saved to be completed at a later time
- NSLDS loan data retrieved for authenticated users
- Available to anyone
- A demo will be available outside authentication
- Electronic & paper communications to borrowers will be updated and carry information on PLUS Counseling

# “Credit Requirements Met”

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# Credit Requirements Met

COD will send a new <CreditRequirementsMet> tag

- Confirms that all ***credit related*** requirements have been met and the PLUS loan can be disbursed
  - ✓ An approved endorser or approved appeal
  - ✓ PLUS Counseling has been completed
- Sent in the Common Record response (Doc Type RS), a StudentLoans.gov PLUS Request response (Doc Type SP), and a failed COD Web credit check (Doc Type CS)
- Will also be sent in the new system-generated Credit Status response (Doc Type CS)
- “Credit requirements met” does NOT mean that other eligibility requirements, i.e., a linked MPN, appropriate enrollment status, etc. have been met

# Credit Requirements Met

Award Detail Information screen on a post implementation award\*

Return to: [Direct Loan Awards](#)  
 Award Detail Information ? HELP

Student Information	
SSN	
Name	
Date of Birth	
Endorser Information	
SSN	
Name	
Date of Birth	
Award Information	
Award ID	
Credit Requirements Met	Y

Award Information	
<b>Award ID</b>	
<b>Credit Requirements Met</b>	Y
<b>PLUS Loan Reconsideration Flag</b>	N
<b>Endorser Amount</b>	\$1,000.00
<b>Award Amount Requested</b>	\$0.00
<b>Award Amount Approved</b>	\$1,000.00
<b>Award Amount Disbursed</b>	\$0.00

<small>Less than full-time flag</small>	
Loan Default / Grant Overpay	N
Ability to Benefit	College Credits
School Use Only	

UPDATE AWARD

\*XML Schema 4.0b



# Credit Requirements Met

The new “Credit Requirements Met” should be your focus...

- You can't disburse on the PLUS Loan until this is true
  - ✓ New COD Reject Edit #217
- If this field remains FALSE for any length of time you need to start looking at the other information included in the new Credit Status system-generated response (Doc Type CS)
  - ✓ Is the credit decision pended? Identifier information has to be resolved
  - ✓ Has he or she submitted a credit appeal? What is the status of the appeal?
  - ✓ Has he or she secured an endorser and has that endorser been denied or accepted?
  - ✓ Is PLUS Counseling complete?

# Credit Requirements Met

## COD will begin sending a new system-generated Credit Status Response (Doc Type CS)

- Sent with the intent to keep the school “in the loop” on a borrower that may be in the process of “curing” his or her denied credit decision
  - ✓ Will include the <CreditRequirementsMet> tag
  - ✓ Sent on approval or denial of an endorser/appeal
  - ✓ Sent when special PLUS Counseling is completed
- Contains additional information pertinent to the PLUS Loan including, but not limited to...
  - ✓ Original Credit Decision
  - ✓ Credit Decision Expiration Date
- The Credit Override (Doc Type CO) Response will be retired

# Other COD Changes

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# Other COD Changes

## COD will create and post a new Credit Status Report starting March 29, 2015

- Identifies your borrowers whose latest original credit decision is “Denied” and is not expired
- Will include borrowers whose credit requirements are NOT met

OR

- Who have met credit requirements in the past 30 days
- Posted weekly to your School NewsBox on the COD website
  - ✓ Saturday to Friday reporting window
  - ✓ CSV format

# Other COD Changes

Modifications to several COD Web screens will occur with implementation on March 29, 2015

- Batch Response Screens will be updated to include the new Credit Status (Doc Type CS) system-generated response
- Common Record (CR), Web (WB), and PLUS Request (SP) Response Information screens will be updated to include the new “Credit Requirements Met” field
- The Award Information screen will be updated to display the “Credit Requirements Met” field