



Direct Loan FAQ

Presented June 14, 2018




Direct Loan FAQ
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Topics

- Application and origination process
- Calculations of eligibility
- Recalculations and changes in enrollment
- Loan history affecting current eligibility
- Adverse credit history, default, and bankruptcy
- Disbursement, delivery, and returns
- Loan counseling



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**FAQs:
Application and Origination
Process**



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Quick Quiz

Are schools required to notify students about new Direct Loan eligibility due to grade-level advancement during the academic year?

- Yes
- No
- It depends
- I'm not sure



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Answer

No. Schools are not required to notify students about eligibility any more frequently than on an annual basis.

- Terms and conditions of Direct Loans and Perkins Loans must be distributed annually:
 - Amount of eligibility
 - Procedures for requesting initial and additional amounts
- Can include in general disclosures



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Quick Quiz

Due to administrative processing delays, can we originate a loan even though the student is no longer enrolled?

- Yes
- No
- It depends
- I'm not sure



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Answer

No. Direct Loans must be originated *before* the student is no longer enrolled at least half time.



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Quick Quiz

Can we award eligibility for additional Direct Unsubsidized Loan to the student on the basis that the parents are noncitizens?

- Yes
- No
- It depends
- I'm not sure



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Answer

Yes. If the parents are not U.S. citizens, then they don't meet one of the qualifying criteria for the PLUS Loan.

- Document their citizenship status and inability to provide evidence.
- Award additional Direct Unsubsidized Loan to the student.




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**FAQs:
Calculations of Eligibility**




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Scenario

- Standard term credit-hour program offered in semesters.
- Student is enrolled less than half time in the fall and half time in the spring.
- Applies for a Direct Loan for the entire year.

Quick Quiz:
Can we include fall term costs?




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Answer

No. When calculating Direct Loan eligibility, you cannot include any fall term costs in this student's COA.

- Use a spring-only loan period, with relevant COA and EFC amounts.



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Answer

COA Component	Fall (3 credits)	Spring (6 credits)	Expected Family Contribution
Tuition/Fees	\$2,200	\$5,000	Pell Elig Flag Y Primary EFC 3780 Mon 1 000342 Mon 7 002394 Mon 2 000684 Mon 8 002736 Mon 3 001026 Mon 10 003174 Mon 4 001368 Mon 11 003279 Mon 5 001719 Mon 12 003366 Mon 6 002052
Room/Board	0	4,500	
Books/Supplies	225	450	
Transportation	350	350	
Miscellaneous	0	700	
Total	\$2,775	\$11,000	

Spring Term Loan Period	
\$11,000	COA
- 1,368	EFC
- 516	EFA
= 9,116	Remaining Need

Compare to applicable loan limits



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Scenario

- Standard term credit-hour program offered in semesters.
- Dependent student's parent applies for a Direct PLUS Loan:
 - Fall = \$3,000
 - Spring = \$5,000

Quick Quiz: Can a PLUS Loan be disbursed in unequal amounts across two terms?



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Answer

No, a Direct PLUS Loan cannot be disbursed in unequal installments.

- Originating loans for separate loan periods may result in the desired distribution.
- Regardless of loan period length, the loan amount must be divided evenly across the loan period.
 - Exception: school may choose to make a single disbursement if CDR is low



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Answer



OR



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FAQs: Recalculations and Changes in Enrollment



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Scenario

- Standard term credit-hour program offered in semesters.
- Direct Loan eligibility awarded for full time.
- Student receives fall disbursement.
- Student changes spring enrollment to half time before the spring term begins.

Quick Quiz:

Must Direct Loan eligibility be recalculated before the spring term disbursement is made?



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Answer

No. There is no regulatory requirement for schools to recalculate Direct Loan eligibility for enrollment status changes.

- For Direct Loans, the student establishes eligibility by initiating attendance in at least one class.
- The student must be enrolled (registered) at least half time to qualify for a disbursement.



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Quick Quiz

If a student regains SAP eligibility midyear, can we award a Direct Loan for the entire academic year?

- Yes
- No
- It depends
- I'm not sure



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Answer

No. You cannot award Direct Loan funds for a payment period during which the student was ineligible for Title IV funds due to failure to meet SAP requirements.



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Answer

	Fall	Resolution Spring
SAP eligibility reinstated	✗	✓
Inadvertent overborrowing	✓	✓
Satisfactory repayment arrangements after default	✓	✓
Student's general eligibility	✓	✓

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FAQs: Loan History Affecting Current Eligibility



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Quick Quiz

Does the academic year of a transfer student's previous school affect the new school's academic year if the dates overlap?

- Yes
- No
- It depends
- I'm not sure



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Answer

Yes. If an overlap of even one day exists in the academic years used by both schools, then the student's prior borrowing may affect current eligibility.



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Quick Quiz

When a student repays a Direct Loan within the same academic year, can a new loan be originated?

- Yes
- No
- It depends
- I'm not sure



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Answer

It depends!

- A new Direct Loan could be originated within the same academic year, but only if the loan funds previously received during the same academic year were returned by the school or repaid by the student within 120 days of disbursement.




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**FAQs:
Adverse Credit History,
Default, and Bankruptcy**




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Scenario

- Direct Loan fully disbursed for the award year, which has not ended yet.
- Subsequent ISIR arrives indicating default on a prior Title IV loan.

Quick Quiz:
Do we need to return the loans already fully disbursed for this award year?




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Answer

No. The school is not liable for any Title IV aid disbursed prior to learning of the default status.

- School may need to report an overaward.
- Student remains responsible and must:
 - Correct the records;
 - Repay in full any and all overpayments; or
 - Establish a satisfactory repayment arrangement.
- School cannot award any more Title IV aid until resolution is documented.



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Quick Quiz

Is the school required to check NSLDS for prior defaults or overpayments before disbursing a parent's PLUS Loan?

- Yes
- No
- It depends
- I'm not sure



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Answer

It depends!

- The school is NOT required to check the parent's default or overpayment status in NSLDS for every PLUS Loan application.
- Check the COD Default Overpay Code:
 - "N" means the school can proceed.
 - "Y" means the school can proceed only with documentation of resolution.
 - "E" means the school should check NSLDS, even if the credit check does not show default.



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Quick Quiz

Can we disburse the second half of a PLUS Loan if the borrower has since filed bankruptcy?

- Yes
- No
- It depends
- I'm not sure



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Answer

Yes. If the filing did not occur until after the loan was originated, the school may still disburse the second disbursement of the PLUS.

- NSLDS code of "BK" indicates a non-defaulted loan was included in a bankruptcy filing, which is not treated as adverse credit.
- An active bankruptcy claim that includes a defaulted loan could affect Title IV eligibility.



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Answer

Code	Status	Eligibility for Title IV Aid	Reason
BC	No Prior Default, Bankruptcy Claim, Discharged	Yes	Loan was not in default and was discharged
BK	No Prior Default, Bankruptcy Claim, Active	Yes	Loan was not in default
DK	Defaulted, then Bankrupt, Discharged. (Perkins: all bankruptcies. FFELP and Direct Loans: Chapter 13)	Yes	Defaulted loan has been totally discharged
OD	Defaulted, then Bankrupt, Discharged, other. (FFELP and Direct Loans: Chapters 7, 11, and 12)	Yes	Defaulted loan has been totally discharged
DB	Defaulted, then Bankrupt, Active. (Perkins: all bankruptcies. FFELP and Direct Loans: Chapter 13)	No, unless debtor can show that loan is dischargeable in bankruptcy; see GEN-95-40	
DO	Defaulted, then Bankrupt, Active, other. (FFELP and Direct Loans: Chapters 7, 11, and 12)	No, unless debtor can show that loan is dischargeable in bankruptcy; see GEN-95-40	



Source: 2018-19 ISIR Guide, November 2017

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FAQs: Disbursement, Delivery, and Returns



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Scenario

- Standard term credit-hour program offered in quarters.
- Student is enrolled full time and first disbursement is made.
- Student changes enrollment to less than half time before the first quarter begins.

Quick Quiz:

Do we return Direct Loan funds for fall quarter?



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Answer

No. If the student was registered at least half time when a loan disbursement was made, and then the student begins attendance on a less than half-time basis, funds do not need to be returned.

- The school cannot make any subsequent disbursements of the loan, unless the student resumes at least half-time enrollment.



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Answer

Student is registered at least half time

Student reduces enrollment to less than half time*



Direct Loan originated

Direct Loan disbursed

*While no adjustment to previous disbursement(s) is required, the student is not eligible for any subsequent disbursements unless enrolled at least half time.



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Quick Quiz

Do we need to return Direct Loan funds for a student who switched to auditing all of his classes, which do not count toward degree completion requirements?

- Yes
- No
- It depends
- I'm not sure



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Answer

It depends!

- The school is not required to return Direct Loan funds if the student audits one or more courses.
- Auditing all courses is treated as a withdrawal from all eligible coursework.
 - The withdrawal calculation determines the effect of this change on the student's Direct Loan and any other Title IV funds.



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FAQs: Loan Counseling



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Quick Quiz

If a student completes exit counseling at a prior school, and gets a new loan at our school, must he complete exit counseling again?

- Yes
- No
- It depends
- I'm not sure



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Answer

Yes. Exit counseling is required every time a student drops below half-time enrollment at any school where they have borrowed direct loans.

- Exception: summer periods of nonenrollment when the student is expected to be enrolled at least half time for the following term.



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Thank you for joining us!



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