

4 Using COD to make a Direct Loan



■ PURPOSE OF THE COD RECORD

Since the Master Promissory Note (described in Chapter 2) does not include specific loan amounts or dates, there has to be another record that collects this information. For Direct Loans, this record is the student or parent record that is maintained by the Common Origination and Disbursement (COD) system.

In addition to Direct Loan award information, the COD record is also used for Pell Grant, and ACG/SMART award information for a student for an award year.

Schools use the COD “common record” format to report award/disbursement information to the COD system. We’ll refer to them as COD-CR records, to differentiate them from the complete student record maintained by COD.

Most schools create and edit COD-CR records in PC-based software (such as EDEExpress) or in their own mainframe system. Then, the school sends multiple COD-CR records electronically as a “batch” to its Student Aid Internet Gateway (SAIG) mailbox. (Some schools contract with a third-party servicer to perform these functions.)

Alternatively, you may create or edit any individual student record directly on the COD Web site. If you make changes on the COD Web site, you have the option of receiving a web response, which is then sent to your school’s SAIG mailbox and can be downloaded and imported into your financial aid system to update its database. (You should check with your software vendor or system programmers to see if this import and update option is available on your system.)

To complete the student’s COD record and properly substantiate any payments you have made to the student or parent, you must promptly report actual disbursement information to the COD system. For many schools, the disbursements that are reported to the COD system can directly affect the amount of Direct Loan funds that you are eligible to draw down. See Chapter 5 for more information on drawing down funds.

■ Topics

- ▶ **Purpose of the COD record**
- ▶ **Overview of reporting awards & disbursements**
 - Person data; award/disbursement data; anticipated vs. actual disbursements
- ▶ **Origination: Creating a loan award in COD**
- ▶ **How to automate the process**
- ▶ **Additional information needed for a PLUS Loan**
 - Credit check; parent data
- ▶ **Submitting borrower records to COD via SAIG**
 - Message classes
- ▶ **Setting DRI & other updates at time of disbursement**
- ▶ **How COD processes loan records**
 - Warning edits; rejects; receipts & responses
- ▶ **Changes to award/disbursement data**
 - Increasing loan amounts based on changes in student eligibility (e.g., change in grade level or parent PLUS denial)
- ▶ **Reducing or inactivating (canceling) a loan or disbursement**
- ▶ **Canceling a loan or disbursement at borrower’s request**

Booking a Loan

To book a Direct Loan, COD must receive and accept:

- ▶ a Master Promissory Note that has been completed and signed by the borrower,
- ▶ an award record, and
- ▶ actual disbursement data from the school

This chapter will discuss how the school uses COD to create the origination record and report a disbursement.

Key loan data elements

Person data:

- ▶ borrower name, SSN, DOB
- ▶ address
- ▶ citizenship status
- ▶ dependency status
- ▶ default/repayment status

Award/Disbursement data:

- ▶ total loan amount
- ▶ disbursement amounts & dates
- ▶ Disbursement Release Indicator

OVERVIEW OF DIRECT LOAN DATA

In this chapter, we'll be talking about the **Person** and **Award/Disbursement** data that makes up the student's COD record. Much of this information can be imported into your financial aid software from other data sources at your school.

Person data

The **Person** data that identifies the student not only applies to Direct Loans, but to any Pell or ACG/SMART award made to the student:

- identifying information for the student (name, SSN, Date of Birth, address, etc.),
- eligibility information (dependency status, citizenship status, default/overpayment status, grade level),

If you've already originated a Pell or ACG/SMART award for the student, the same student/borrower account data from the previous award(s) will be associated with the incoming Direct Loan information.

This applies to any awards made in prior years, as well—once a Direct Loan, Pell Grant, or ACG/SMART grant has been originated for the student, the COD system will retain that student's **Person** data throughout his/her academic career.

If the parent of a dependent student takes out a PLUS loan, that parent will also have a separate record with his/her **Person** data.

Sources of data for loan records

FAFSA/ISIR

- Student name, SSN, DOB
- Address
- Dependency status
- Citizenship status
- Default/overpayment status
- CPS Transaction Number

Packaging

- Total loan amount

School Records

- Grade level

PLUS Request Form

- Parental information

Award/disbursement data

When you send Direct Loan **Award** and **Disbursement** data to the COD system, you are *originating* a Direct Loan. Note that you must include disbursement amounts and disbursement dates to originate a Direct Loan.

Not all of this data has to be entered manually. As we'll see, your software may allow you to automatically assign standardized *disbursement dates* to Direct Loan award records, based on the academic calendar for the student's program. The *disbursement amounts* are usually automatically calculated by your software, which will divide the total award into equal disbursements (if your payment periods are substantially equal in length), deduct applicable loan fees, and add the up-front interest rebate.

Anticipated vs. actual disbursements

If you are submitting disbursement information more than 7 days before the disbursement date, this is considered an *anticipated disbursement*. For anticipated disbursements, you will set the Disbursement Release Indicator (DRI) to "False." You will have to send an update to this student's COD master record, changing the DRI to "True," when you are within the time-frame for disbursement. (We'll discuss this later in the chapter.)

If you are originating the loan within 7 calendar days of disbursement, you may set the DRI to "True"—this will make it an *actual disbursement*. No further action is necessary if the record is complete and the DRI=True. However, you may want to send the initial origination record well before the week of disbursement, so that there is time to correct and resubmit any rejected records.



Anticipated Disbursements

The dates that your school projects the funds will be disbursed. Disbursement information will be treated as "anticipated" if the DRI in the student record is set to "False." Anticipated disbursements do not validate a drawdown of funds for the award; they do not change the Current Funding Level for your school. (The Current Funding Level for "Advance Funded" schools is discussed in Chapter 4.)

Actual Disbursement

Disbursement information will be treated as "actual" if the DRI in the student record is set to "True." Actual disbursements affect your school's Current Funding Level.

Refusing to originate a loan

As noted in Chapter 1, a school may refuse to originate a Direct Loan or originate an amount that is less than the borrower's calculated financial. Such a decision can only be made on a case-by-case basis, subject to the rules described in Chapter 1.

Behind the Scenes: software-generated data

Fortunately, not all data has to be entered manually.

For instance, once you've set up the "Source ID," "Reporting Entity ID," and "Attended School ID," the software will automatically add that to COD Common Records generated for students attending that school.

Your school's financial aid software will also usually assign the **disbursement number** and **Loan/award ID** to the COD-XML record.

We'll discuss these and other system-generated data elements later in this section.

ORIGINATION: CREATING A LOAN AWARD IN COD

As noted earlier, most financial aid software packages offer you a number of ways to automate the origination process. Some of the data can be imported from other sources, such as the ISIR records for the student (see Chapter 1), packaging records (if your software has a packaging module), and school admissions/registrar records.

If properly configured, your software can also fill in other information, such as disbursement dates, Loan ID number, and loan fees and rebates.

Since financial aid software products have different features and different ways of handling data, we can only provide a general description of these functions. Please refer to your software manual or contact the software developer for more specific information about the steps needed to create Direct Loan awards and adjust loan information after the initial submission.

"Person" Data—ID information & eligibility

When creating a student or parent record on the COD system for the first time, you can import some of the necessary information from the student's ISIR, packaging records, or school database. Many financial aid software packages, including EDEExpress, have a function that makes it easy to import ISIR information. Alternatively, if you choose to import student awards from your software's packaging module, the ISIR data will usually be included with the award information.

The student's **Person** information (name, Social Security Number, and Date of Birth) is essential to identifying the loan recipient.

Setup data and data generated by software

When you first set up your software, whether it is a school-wide software product or EDEExpress, you will usually enter several identifiers that are automatically included when you transmit batched COD-CR records through your SAIG mailbox. These include the "Source ID," "Reporting Entity ID," and the "Attended School ID."

At many schools, these three IDs will all refer to the school itself. However, in more complex school systems, each can refer to a different entity, for instance, the Source ID might be a financial aid servicer that handles transactions for many schools, the Reporting Entity ID might be the main campus or central office of a school or chain of schools, and the Attended School ID is the branch campus or school location where the student is enrolled.

The software package will also usually automatically assign a Loan ID, a disbursement number, and a disbursement sequence number.

Award/disbursement data

To originate a student or parent record on the COD system, you will have to provide award and disbursement data, as well as the student's demographic information. Unlike **Person** data, **Award/Disbursement** data is specific to a particular award year.

Several award-specific data elements can be obtained from the student's ISIR for that award year:

- Dependency Status
- Default/Owe Repayment status
- CPS Transaction Number (this number can be different for the student's Pell, ACG/SMART, and Direct Loan awards)

The student's **Dependency Status** is particularly important, because it affects an undergraduate student's annual loan limits for Subsidized and Unsubsidized loans.

The student's **Grade Level** (the "student level code" in COD) is another element that is used to determine the student's annual loan limit. However, for this data element, you should not rely on the student's grade level as reported on the FAFSA and included on the ISIR (see sidebar). This data should be taken from or verified against the student's academic information kept by your school.

Since the amount of a loan is affected by other aid that you are awarding the student (Estimated Financial Assistance), the student's total **Loan Amount** is usually taken from your Packaging data. There is a separate total for each type of loan in the student's aid package: Subsidized, Unsubsidized, and PLUS.



Grade level information on the ISIR

Although you can import the student's grade level on the ISIR, bear in mind that this is the information reported by the student on the FAFSA, and the student may not understand exactly how your school determines grade levels. In addition, the student's grade level may change during an academic year, and the student's grade level for ACG/SMART purposes may be different than the student's grade level for Direct Loan purposes. Therefore, if you are using the grade level imported from the ISIR, you should have a system to confirm that the grade level reported by the student is accurate.

Grade Level/Student Level Codes

The student's grade level (Student Level Code in COD terminology) is a key data element for loan awards. This is the student's current academic level as defined by the Direct Loan, ACG or National SMART Grant Programs.

- 0 = 1st year, undergraduate/never attended college;
- 1 = 1st year, undergraduate/attended college before;
- 2 = 2nd year undergraduate/sophomore;
- 3 = 3rd year undergraduate/junior;
- 4 = 4th year undergraduate/senior;
- 5 = 5th year/other undergraduate;
- 6 = 1st year graduate/professional;
- 7 = Continuing graduate/professional or beyond

For PLUS loans made to parent borrowers, this value must be 0, 1, 2, 3, 4 or 5. For PLUS loans made to graduate/professional students, this value must be 6 or 7.

Note that the student level can differ by program for the same award year, so it is possible that the student could have one grade level for Direct Loans and a different grade level for an ACG or SMART grant.

How the Actual Disbursement Date is used

The actual disbursement date that you report to COD is important because several regulatory requirements are based on that date. For instance, the school must make this disbursement within 3 days of receiving the funds. Also, schools must notify a student of a loan disbursement no sooner than 30 days before the date of disbursement and no later than 30 days after the disbursement. The disbursement date also determines when the student or parent assumes responsibility for the loan and has the right to cancel the loan.

Subsidized loans under \$200

If a student is eligible for only a \$200 Direct Subsidized Loan or less, a school can choose not to originate the loan for that student. However, the school must include what would have been the Subsidized Loan amount as part of the student's Unsubsidized Loan.

Disbursements to study abroad students

You may disburse loans in a single disbursement to a student in an eligible study abroad program, regardless of the length of the loan period, if your school's most recently calculated cohort loan default rate is less than 5% for the single most recent fiscal year for which data is available.

The total award for each loan is then divided into separate disbursements, based on the academic terms or payment periods in the student's program. The disbursement data must also include anticipated disbursement dates, and the sum of the disbursement amounts associated with those dates must equal the total Loan Amount. Chapter 3 explains the rules for determining the payment periods and calculating disbursement amounts. We will not repeat all of the payment period rules here, but, in general, you will need to make at least one disbursement of each loan per academic term or payment period.

You should be familiar with several other rules that relate to the timing of disbursements:

- DL funds may be disbursed up to 10 days before classes begin (in most cases)
- DL Subsidized/Unsubsidized disbursements to 1st-time, 1st-year student borrowers must be delayed 30 days, unless your school has a cohort default rate under 10% for the previous three years it was reported.
- A student in a non-term program must successfully complete coursework in a payment period to be eligible for a disbursement in the subsequent payment period.
- If a payment period has elapsed before you make your first disbursement to the student, the disbursement for the next payment period may include the amount that was not disbursed in the completed payment period.
- Under certain conditions, you may make a "late disbursement" to a student who is no longer enrolled.

For more information on FSA disbursement rules, see Volume 4, Chapter 2 of the *Federal Student Aid Handbook*.

Reporting the date of disbursement

If you are paying the student with Direct Loan funds, the actual disbursement date that you report to COD is the date your school:

- credits Direct Loan funds to a student's account, or
- pays the student or parent directly (by check or other means).

If you are using school funds to pay the borrower in advance of Direct Loan funds, the disbursement date for FSA purposes is the earliest date that the student or parent could have received FSA funds. Thus, the "actual disbursement date" that you report to COD would be:

- The 10th day before the first day of classes of a payment period, if your school uses its own funds to make the disbursement earlier than 10 days before the payment period.
- The 30th day after the beginning of a payment period, if your school uses its own funds to make an earlier disbursement to a student who is subject to the 30-day delay rule (see above).

Standardizing disbursement dates for groups of students

Most financial aid software programs let you set up standard disbursement schedules that are applied to groups of students. This can be a very powerful tool for standardizing and automating much of the origination process. It may require some careful planning, but once you have set up your profiles, they can make the entry process simpler and much faster, as well as reduce the number of entry errors.

For instance, a school that is required to delay first disbursements by 30 days could have one disbursement profile for first-year students, and another for upperclass students:

- Disbursements for first-year students on September 25 and January 7.
- Disbursements for upperclass students on August 25 and January 7.

The disbursement profile usually includes not only the disbursement dates, but the start/end dates for the award period (loan period) and the academic year:

- The **Financial Award Start/End Date** fields are the based on when classes begin and end for the period of the loan. For most students it will comprise at least two terms or payment periods. However, it is possible to originate a loan for a single term—for instance, when the student needs to take additional classes to complete a program.
- The Academic Year Start/End Date fields should correspond to the Standard Academic Year (SAY) or the Borrower-Based Academic Year (BBAY), as discussed in Chapter 3.

If you are using an SAY for the student, you would usually include the summer term in the academic year, even if the student isn't planning to attend summer. For instance, if the summer is treated as a "trailer to the SAY," the start date for the academic year might be the first day of Fall classes (in August or September) and the end date might be the last day of the summer session.

Example: disbursement date when school funds are used

Steamboat University uses its own funds to credit Direct Loan awards to school charges for its returning students on August 7, even though the Fall semester does not begin until August 27th.

Since the earliest FSA funds could be credited to the students' accounts was August 17th, that is the date that Steamboat University reported as the date of the first disbursement, when it submitted award records for the students earlier in the summer.

Standardized Award Periods & Disbursement Dates

In most cases the loan period, academic year, and anticipated/actual disbursement dates can be assigned by choosing one of the standard categories entered in your software setup. (In EDEExpress, this is called the Disbursement Profile Code).

Automating the Process

Importing data

There are a number of ways to reduce the amount of keyboard entry needed to create a loan origination record. For instance, most schools start by importing basic student data from the FAFSA processing system. This data, from the Institutional Student Information Report (ISIR), includes student identifiers, address, and eligibility information. This data is sufficient to create a student record in your system, but it is not sufficient to transmit a loan origination record to COD. You still need to have disbursement amounts and dates to originate a loan.

If you use financial aid software to package your student awards, it is also possible to import loan award amounts for your students, as well as the “demographic” and eligibility information from the ISIR. You may also be able to configure your software to import data from other school sources, such as your registrar’s office, that will identify the student’s program of study and grade level.

Software-generated data

Your financial aid software will usually assign the **disbursement number** to each of the disbursement dates that you report in your school’s software or on the COD Web site. The disbursement number distinguishes between the scheduled disbursements of the loan. For instance, at a traditional semester school, Disbursement #1 will usually be made in the fall and Disbursement #2 will usually be made in the spring. For Direct Subsidized and Unsubsidized Loans you can report up to 20 disbursements. For Direct PLUS Loans, you can report up to 4 disbursements.

Your software may also be able to automatically create the identification number for the loan. The **Loan/award ID** is a 21-digit number that consists of the student’s Social Security number, the Loan Type (either an S-Subsidized, U-Unsubsidized, or P-PLUS), a 2-digit year indicator, the Direct Loan School G- or E- code, and a 3-digit sequence number.

Example: 123456789 S 09 G99999 001

The loan sequence number increases if you make another loan of the same type for the same academic year.

Most financial aid software packages will also automatically calculate the applicable loan fees and interest rebates on the total award, so that your disbursement amounts show the net amounts to be disbursed to the student.

Standard disbursement schedules for groups of students

Most student aid software packages include the capability for you to create standard disbursement dates that can be used for groups of students who have the same academic calendar. (This is called a “Disbursement Profile” in EExpress.) For instance, you might create a disbursement code of STD (Standard) for a schedule that would apply to your traditional students. The STD profile would have anticipated disbursement dates at the beginning of the fall and spring terms: for instance, September 17 and January 12.

Instead of typing day/month/year for each disbursement, you can now simply assign the STD disbursement code for students who are enrolled in academic programs at your school that use a standard-term calendar.

Queries

By itself, a standard disbursement schedule only simplifies data entry for one student record at a time. But you can use “queries” to identify student records that belong to a particular disbursement schedule, and apply the standardized disbursement dates to those records. (These student records may be in your EDEXpress database, or other student database that is a part of your financial aid system.)



Example: Your school has a different disbursement schedule for first-time students, which it has labeled FYS (First-Year Students). For these students, the first disbursement is delayed until 30 days after the start of classes, so the disbursement dates are October 7 and January 12. To identify students who belong to this category, you can query your database of student records, using a COLLEGE GRADE LEVEL parameter query that identifies all students whose GRADE LEVEL IN COLLEGE equals zero (0). When the query retrieves these records, you then apply the FYS disbursement schedule to all the records at one time.

Different disbursement schedules for different academic programs

Disbursement schedules may also vary by program. For instance, many of your students may only attend in Fall and Spring, while others go to school year round, or have alternative schedules that accommodate their continuing education needs. So your school might also have profiles that look like this:

- Disbursements for traditional undergraduate students on August 25 and January 7.
- Disbursements for students in year-round programs on August 25, January 7, and June 12.
- Disbursements for continuing education students on August 25, February 2, and July 8.
- Disbursements for single-term students completing their programs, on August 25. (If your school’s default rate is 10% or more, note that you will need to make at least two disbursements within the term.)

To automate the creation of loan records for these students, you’ll need run a query of your student database to identify which students fall in these categories. For instance, if your registrar’s database has a field that tracks the student’s choice of program, and assigns a code of “CE” to continuing education students, you could create a custom query that selects students for whom Program=CE. When you are originating loans in the fall, you can select all CE students and assign them the disbursement schedule that you have created for continuing education students.

Creating actual disbursements (setting DRI to “True”)

Another common scenario is the need to update Disbursement Release Indicator from “False” to “True” when it is time to make actual disbursements. To automate this task, you can create a query that identifies all loan origination records with anticipated disbursement dates that are 7 days or less from the date of your query. You can then change the DRI to “True” for all of these records, and export this data for transmission to COD. However, bear in mind that you may still need to change other data manually, for instance, if the loan award has to be increased or reduced for a particular student.

PLUS rules for Graduate/Professional Borrowers

- Unlike parents, a student may receive a deferment on a Grad/Prof PLUS loan while enrolled on at least a half-time basis at an eligible school. There is no grace period if the student drops below half-time.
- A school may not require a graduate or professional student to receive a Direct Subsidized or Unsubsidized Loan as a condition for receiving a Direct PLUS Loan.

Authorization needed for preliminary credit check

A school can perform a credit check before asking a PLUS borrower to fill out an MPN but they must have a signed authorization from the borrower to do so. (The MPN includes authorization for the credit check.)

Alternatives to credit check

A school can establish that a parent cannot take out a PLUS if the parent is already in default on a FSA loan or owes an FSA grant repayment. Other indicators include documentation showing other ineligibilities (SSI income, Welfare recipient, active bankruptcy proceedings, etc).

■ ADDITIONAL INFORMATION NEEDED FOR A PLUS LOAN

Data for Graduate/Professional PLUS loan

The demographic information and the award information for a Graduate/Professional PLUS borrower is similar to the information needed to originate the student's Subsidized/Unsubsidized loan. Note that a graduate/professional student must fill out a FAFSA to be able to take out a PLUS loan.

Data for Parent PLUS loan

You must include the student's demographic information when originating a PLUS for parents. When creating a loan record for a Direct PLUS Loan for parents, you'll need the student's last name, SSN, date of birth, grade level, citizenship status, dependency status, and default/overpayment status.

Your school will need additional information for the parent borrower. The critical additional data elements for the parent borrower are:

- **Borrower SSN, Date of Birth, Last Name and First Name**
- **Address**
- **Citizenship Status** (1 = U.S. citizen (or U.S. national); 2 = Eligible noncitizen; 3 = Not eligible) In the case of a parent PLUS loan, this information must be given for both the student and the parent. Citizenship Status cannot be pulled from the CPS for PLUS loans.

Some of this information can be obtained from the PLUS MPN or from other sources, such as a borrower response section on your financial aid award letter, a separate PLUS request form, or electronic requests or other means. (The ISIR is not a good source for this information.)

Required credit check & adverse credit history

A credit check must be completed before a PLUS award can be accepted by the COD system. A credit check can be initiated either by the school via the COD Web site or by the COD system upon receipt of the PLUS origination data.

When a credit check indicates an adverse credit history, the COD system automatically mails an "endorser addendum" with a letter to the prospective PLUS borrower. If the prospective borrower can locate someone who is willing to endorse the note, the endorser completes and signs the endorser addendum. (This obligates the endorser to

repay the loan if the borrower does not.) The endorser may choose to endorse the entire loan or a lesser amount.

The prospective borrower then returns the endorser addendum to the MPN processor. The endorser will also go through a credit check to ensure that he or she does not have an adverse credit history.

If a PLUS MPN is completed with an endorser addendum, it cannot be used to borrow for multiple years. The parent or graduate/professional student will need to submit a new PLUS MPN the next year, and if the credit check again indicates an adverse credit history, the borrower will again need to get an endorser.

Students whose parents have an adverse credit history may elect to take out the additional amount of unsubsidized loans that is available to dependent students whose parents have been denied a PLUS loan.

If the credit check indicates an adverse credit history, the COD system only retains enough award data to reinstate the award if an endorser addendum is submitted, so the school may have to resubmit the origination data if the credit issue is resolved by other means.



Appealing adverse credit history

If a PLUS Loan applicant has received a notification of an adverse credit history and believes inaccurate credit information was provided, the applicant can contact the credit bureau to get the information corrected. In cases where the adverse credit history is correct, but an applicant has extenuating circumstances that can be documented, the applicant may submit an appeal to COD.

■ SUBMITTING BORROWER RECORDS TO COD VIA SAIG

Origination and disbursement data can be submitted in “batch” mode through your school’s Student Aid Internet Gateway (SAIG) mailbox, or by entering the data online through the COD Web site. All records entered online through the COD Web site go directly to the COD system, so these transactions appear on the Web site very quickly (almost “real time”).

In the case of batch records, COD makes periodic “sweeps” of school SAIG mailboxes to pick up these files, so there will usually be a time lag between the time you send a batch of Common Records and the time when those records are accepted by the COD system (and can be viewed on the COD Web site).

When you transmit COD Common Records in batches, the batch includes an additional level of “Document” information that lists the contents of that transmission. This batch-level information is usually automatically compiled by your financial aid software, and includes a document ID and a date/time stamp. A single document can contain information for several schools, so there is another level of “Entity” information. This includes the school ID, and a count of the number of students submitted, total aid award amounts, and total disbursements contained in the records.

Message Classes

General Message Classes

Two of the message classes can be used to send and receive data for all Pell/ACG/SMART Grants and Direct Loans for multiple award years.

▶ **COMRECIN** Common Record Documents containing data from any or multiple programs for any or multiple award years sent from school to COD

▶ **COMRECOP** Responses containing data from any or multiple programs for any or multiple award years sent from COD

Specific Message Classes

You may also use more specific message classes, if all of the records

within a batch meet the following criteria:

▶ *Only Direct Loan data for any or multiple award years:*

To COD: CRDLMYIN
From COD: CRDLMYOP

▶ *Only Direct Loan data for 2007–2008 award year:*

To COD: CRDL08IN
From COD: CRDL08OP

▶ *Data from any or multiple programs for the 2007–2008 award year only*

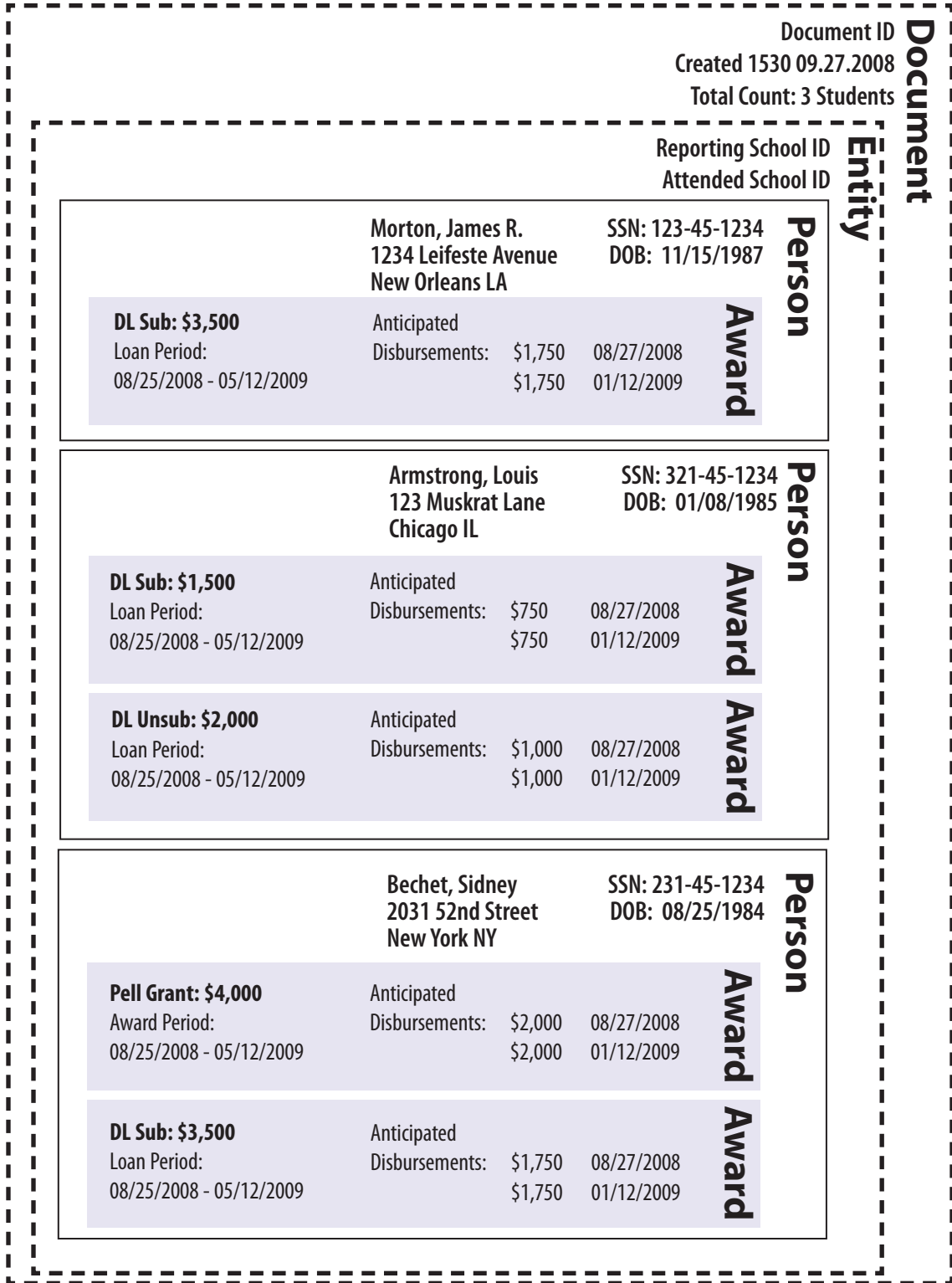
To COD: CRAA08IN
From COD: CRAA08OP

How information is organized in a COD-CR submission

When you send or receive COD-CR batched files via SAIG, the batch record will contain several layers of cover information in addition to the award/disbursement records that are grouped in the batch.

This is an example of how selected fields are grouped in COD-CR batches. In this example, data for a single school is being transmitted—in other cases, a servicer or main campus might be submitting data for multiple schools or branches.

This is a graphic representation of and does not reflect the actual XML format—Not all fields are listed in this chart, and COD names have been abbreviated



■ SETTING DRI & OTHER UPDATES AT TIME OF DISBURSEMENT

Pending Disbursement List

For schools participating in Pushed Cash or Cash Monitoring 1, the Pending Disbursement List report can assist in identifying estimated disbursements and their disbursement dates.

Example: updating the record to report an “actual disbursement”

In our earlier example, Steamboat University used its own funds to credit Direct Loan awards to school charges for its returning students on August 7, more than 10 days before the beginning of the Fall semester (August 27th). Earlier that summer, Steamboat University sent award records to COD with an anticipated disbursement date of August 17th, since that is the earliest date that a FSA funds could have been credited the student’s account.

On August 10th, Steamboat University sends updated actual disbursement records to COD, with the DRI set to “True.” (August 10th is the earliest date that a school can report an actual disbursement that will occur on August 17th.)

If you have submitted records with anticipated disbursement dates, you will need to change them to actual dates to report a disbursement.

To do this, you simply send a ‘release’ record to change the **Disbursement Release Indicator** from “False” to “True.” However, you may need to change other information that has been previously submitted for a student, such as grade level, dependency status, or award and disbursement amounts.

For instance, if you sent an origination record based on the maximum loan amount that you offered to the student, and the student subsequently requests a lower amount, you would need to update the disbursement amount field at the time you send in the actual disbursement (DRI=“True”).

If the student declines the loan entirely, you should change the award amount and anticipated disbursement amounts to “0” and transmit this change to COD.

Once the Disbursement Release Indicator has been updated to “true,” it cannot be updated to “False” on a Direct Loan disbursement. If you need to cancel a disbursement that has already been flagged as *DRI=True*, you should adjust the disbursement to \$0.

Example of setting the DRI to “True”

Cortazar Community College originates several loans on August 15 with an anticipated disbursement date of September 15 (DRI=“False”). On September 8, the Community College reviews these anticipated disbursements and sets the DRI to “True” for those students that it still intends to pay on September 15.

One of the loans originated on August 15 is for a student who has been selected for verification, and the student has not completed the process as of September 8. The College’s policy is to make no financial aid payments until verification is complete. Therefore, the College does not send a release record for that student (DRI=“True”).

The student completes verification on September 25, and the College pays the student at that time. The aid administrator must submit an update record to COD containing the actual disbursement date (September 25), with DRI=“True.” This ensures that the interest and other charges for the loan are calculated properly.

Time frame for reporting actual disbursements

If your school is participating as an **Advanced Funded** or **Pushed Cash** school, or has been placed on Cash Monitoring 1 (HCM1), it can submit a DRI = “true” up to seven (7) calendar days prior to the disbursement date.

Advanced Funded schools must report disbursements within 30 days after the funds are disbursed to the student.

Schools placed in **Reimbursement** or **Cash Monitoring 2 (HCM2)** review status can only submit a Disbursement Release Indicator = “true” on or after the Disbursement Date itself. The disbursement must be reviewed and approved by the School Participation Team.

Checking for MPN on file

COD will not accept a disbursement from a school if there is no borrower MPN on file.

There are several ways that you can confirm that the borrower has an MPN on file. The most reliable way to check to see if the student or parent has a valid eMPN is to check the COD Web site, because the COD master record will include MPNs filed through other schools, and will show the expiration date of the MPN. This is a manual process—you’ll need to search on one of the identifiers (name, Social Security number, and date of birth) for each student or parent.

As an alternative, your school’s software packages may be able to automatically check the ISIR loan history and/or MPN responses received by the school to see if the student already has an MPN on file. However, this will not indicate if the MPN has been linked to an award.



Checking for MPN file

In addition to looking up the student or parent’s record on the COD Web site, you can also find MPN information from the following sources:

- The Loan History section of the student’s ISIR.
- The MPN response reports that COD has sent to your school. (However, note that this will not include MPNs that the borrower may have filed with a different school.)
- The eMPN site (note that the eMPN site will not have a record of any paper MPNs filed sent by the school or the borrower).

Checking the COD Web site for MPN on file

By looking under “Person” on the COD Web site you can find the status of any paper or electronic MPN. Schools can search for:

- unlinked MPNs by entering the borrower’s first name and DOB.
- linked MPNs by entering borrower’s first and last name, SSN, and the MPN ID.

Person	School	Batch	Award	Services
<ul style="list-style-type: none"> ▶ Person Search ▼ Pnote Search ▶ Credit Check Search ▶ Applicant Search 	Promissory Note Search Results			
Records 1 to 3 of 3				
SSN	Name	MPN ID	DOB	MPN STA
182432143	AM	182432143M09G00433001	07/20/1967	Pendi Unlink
182432143	BECKSTRAND, AMOS	182432143N09G00433001	07/20/1967	Accept Linke
192900190	AN	182432143N09G00433001	07/10/1930	Pendi Unlink
Records 1 to 3 of 3				

Checking eligibility at the time of disbursement

You are responsible for checking the student's eligibility at the time you originate the loan, but the student's situation may have changed by the time the loan is disbursed. Eligibility at the time of disbursement is a key requirement, since funds that are disbursed to an ineligible student must be returned.

The change that most often makes a student ineligible for a disbursement is a reduction in enrollment status to less than half time. Therefore, it is important that your school have a system to verify a student's enrollment status at the time of disbursement.

Another key element that could change is the student's default/overpayment status and the student's remaining loan eligibility, if the student has transferred from another school. You can confirm the student's eligibility by checking his/her loan history on the NSLDS Web site, or by reviewing the NSLDS loan history section of the ISIR. Keep in mind that the information from the ISIR is current as of the time the ISIR was processed, so it may not have loan amounts that were recently disbursed at a transfer student's prior school. That's why it's important to submit the names of transfer students to NSLDS as part of the Transfer Monitoring process. (See Volume 1, Chapter 4 of the *Federal Student Aid Handbook*.)

HOW COD PROCESSES LOAN RECORDS

When the COD system receives a loan record as part of a batch file, it will generate a **receipt** that is sent to your school's SAIG Mailbox. If you enter student information on the COD Web site, this change will be noted as received in the COD master record (viewable on the Web site). This receipt only means that the record has been received, is properly formatted, and will be processed. It does not mean that the record has been accepted.

The COD system performs a series of “edits” to check the accuracy of the data in the school's submission. Records can be accepted (with or without warning edits) or rejected.

Once the COD system has processed a batch file containing origination records, it sends a **response** file back to the school indicating, for each student record, whether the record was accepted or rejected.

Warning edits

The COD system may accept some records that have duplicate or conflicting data, but include a warning message when it returns the processed record to your school to let you know that the system has made some assumptions to resolve the inconsistency. Some examples of warning edits are:

- Error code 015. The school submits Social Security Number, Date of Birth, or Last Name information, but the information is identical to what is already on the COD system. (In this case, COD sends a warning, but does not update the student's record).
- Error code 119 — If the school has reduced a borrower's Award Amount to \$0 and the sum of the actual disbursements is equal to \$0, the COD will reduce all anticipated disbursements to \$0 to allow loan inactivation and send this warning edit to alert the school.

In the case of batch submissions, some common warning edits are:

- Error code 008 — The reported <TotalCount> does not match the actual number of student tags (by award type and award year) that the school is submitting in that batch.
- Error codes 090 and 102 — The Total Disbursement Amount or Total Award Amount reported by the school does not match the actual total of all Disbursement Amounts or Award Amounts submitted in that batch.



Turnaround Times

The COD System retrieves Direct Loan records from SAIG mailboxes three times a day.

In general, the COD System returns the processed data to the school through SAIG by 8 am (ET) the next morning, though current standards allow up to 3 days to process DL Sub/Unsub loans and up to 5 days to process DL PLUS loans.

Storage of rejected records

- ▶ The COD system does not store records that have rejected at the Document (Batch) and Entity level.
- ▶ The COD system does store Document and Entity data from records that have been rejected at the Person, Award, or Disbursement level—these records can be viewed on the COD web site.

Reject edits

If the data does not meet valid values for the data element, the COD system may reject portions of the Common Record and send a response for that student record that contains the reject codes and a description of the error(s) that need to be corrected.

Examples of reasons for COD rejecting loan award data are:

- incomplete demographic information (such as missing name, address, or alien registration number),
- inconsistencies in the anticipated disbursement (for instance, the sum of disbursements is greater than the approved loan amount),
- incorrect identifying information (such as an invalid school code), and
- incorrect approved loan amount (for instance, the approved loan amount is greater than the maximum annual loan limit).

Note that COD may accept some parts of the Common Record and reject others. For instance, COD might accept the “Person” information while rejecting the Award/Disbursement information.

Receipts & Responses

If you submitted a batch file containing COD records through your SAIG mailbox, you will receive all receipts and responses as batch files through the same mailbox.

If you submit student data through the COD Web site, the receipt and response will be indicated on the student’s master record on the COD Web site. Since the response may contain specific edit messages, you may also request that the response be sent to you through your SAIG Mailbox.

(Responses are sent individually, not in batches.)

Receipts are sent either in the message class **COMRECOP** (not award-year-specific), or **CRRC08OP** (award-year-specific). Other COD responses are sent as:

CRBN08OP Booking Notification

CRCO08OP Credit Decision Override

CRPS08OP Payment to Servicing

CRPN08OP MPN Response

CRWB08OP Responses for activity performed on the COD web site for the 2007-2008 award year

Responses sent to school—COD view

You can locate detailed information for all of your batches by going to the COD Web site. (Most software packages will allow you to check for batch responses, as well as batch transmissions initiated by your school.)

You can locate a batch or batches sent by your school by choosing the “Batch” option on the COD menu bar. If you are looking for a particular student’s records, you can enter the student’s Social Security number. Or, if you are looking for certain batches, you can enter other criteria, such as date range.

This may generate a “Batch List” that may include more than one batch, depending on your search criteria. You can choose any of the batches listed to see the “Batch Detail Information,” which will show all of the student records included in the batch, by name and SSN, and whether each individual record was accepted or rejected.

If you are looking for a particular batch, you can also enter the Document ID to locate and view that batch.

The screenshot shows the FSA Federal Student Aid interface. At the top, there are logos for the U.S. Department of Education and FSA. Below the logos is a navigation bar with tabs for Person, School, Batch, Award, Services, and User. The 'Batch' tab is selected. On the left, there is a sidebar with links: Batch Search, Action Queue, Interface Rejects, and Grant Data Requests. The main content area shows 'Return to: Batch List' and 'Batch Detail Information' with a HELP icon. A table displays the batch details:

School	Entity ID	Date Received	Date Response Sent	Award Year
FALLS SERVICER	44270715	02/19/2008	02/19/2008	All

Below the table, there is a note: 'To print the below records, select the Print Batch link on the bottom of the page. The records will print a maximum of 1,000 at a time.' A summary message states: 'Summary information does not exist for Document ID 2008-02-19T10:52:00.0000000001.' There is a search filter section with 'SSN:' and 'Status:' dropdowns, and 'Apply Filter' and 'Reset Filter' buttons. The 'Award Type' is set to 'All'. A second table shows individual student records:

Award Year	Name	SSN	Award Type	Award No	Disb No
'08-'09	AMOS . BECKSTRAND	182432143 - Accepted	DLP	001 - Accepted	
'08-'09	AMOS . BECKSTRAND	182432143 - Accepted	DLP	001 - Accepted	
'08-'09	ANNAMARIE . BEAULAC	245062206 - Accepted	DLU	001 - Accepted	
'08-'09	ANNAMARIE . BEAULAC	245062206 - Accepted	DLU	001 - Accepted	
'08-'09	ANTHONEY . BEAUCHAINE	259202220 - Accepted	DLU	001 - Accepted	
'08-'09	ANTHONEY . BEAUCHAINE	259202220 - Accepted	DLU	001 - Accepted	

At the bottom, it says 'Records 1 to 6 of 6' and 'Print Batch'.

Software Options

Schools can use EDEExpress or similar software to enter changes in the appropriate fields in a borrower's loan record and group borrower records into exportable files that can be transmitted to the COD System.

Adjustments are one of the topics covered in the Direct Loan module of EDEExpress Basics training. This on-line training course can be found under "Specific Functions" at:

www.ed.gov/FSA/training/index.html

Making one change at a time

In EDEExpress, it is possible to make an adjustment to a disbursement when the Disbursement Status is R - Ready, B - Batched or A - Accepted, but is better to only make adjustments when the Disbursement Status is A, or "accepted.") and that responses have been imported into your software before making any additional disbursements or adjustments.

CHANGES TO AWARD/DISBURSEMENT DATA

Sometimes information about a Direct Loan borrower changes after the school sends the award or disbursement data to the COD system. For example:

- The student doesn't complete verification by the anticipated disbursement date, and the disbursement date must be revised,
- the student progresses to the next grade level during the loan period, and becomes eligible for a higher loan maximum,
- the student's parent is unable to obtain a PLUS loan, and the student decides to borrow additional Unsubsidized loan amounts,
- the student becomes ineligible for the full amount of a Direct Loan disbursement,
- a borrower moves to a new permanent address.

Whenever any data item changes, a school must update information in the loan origination/disbursement records they sent to the COD system.

If you have loan records that are about to go to COD, we recommend that you not send further adjustments until all disbursements and prior adjustments have been accepted by the COD system (and the responses have been imported into your software).

Disbursement Sequence Numbers

The **Disbursement Sequence Number** identifies any changes or adjustments to a specific disbursement number. For example, some schools may process awards with two disbursements, for fall and spring terms. Disbursement #1, sequence #1, takes place on September 1st, Disbursement #2, sequence #1 takes place on January 5th.

If there are any adjustments to a disbursement, the sequence number is incrementally increased. For example, if you made an adjustment to the student's first disbursement, it would still be Disbursement #1, but the new disbursement date and amount would be listed as Disbursement Sequence #2.

Example: Retroactive increase in Unsubsidized eligibility

Cardamom University awards a \$2,500 subsidized loan and a \$1,000 Unsubsidized loan to Elvin H., and also offers a PLUS loan. However, the COD credit check indicates that Elvin's father has an adverse credit history, and he has not located an endorser. Elvin talks to his aid counselor in early October, and when advised that he is eligible for additional Unsubsidized loan funds, Elvin requests an additional \$2,000.

Elvin's aid counselor locates his record in the school's financial aid database and finds that the first disbursement of \$500 has already been made on the Unsubsidized loan, on September 10.

The revised Unsubsidized award is \$3,000, still to be disbursed over two terms. First, the aid counselor must increase the overall approved loan amount and indicate that Elvin is eligible for the higher Unsubsidized loan limits (changes are circled).

Direct Loan

Borrower Loan Information

DL Code: CARDAMOM UNIV

Financial Award Start/End Dates

09/04/2008

06/06/2009

Academic Year:

09/04/2008

06/06/2009

Loan Amount Approved:

3,000

Add. Unsub Eligibility for Dependent Student?



Depending on the type of software that you use, this may automatically prompt you to create a second loan for the additional amount. Thus Elvin would have two Unsubsidized loans for the same loan period. The second loan would reflect two disbursements of \$1,000 each:

Disbursement						Net		Disbursement	
#	Seq. #	Date	Gross	Fee	Rebate	Amount	Adjust.	Release Indicator	Status
1	1	10/07/2008	1000	20	15	995		<input checked="" type="checkbox"/>	
2	1	01/15/2009	1000	20	15	995		<input type="checkbox"/>	

As an alternative, the aid counselor can amend the original loan to include the additional funds. First, the counselor would change the second disbursement (originally \$500 on January 15, 2009) to pay Elvin the additional \$1,000 for the first term, on October 12th. Then the counselor would add a 3rd disbursement of \$1,500 for Elvin's 2nd term using the standard second-term disbursement date. Most software packages will automatically calculate the fees, rebate, and net amount of the second and third disbursements. Thus, the record of Elvin's disbursements for his 2008-2009 Unsubsidized Loan would be:

Disbursement						Net		Disbursement	
#	Seq. #	Date	Gross	Fee	Rebate	Amount	Adjust.	Release Indicator	Status
1	1	09/10/2008	500	10	8	498		<input checked="" type="checkbox"/>	
2	1	10/12/2008	1000	20	15	995		<input type="checkbox"/>	
3	1	01/15/2009	1500	30	23	1493		<input type="checkbox"/>	

Making the change on the COD Web site

This adjustment can also be made to the student's loan record on the COD Web site. (For purposes of internal reconciliation, you should keep in mind that not all software packages will import changes that have made on the Web site.)

First, locate the student's record by searching under the Person tab, and then select the Unsubsidized award listed for that student. You should first increase the total award amount, as you would do in your software, but then you need to make adjustments on two different screens to revised the Disbursement Information for the second disbursements, and to create a new third disbursement.

1. Go to the "Update Award Information" screen and update the award amount to \$3,000.
2. Go to the "Disbursement Information" screen, choose the second disbursement, click on "Update Disbursement," and on the next screen, change the amount and date of the second disbursement, to pay Elvin an additional \$1,000 in the first term.
3. Go back to the "Disbursement Information" screen, choose "Create New Disbursement," and on the next screen, create a new (third) disbursement of \$1,500 for Elvin's second term.

Example: Changing the 2nd disbursement due to Grade Level increase

Cardamom University awards a \$3,500 subsidized loan to Kevin G, who is enrolling for his second school year, but is still finishing his freshman coursework. Cardamom disburses \$1,750 (\$1,724 net) to Kevin for the first term. At the conclusion of that term, in mid-December, Kevin has completed enough credits to meet Cardamom's standard for a 2nd-year grade level. Kevin is now eligible for the higher \$4,500 loan limit.

The revised Subsidized award is \$4,500. Kevin's aid counselor checks and finds that Kevin had additional unmet need, and is eligible for this full amount for the loan period. Since Kevin has completed the first term of the loan period, he can receive the difference between his first disbursement and the \$4,500 total in a single disbursement.

First, the aid counselor must report the grade level change by selecting "2" (2nd year sophomore) and then increase the overall approved loan amount (changes are circled).

Direct Loan

Borrower Loan Information

DL Code: CARDAMOM UNIV

Loan Period:

09/04/2008

06/06/2009

Academic Year:

09/04/2008

06/06/2009

Loan Amount Approved:

4,500

College Grade Level

2

NOTE: After the counselor enters \$4500 in the Loan Amount Approved field and saves the record, your software may prompt you to recalculate the disbursements based on the original loan period. Depending on the features of your software system, the counselor may need to select "no" and enter the \$2,750 manually for the Spring term only.

The aid counselor selects Disbursement #2 and changes the amount to \$2,750. (Since this change is being made in December, the January disbursement date will remain the same.) Most software packages will automatically calculate the fees, rebate, and net amount, and assign a new sequence number to the second disbursement. Thus, the record of Kevin's disbursements would be:

Disbursement						Net		Disbursement	
#	Seq. #	Date	Gross	Fee	Rebate	Amount	Adjust.	Release Indicator	Status
1	1	09/10/2008	1750	35	27	1742		<input checked="" type="checkbox"/>	
2	1	01/15/2009	1750	35	27	1742		<input type="checkbox"/>	
2	2	01/15/2009	2750	55	42	2737		<input type="checkbox"/>	

Note that in this case, Disbursement #2 Sequence #1 has not been made, and is entirely replaced by Disbursement #2, Sequence #2. For this reason, the aid counselor enters a "replacement" value for this disbursement—the full \$2,750 for the second disbursement—rather than an amount to be added or subtracted from the original amount that had been reported.

If Disbursement #2 Sequence #1 had already been made when the aid office was notified that the student had progressed to the next grade level, the aid counselor would have created a new Disbursement #3 for the additional \$1,000.

Making the change on the COD Web site

As in the previous example, you would first locate the student's record by searching under the **Person** tab, and then select the Subsidized award listed for that student. Be sure to first report the increased **total award amount** and **college grade level** on the "Update Award Information" screen, before going to the "Disbursement Information" screen and updating amount of the second disbursement. (Remember that not all software packages will import changes that have made on the Web site.)

■ REDUCING OR INACTIVATING (CANCELING) A LOAN OR DISBURSEMENT

A loan may be cancelled or reduced if the school discovers that the student or parent is no longer eligible for the loan, or because the student has withdrawn from school.

Student never begins attendance (“no-shows”)

If a student never begins attending classes at your school, you must use the G5 payment system to return –

- any Direct Loan funds that your school has credited to the student’s account; and
- the amount of any and all payments made by the student to the school (not to exceed the original Direct Loan disbursement to the student).

Your school is also required to notify COD within 30 days. To update the student’s COD record, you make a downward adjustment to reduce the borrower’s loan by the amount returned to the G5 system.

If your school has also disbursed loan funds to the student or parent borrower, these funds will be collected by the DL Servicing Center. The school must send a 30-day demand request to the DL Servicing Center, School Support Services (see sidebar).

Return of aid when the student withdraws from all classes

If a student has begun attending classes, but then withdraws from all classes in a program (ceases enrollment), you must calculate whether funds must be returned to the FSA programs or the student is owed a postwithdrawal disbursement of FSA funds. This calculation involves all FSA funds received by the student (except work-study), so it will not be described in detail in this Guide.

If the withdrawal calculations determine that your school must return some of the FSA funds that were received, these funds are returned first to the Direct Loan Program through the G5 payment system, up to the amount originally borrowed. When this happens, you must make a downward adjustment to the borrower’s loan record, and forward the change to COD.

After the COD system receives and accepts the adjustment, it passes the information on to the DL Servicing Center, so that the student or parent’s loan balance is reduced accordingly.

If the withdrawal calculation indicates that the student owes funds back to the Direct Loan program, the student will repay those funds according to the terms of the MPN. Your school does not need to make any adjustment through COD.



Withdrawal and return of funds

Volume 5 of the *FSA Handbook* describes the calculations for return of funds and postwithdrawal disbursements for FSA programs.

Postwithdrawal disbursements and late disbursements

If the withdrawal calculation indicates that the student is owed a Postwithdrawal loan disbursement, or the student qualifies for a late disbursement after the enrollment period is over, you must update the student’s loan record and transmit the change to the COD system as you would when reporting any other actual disbursement.

Canceling or reducing a loan or disbursement at the borrower's request

If a student or parent borrower requests you to cancel a portion or the entire amount of a loan, you can adjust disbursements downward to as little as \$0, which in effect cancels the loan. However, the loan information is still on record, and you can reactivate the disbursement at a later date by adjusting it upward from \$0.

Canceling the loan at the school

Your school must honor a borrower's request to cancel (inactivate) a Direct Loan disbursement if the borrower makes the request within 14 days after the date the school sends a disbursement notice, or by the first day of the payment period (whichever is later). After this date, your school still has the option to cancel/ inactivate the loan, if it chooses to do so.

The same principle applies to an entire Direct Loan. The entire amount of a Direct Loan can be adjusted to as little as \$0 by reducing the loan amount (and corresponding anticipated disbursement amounts) in the student's loan record.

If loan funds have already been disbursed directly to the student or parent, your school should contact that borrower with a request to return the funds immediately. Once your school has received the funds from the borrower and returned them through the G5 payment system, you must adjust the student's disbursement information in the COD system to reflect this.

Canceling the loan through the DL Servicing Center

If the borrower cancels the loan within 120 days of the disbursement date, then he or she is not responsible for loan fees and accrued interest.