

Operational Processing – Direct Unsubsidized Loans to Dependent Students Without Parental FAFSA Information

Attachment to December 2008 Electronic Announcement

During the period December 12-13, 2008, we plan to implement Common Origination and Disbursement (COD) System functionality that will support the new statutory provision that provides a financial aid administrator with the authority to use his or her professional judgment to award a Direct Unsubsidized Loan to a dependent student when that student's parent or parents have stopped providing financial support for the student and refuse to provide parental information on a Free Application for Federal Student Aid (FAFSA). In such a case, the financial aid administrator may exercise this authority after receiving a signed statement from the parent and confirming the student's submission of a FAFSA. In this document, we will refer to such a student as "an eligible student."

Note: The Department of Education (the Department) will soon issue a Dear Colleague Letter that provides complete policy guidance related to the new authority. Please monitor the [Information for Financial Aid Professionals \(IFAP\) Web site](#) for this guidance.

The purpose of this document is to provide detailed guidance about operational processing after implementation of the new COD System functionality. ***Schools that will approve students for Direct Unsubsidized Loans under the new authority must read this attachment and the forthcoming Dear Colleague Letter in their entirety.***

If you have questions about the COD processing information in this document, contact the COD School Relations Center at 800/848-0978. You may also e-mail CODSupport@acs-inc.com.

If you have questions about the manual EExpress processing information in this document, contact CPS/SAIG Technical Support at 800/330-5947 (TDD/TTY 800/511-5806). You may also e-mail CPSSAIG@ed.gov.

Operational Processing Information for 2008-2009

Beginning December 13, 2008, full COD System functionality will be in place to support the new statutory authority. The following student and school processing functions that are currently related to Direct Unsubsidized Loan processing will be available:

Student Processing Functions

- Complete a Direct Subsidized Loan/Direct Unsubsidized Loan Master Promissory Note (MPN) using either the electronic or paper method, if a valid MPN is not already in the COD System.

Note: An eligible student who completes an MPN electronically will do so via the [Direct Loan Electronic MPN Web site](#). The student will follow the standard process for MPN completion; there are no new steps that the student must complete.

- Receive a Direct Subsidized Loan/Direct Unsubsidized Loan Disclosure Statement once the COD System has accepted an origination record with anticipated and/or actual disbursement records that equal the award amount.
- Receive loan servicing disclosure information once the loan has "booked" and been sent to the Direct Loan Servicing System (DLSS).

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Attachment to December 2008 Electronic Announcement

- Access information about the loan in the National Student Loan Data System (NSLDS) via the [NSLDS Student Access Web site](#).

School Processing Functions

- Submit a paper MPN completed by an eligible student through the established submission process.
- Receive an unsolicited system-generated MPN Response for a paper or electronic MPN completed by an eligible student. The school will be able to import this response into its system.
- Submit origination and disbursement records to the COD System via batch and Web.
- Receive responses from the COD System.
- Have the COD System print and mail a Direct Subsidized Loan/Direct Unsubsidized Loan Disclosure Statement to eligible students 30 days before the first anticipated or actual disbursement of a loan.
- Draw down and disburse funds for an eligible student.
- Access origination and disbursement data via the [COD Web site](#).
- Have loans “booked” and sent to the DLSS.
- Access information about the loan in the NSLDS via the [NSLDS Professional Access Web site](#).

In the next four subsections, we provide key information related to the processing functions that will be available beginning December 13, 2008. The subsections are as follows:

- Origination and Disbursement Processing
- Use of Edit 996 for Direct Subsidized Loan and TEACH Grant Awards
- Modifications to Applicant List and Applicant Detail Screens
- Updates to COD Technical Reference

Origination and Disbursement Processing

A school will send origination and disbursement information for a 2008-2009 Direct Unsubsidized Loan that is made to an eligible student using the *existing* DL Unsubsidized Common Record Block or by submitting individual records via the [COD Web site](#). ***There is no new or additional information that a school must provide about the award.***

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Attachment to December 2008 Electronic Announcement

In order to accept 2008-2009 Direct Unsubsidized Loan origination and disbursement records for an eligible student, we will modify the COD System's analysis of 2008-2009 Central Processing System (CPS) data. Beginning December 13, 2008, the COD System will receive information about CPS transactions that have been accepted and CPS transactions that have been rejected only on the basis of one or more parental data reject reasons (this means that no student data reject reasons exist). Upon receipt of a 2008-2009 Direct Unsubsidized Loan award, the COD System will evaluate accepted and rejected transaction information when it attempts to match the CPS Transaction Number provided by the school.

Through use of the modified acceptance logic, the COD System will accept a 2008-2009 Direct Unsubsidized Loan award for a student who has been determined by his or her school to be an eligible student as follows:

- The CPS Transaction Number included in the Direct Unsubsidized Loan origination record matches a CPS Transaction Number in the COD System.
- The status of the corresponding CPS Transaction is rejected.
- All other systematic requirements/edits are met.

Note to EDEExpress Users: No updates will be needed to the EDEExpress for Windows 2008-2009 software. However, a school that normally creates its Direct Loans through the automated ISIR import process will not be able to use this process to originate a 2008-2009 Direct Unsubsidized Loan for an eligible student. As will be explained in the forthcoming Dear Colleague Letter, the rejected Institutional Student Information Record (ISIR) that will result when an eligible student submits his or her paper FAFSA will not have an expected family contribution (EFC) calculated and therefore will not be available for import directly into the Packaging module or the Direct Loan module. The school will instead need to create a 2008-2009 Direct Unsubsidized Loan record for an eligible student either through manual loan entry or by importing data from an external system.

Manual loan processing can be accomplished directly in the Direct Loan module, or in the Packaging module and then imported into the Direct Loan module. Regardless of whether a school uses either of these manual processes or the external add process, it will need to ascertain and utilize the rejected ISIR transaction number. One means of doing so is by viewing the EDEExpress ISIR Review tab.

EDEExpress users can obtain guidance on manual loan entry or importing data from an external system via the Help function in the EDEExpress for Windows 2008-2009 software. Alternatively, guidance can be obtained from the 2008-2009 Desk Reference for EDEExpress for Windows Release 2.0, available for download from the [Federal Student Aid Download \(FSAdownload\) Web site](#). On the [FSAdownload Web site](#), select the 2008-2009 Release 3.0 link and then select Archive to access the Desk Reference.

Operational Processing – Direct Unsubsidized Loans to Dependent Students Without Parental FAFSA Information

Attachment to December 2008 Electronic Announcement

Use of Edit 996 for Direct Subsidized Loan and TEACH Grant Awards

The acceptance logic used to evaluate Direct Unsubsidized Loan awards is the same used to evaluate Direct Subsidized Loan and Teacher Education Assistance for College and Higher Education (TEACH) Grant awards. Although the logic will be modified to accept a Direct Unsubsidized Loan award based on a rejected CPS Transaction, Direct Subsidized Loan and TEACH Grant awards will continue to require a CPS Transaction Number that corresponds to an accepted CPS Transaction. The COD System will return COD Edit 996 (Invalid Value) if a Direct Subsidized Loan or TEACH Grant award is submitted with a CPS Transaction Number that corresponds to a rejected CPS Transaction.

Note: The acceptance logic used to evaluate Academic Competitiveness Grant (ACG), Federal Pell Grant (Pell Grant), and National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) awards will not be modified. These awards will continue to require a CPS Transaction Number that corresponds to an accepted CPS Transaction.

Modifications to Applicant List and Applicant Detail Screens

We will modify the [COD Web site's](#) Applicant List and Applicant Detail screens to reflect information that will be evaluated through the modified acceptance logic.

- We will modify the Applicant List screen by adding a new column for Transaction Status. This column will be placed at the far right end of the existing columns under CPS Data and will contain either “Accepted” or “Rejected” as applicable.
- We will modify the Applicant Detail screen by adding a new row for Transaction Status. The row will be placed at the bottom of the existing rows under CPS Detail and will contain either “Accepted” or “Rejected” as applicable.

In the case of an eligible student whose Direct Unsubsidized Loan is based on a rejected CPS Transaction, the existing EFC row will contain a pseudo EFC of 99999.

Note: The use of 99999 as a pseudo EFC will be used only for the purpose of populating this field on the [COD Web site's](#) Applicant Detail screen.

Updates to COD Technical Reference

We will revise the 2008-2009 COD Technical Reference to reflect the modified acceptance logic explained in this document. We will post the technical reference updates on the [IFAP Web site](#) and announce the availability of the updates in the “COD Processing Update” and via a COD Web Message.

Note: We will use this same modified acceptance logic for the 2009-2010 Award Year and will also revise the 2009-2010 COD Technical Reference.