

# Direct PLUS Loan Processing A to Z

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# Direct PLUS Loan Processing A to Z

## Agenda

- Federal Direct PLUS Loan Basics
- Master Promissory Note (MPN)
- Credit Check
- Counseling
- Processing Federal Direct PLUS Loan data
- Repayment
- Appendix



## The Basics



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Basics

- Two categories of borrowers
  - ✓ Parent(s) of a dependent student and graduate/professional students
- The borrower (and dependent student in the case of a Parent PLUS Loan) must meet Title IV eligibility requirements found in 34 CFR 668 Subpart “C”
- The borrower cannot have an adverse credit history
- The borrower is ineligible if he or she owes a debt to the Federal Government or is incarcerated

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Basics

- Parent borrower must be the student's biological or adoptive Mother or Father
  - ✓ A step-parent is considered a parent if married to a biological or adoptive parent and if the student is counted in their household size
  - ✓ A legal guardian is not an eligible borrower
- A parent can borrow for multiple dependent students
  - ✓ Unique parent/dependent student “pair” for each PLUS loan
  - ✓ Unique Master Promissory Note (MPN) for each parent/student “pair”

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Basics

- PLUS funds can replace expected family contribution (EFC)
- Loan limit is the Cost of Attendance (COA)
  - less any estimated financial assistance (EFA)
- NOT part of your Cohort Default Rate (CDR) calculation
- No Entrance Counseling requirement for a Parent PLUS Loan borrower
  - ✓ Required for first-time PLUS graduate/professional student
  - ✓ Subject to PLUS Counseling

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Basics

- School eligibility - General
  - ✓ Same as Direct Subsidized/Unsubsidized Loan Program
  - ✓ Reflected as separate program PPA/eCAR
  - ✓ Option to participate or not
    - Non-participation is NOT grounds for awarding additional unsubsidized funds to a dependent student
    - You must first inform a graduate/professional student of his or her eligibility for a Direct Unsubsidized Loan before offering and awarding a Direct PLUS Loan



## The Master Promissory Note (MPN)



# Direct PLUS Loan Processing A to Z

## PLUS Loan – MPN

- Unique MPN – NOT a subsidized/unsubsidized loan MPN
  - ✓XXXXXXXXXXN17GXXXXX001
- Contains borrower and/or student data
- PLUS MPN used for ALL PLUS loans
  - ✓ No financial data on the MPN

# Direct PLUS Loan Processing A to Z

## PLUS Loan – MPN

- Links on the SSN, DOB, and first two characters of the first name of both borrower and student
- **Expires** 10 years from date of receipt at COD
  - ✓ 12 months if there's no disbursement on a linked loan

# Direct PLUS Loan Processing A to Z

## PLUS Loan – MPN

- Single-Loan MPN
  - ✓ When an endorser is linked to the PLUS Loan MPN
  - ✓ Linked MPN reflects a status of “Inactive-Endorser”
  - ✓ Status for ANY additional MPNs this borrower may have on file is Inactive
  - ✓ Any future loan will need a new MPN

# Direct PLUS Loan Processing A to Z

## Credit



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- ALL Direct PLUS Loan Borrowers undergo a credit check
- Initiated by the school or the borrower
  - ✓ The school via the loan origination record (LOR)
  - ✓ The school online via the COD Web instant credit check utility
  - ✓ The borrower via a Direct PLUS Request on the StudentLoans.gov website
- If done online by the school or the PLUS borrower via the StudentLoans.gov Web, I suggest you originate the PLUS loan if borrower is otherwise eligible

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- New with the Fall COD release will be a field on the Direct Loan PLUS Request response (SP DOC Type) that will indicate the default status of a Direct PLUS borrower
  - ✓ Will be the field currently used for self-certification for default
    - No schema change and no changed record layout



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- MUST have borrower authorization to perform a credit check
  - ✓ Authorization is in the text on a Direct PLUS Loan MPN
  - ✓ Authorization form downloadable off of the COD Website
  - ✓ Hand written/faxed & signed authorization
- The SSN is the key identifier for a credit check and if changed will trigger a new credit history



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- Denial of one parent is sufficient to offer additional unsubsidized loan funds to the dependent student
  - ✓ Other parent does NOT have to undergo PLUS loan process
  - ✓ A credit result of “Denied” is not school specific and can be used across schools on loans with the same academic year

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- School can offer additional unsubsidized loan after ***your determination*** of the inability of the Parent to borrow due to ***exceptional circumstances***
  - ✓ Even if the credit check returned “Approved”
    - Forego the PLUS Request process altogether
  - ✓ 34 CFR 685.203(c)(1)(ii)
  - ✓ DCL ID: GEN-11-07
  - ✓ Case-by-case
  - ✓ ***DOCUMENT*** your reason(s) for inability

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- PLUS loan with an original credit decision of “Denied” can be accepted and displayed on COD but with an unacceptable credit decision
  - ✓ Can’t disburse unless and until the original credit decision of “Denied” is resolved and **credit requirements are met**
  - ✓ Initial original credit decision of “Denied” remains on the COD website and is **NOT** changed after securing an approved endorser or a successful appeal

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- An original credit decision of “Denied” can be appealed by documenting to the satisfaction of the Secretary the existence of extenuating circumstances related to the adverse credit history
  - ✓ For example, errant data from the Credit Bureau
  - ✓ Appeal by submitting via fax the specific documents requested by COD
  - ✓ Can start appeal process on [StudentLoans.gov](http://StudentLoans.gov)

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- An endorser **CANNOT** be the student for whom the loan is intended
  - ✓ Endorser undergoes a credit check
    - Endorsed loan reported to credit bureau as any other financial obligation
  - ✓ Endorser promises to pay outstanding principal balance, accrued interest, any penalties, **AND** any collection costs
  - ✓ Endorser completes an Endorser Addendum/MPN
    - Document of obligation

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit

- You CANNOT disburse more than the endorsed amount
  - ✓ Endorsed amount and endorser data is displayed on the COD Loan information screen
- You CANNOT increase an endorsed PLUS Loan
  - ✓ You must originate a subsequent PLUS Loan for the requested increase
  - ✓ A new credit history will be run on the borrower if the original credit check has expired

# Direct PLUS Loan Processing A to Z

In the words of that great American philosopher, Bob Dylan...  
The Times They Are a Changin’



# Direct PLUS Loan Processing A to Z

## Credit Requirements Met





# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit Requirements Met

- COD sends a new <CreditRequirementsMet> tag that confirms all **CREDIT RELATED** requirements have been met
  - ✓ An original credit decision of “Accepted”
  - OR
  - ✓ An approved endorser/accepted appeal of an original “Denied” credit decision
  - AND
  - ✓ A completed PLUS Counseling session

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit Requirements Met

- COD sends the new system-generated “Credit Status Response” with the intent to keep the school “in the loop” on a borrower that **may** be in the process of “resolving” his or her original credit decision of “Denied”
  - ✓ Message Class is CRCSxxOP
  - ✓ Sent on approval of denial of an endorser/appeal
  - ✓ Sent when a session of PLUS Counseling is completed
  - ✓ ***Includes the new <CreditRequirementsMet> tag***
  - ✓ The Credit Override response (CRCO) has been retired

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit Requirements Met

- The new <CreditRequirementsMet> tag should be your “focus”
  - ✓ A new COD Reject Edit Code #217 will prevent disbursement of the PLUS loan until this field on the PLUS award is flagged “Y”
- Sent in a Common Record Response (RS), a PLUS Request Response (SP), and a new system-generated Credit Status Response (CS)

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Credit Requirements Met

- If the <CreditRequirementsMet> tag remains “N” for any length of time you need to start looking to see if there is something amiss...
  - ✓ Has he or she secured an endorser? Is the endorser approved or denied?
  - ✓ Has he or she started an appeal? What is the status?

# Direct PLUS Loan Processing A to Z

## PLUS Loan – PLUS Counseling

- An applicant has an adverse credit history if, as of the date of the credit report, the applicant...
  - ✓ Has a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a Title IV debt during the preceding five (5) years

OR

- ✓ Has one or more debts with a combined outstanding balance exceeding \$2,085, and that are 90 or more days delinquent or charged off/in collection within the preceding two (2) years

# Direct PLUS Loan Processing A to Z

## PLUS Loan – PLUS Counseling

- A Direct PLUS Loan applicant whose original credit decision is “Denied” can gain eligibility for that PLUS loan by...
  - ✓ Securing an approved endorser
  - OR
  - ✓ Successfully appealing the original adverse credit decision
  - AND**
  - ✓ Completing a session of PLUS Counseling

# Direct PLUS Loan Processing A to Z

## PLUS Loan – PLUS Counseling

- PLUS Counseling is provided ONLY on the StudentLoans.gov website
  - ✓ A school is NOT responsible for providing or delivering PLUS Counseling
- PLUS Counseling is a distinct and unique counseling module
  - ✓ It is a separate counseling option on the Counseling Landing Page
- PLUS Counseling is NOT ENTRANCE COUNSELING
  - ✓ It does NOT fulfill Entrance Counseling requirements

# Direct PLUS Loan Processing A to Z

## PLUS Loan – PLUS Counseling

- A session of PLUS Counseling will be required for each original credit decision of “Denied” for a borrower who desires to remedy the adverse credit decision and gain eligibility for the PLUS award
  - ✓ A PLUS borrower with an original credit decision of “Denied” and who **declines** to proceed any further in obtaining a PLUS loan does NOT have to complete a session of PLUS Counseling



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Other Changes

- COD posts a new Credit Status Report to your School NewsBox
  - ✓ Identifies borrowers whose most recent /active credit decision is “Denied”
- Borrowers will drop off the report 30 days after...
  - ✓ Credit Requirements Met flagged TRUE
  - ✓ Their Direct PLUS Loan award is reduced to \$0
  - ✓ The credit decision expiration date has lapsed
- Other COD screens and Responses have been modified to accommodate the new credit associated data

## Entrance Counseling



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Entrance Counseling

- First-time graduate/professional student PLUS borrower **MUST** complete Graduate Entrance Counseling prior to disbursement
  - ✓ NOT the same as the new PLUS Counseling requirement
    - Some first-time Graduate/Professional Students who have an adverse credit history may be required to complete both Graduate Entrance Counseling and PLUS Counseling
  - ✓ As in undergraduate Entrance Counseling you **CANNOT** require a borrower to complete more than **ONE** session of Graduate Entrance Counseling

## Originating & Disbursing



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Origination

- Anticipated and/or actual (DRI = TRUE) disbursements **MUST** equal the loan amount
  - ✓ Disbursements **MUST** be substantially equal on origination
  - ✓ The response reflects status of the award, credit, actual disbursements (if submitted), a linked MPN, and the new Credit Requirements Met tag
- **CAVEAT** - a school can decline to originate, or originate a lesser loan amount than requested, on a case-by-case basis
  - ✓ You **MUST** document the reason
  - ✓ 34 CFR 685.301(a)(8)

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Origination

- The loan origination fee for a Direct PLUS Loan with an Earliest Disbursement Date (EDD) on or after October 1, 2015 and before October 1, 2016 is 4.272%
  - ✓ An incoming LOR with an incorrect origination fee will be rejected
  - ✓ DCL GEN: 15-07 posted April 23, 2015 has details on sequester
  - ✓ Report ALL required SULA data

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Disbursement

- Assure eligibility prior to **each** disbursement
- Parent receives any credit balance
  - ✓ Unless otherwise directed
- Generate and deliver the required school notifications
- Disbursement data **MUST** be reported to COD within 15 days of the actual date of disbursement
- **REPORT THE ACTUAL DISBURSEMENT DATE**
  - ✓ The date award funds are credited to the student's account
  - ✓ Can be reported seven (7) days prior to the actual disbursement date

## Requests for Additional PLUS Funds



[dreamstime.com](http://dreamstime.com)



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Request for additional PLUS funds

- You may increase an originated (001) PLUS loan
  - ✓ Submit a change record to COD if your software allows
  - ✓ New PLUS loan for the difference requested if not
- But you **cannot** increase an originated (001) PLUS loan if in receipt of a subsequent adverse credit decision
  - ✓ For example, your software doesn't allow you to increase the PLUS loan already originated and when you originate another PLUS loan for the requested increase the credit decision returned is "Denied"

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Request for additional PLUS funds after a denied credit decision

- If the originated (001) PLUS loan is NOT fully disbursed...
  - ✓ You can fully disburse it
- OR
- ✓ Reduce all remaining anticipated disbursements on the originated PLUS loan to \$0 and offer the student unsubsidized loan funds up to his or her eligibility for grade level and need

# Direct PLUS Loan Processing A to Z

## PLUS Loan – Request for additional PLUS funds after a denied credit decision

- If the originated PLUS loan (001) has been fully disbursed...
  - ✓ Offer the dependent student an additional unsubsidized loan up to their eligibility appropriate to their grade level and remaining need
- The PLUS borrower can secure an endorser/appeal

## A “Booked” Loan

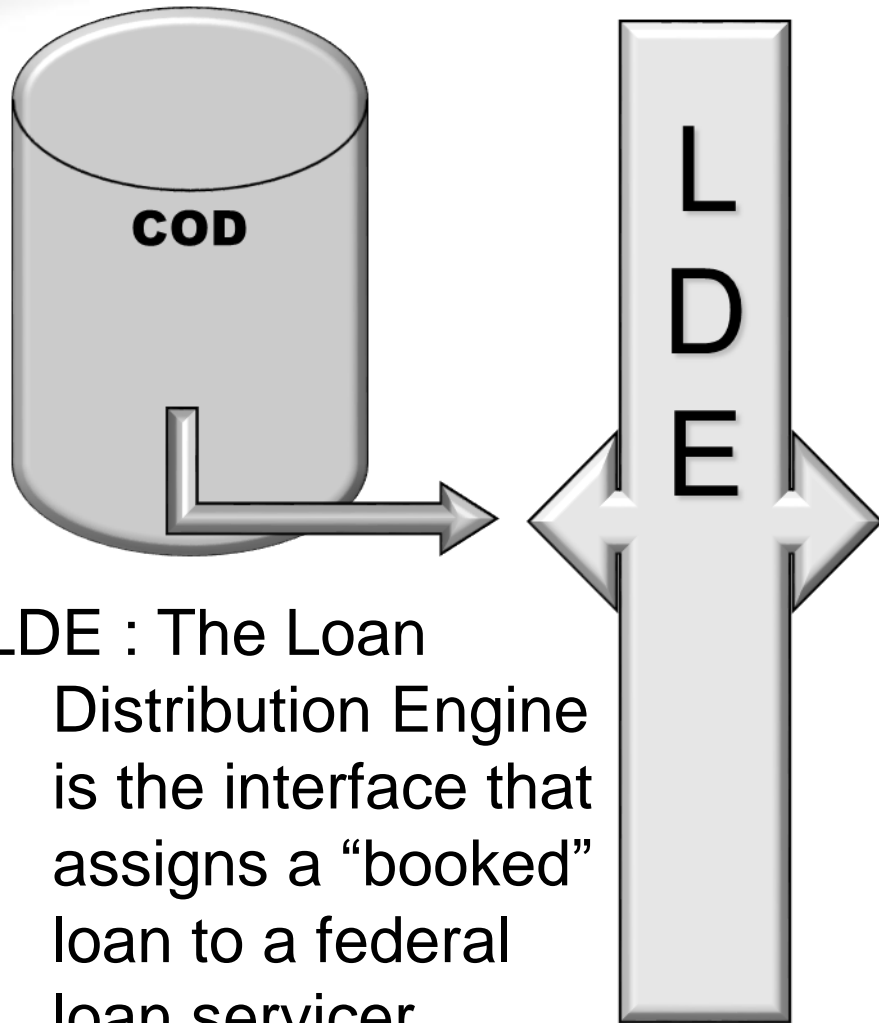


# Direct PLUS Loan Processing A to Z

## PLUS Loan – “Booking” the loan

- Once COD has received an accepted LOR, a linked MPN, and an actual disbursement the PLUS loan is “booked”
  - ✓ The loan processes through COD’s Loan Distribution Engine (LDE)
  - ✓ The LDE assigns the loan to a Servicer
- Liability for any drawn funds migrates from the school to FSA when the loan is booked

# Direct PLUS Loan Processing A to Z



LDE : The Loan Distribution Engine is the interface that assigns a “booked” loan to a federal loan servicer

## Servicers

MOHELA	Granite State GSMR	Navient
Great Lakes	FedLoan Svcg	NelNet
OSLA Servicing	VSAC Federal Loans	CornerStone
	HESC/ Edfinancial	

## Repayment



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Repayment

- Deferment and Forbearance options available
  - ✓ Parent can request to defer repayment while dependent student, or parent, is enrolled at an eligible school more than half-time
  - ✓ Parent can request to defer repayment for an additional six months from the date the dependent student ceases to be enrolled on at least a half-time basis



# Direct PLUS Loan Processing A to Z

## PLUS Loan – Repayment

- Repayment options are much like those for subsidized/unsubsidized loan borrowers
  - ✓ Standard
  - ✓ Graduated
  - ✓ Extended
    - Must have outstanding loan balance > \$30,000
  - ✓ Income **dependent** repayment plans are NOT available for parent PLUS loan
    - Income-contingent repayment plan available for Direct Consolidation Loan that includes an underlying Parent PLUS Loan

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