Because the Budget Control Act of 2011 (the sequester law) remains in effect, this announcement provides information regarding sequester-required changes to Direct Loan fees and sequester-required changes in the percentage reduction that institutions must apply to awards in the Iraq-Afghanistan Service Grant and TEACH Grant programs where the first disbursement is on or after **October 1, 2019**.

[https://ifap.ed.gov/eannouncements/053019FY20SequesterRequiredChangesTitleIVPrograms.html](https://ifap.ed.gov/eannouncements/053019FY20SequesterRequiredChangesTitleIVPrograms.html)

The following chart shows the sequester-required loan fees for FY 19 and FY 20.

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>First Disbursed</th>
<th>Loan Fee Percent</th>
<th>Fee Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Subsidized Loans and Direct Unsubsidized Loans</td>
<td>FY 19 On or after October 1, 2018 and before October 1, 2019</td>
<td>1.062</td>
<td>$58.41 on a $5,500 loan</td>
</tr>
<tr>
<td>FY 20 On or after October 1, 2019 and before October 1, 2020</td>
<td>1.059</td>
<td>$58.24 on a $5,500 loan</td>
<td></td>
</tr>
<tr>
<td>Direct PLUS Loans (Parent and Grad/Prof Student)</td>
<td>FY 19 On or after October 1, 2018 and before October 1, 2019</td>
<td>4.248</td>
<td>$424.80 on a $10,000 loan</td>
</tr>
<tr>
<td>FY 20 On or after October 1, 2019 and before October 1, 2020</td>
<td>4.236</td>
<td>$423.60 on a $10,000 loan</td>
<td></td>
</tr>
</tbody>
</table>

Loan fee calculations that result in more than two decimal places must be truncated (not rounded) to two digits after the decimal point (cents).

Consequently, any loans made with a first disbursement on or after 1 October 2019 will need to be made on item types that have been specifically updated for use with Sequestration Fees.

- You are most likely going to need both Fall/Spring, Fall 2019 Only and Spring 2020 Only item types/loan types.

6/27/2019
North Dakota University System  
Campus Solutions – Financial Aid  
Sequestration DL Origination Fee Change

- Do not change loan item types/loan types that have originated loans; you may need to adjust loans made on those item types.
- Do not change the 2019 Before Sequestration fees (BQO/BPO); you may need to adjust loans made using those fees.
- If you create new item types, be sure you set up all the screens indicated on the last page of this document. Don’t overlook Define Rules for Return and Right to Rescind.
- Consider using query NDU_FA_0259, Loan Types, to review changes.

To assist you with these changes, Even/Odd Year Before/After Sequestration Origination Fees have been setup.

<table>
<thead>
<tr>
<th>Loan Fee</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPE</td>
<td>Before Seq PLUS EY</td>
</tr>
<tr>
<td>BQE</td>
<td>Before Seq DL EY</td>
</tr>
<tr>
<td>APE</td>
<td>After Seq PLUS EY</td>
</tr>
<tr>
<td>AQE</td>
<td>After Seq DL EY</td>
</tr>
<tr>
<td>BPO</td>
<td>Before Seq PLUS OY</td>
</tr>
<tr>
<td>BQO</td>
<td>Before Seq DL OY</td>
</tr>
<tr>
<td>APO</td>
<td>After Seq PLUS OY</td>
</tr>
<tr>
<td>AQO</td>
<td>After Seq DL OY</td>
</tr>
</tbody>
</table>

Near the end of September, you may want to stop batch packaging.

A day or two before 1 October 2019, all undisbursed fall/spring loans will need to be cancelled and, as appropriate, re-awarded (after COD has accepted the changes) with an item type that has Sequestration fees associated with its loan type. See document “Re-awarding Loans” on the web at http://cts.ndus.edu/sits-departments/connectnd/campus-solutions/training-documentation/#c32686 for a way to cancel and re-award loans in batch.

As COD will reject a loan with the Sequestration Fees that has an anticipated disbursement date earlier than 1 October 2018, you will need to ensure the fall disbursement date is correct (i.e., on or after 1 October 2018). Consider that cancelling an undisbursed PLUS loan could cause the borrower to have another credit check conducted, although that is less likely now with the 180 day credit check.

Packaging plans will need to be updated with a 1 October 2019 effective dated row that has the new Sequestration Fee item types.

Details for setting up fall/spring (post 1 October 2019) loans.
If you anticipate making academic year awards after 1 October 2019, you’ll need academic year item types/loan types with the Sequestration disbursement plan and AQE (After Seq DL EY) Orig Fee.

If you anticipate making fall only awards after 1 October 2019, you’ll need fall only item types/loan types with the Sequestration disbursement plan and AQE (After Seq DL EY) Origination Fee.

All Spring and Summer Direct Loan Item Types and Loan Types using existing disbursement plans need to be modified to use AQO (After Seq DL EY) Origination Fee.

Set Up SACR > Product Related > Financial Aid > Awards > Loan Fee Setup

The first step is to update fees.

For each of the following, add a row with today’s date and enter the correct new Loan Fee Percent:

- AQE (After Seq DL EY) Origination Fee
- APE (After Seq PLUS EY)
Verify that the following have zeroes. If not, add a row with today's date and zero out the Loan Fee Percent:

- Rebate Fee Even (RFE)
- PLUS Rebate Fee Even (RPE)

The second step is to add disbursement plans/IDs.

Ensure you have Disbursement Plans to use the Sequestration dates; if not, create them.

You’ll need a fall/spring (Aid Year) plan to use with fall/spring loans disbursed on or after 1 October 2019.

You’ll also most likely need a fall only plan to use with any fall only loans to be disbursed on or after 1 October 2019.
On your fall/spring sequestration plan, set up a fall Disbursement Date that is on or after 1 October 2019.

On your fall only Sequestration plan, set up a fall Disbursement Date that is on or after 1 October 2018.

Designate a split code for each of your Disbursement Plans.

The fall/spring plan needs an even split.
The fall only plan needs a single disbursement.

Set Up SACR > Product Related > Financial Aid > Awards > Disbursement Split code Formula

Define the split percentages for your split code.

The fall/spring formula needs to be split 50/50.

The fall only plan needs to be at 100%.
You’ll need to update a post 1 October 2019 academic year item type/loan plan and a post 1 October 2018 fall only item type/loan type.

All your summer and spring only item types/loan types for 2019 will need to have a row added and the last tab updated to “after sequestration” loan fees.

**Set Up SACR > Product Related > Financial Aid > Awards > Fiscal Item Types**

The next step is to add/update item types.

You can use the Fiscal Item Types to help determine which Sub, Unsub, Parent PLUS and Grad PLUS item types have not been used. Query NDU_FA_0259 - Loan Types will also display Awarded to Date amounts.

**Set Up SACR > Product Related > Financial Aid > Awards > Financial Aid Item Types**

Once you have determined which item types you will use, for each one where you are updating an existing item type add a row with today’s date and modify the description as appropriate.

If you are creating a new item type, ensure the new SF item type has an effective date of 1 July 2019 or earlier.
Assign an appropriate default *Disbursement Plan* on Tab 5.

The fall only and fall/spring item types/loan types for use on or after 1 October 2019 need the Sequestration *Disbursement Plan*.

Spring only and Summer loans can continue to use the normal *Disbursement Plan*.

On Tab 6, you may see the new fee after the new row is added.

If you need to change the fee types, use the minus button to remove the *Origination Fee Odd* and *Rebate Fee Odd* rows, then add two rows and enter AQO (After Sequestration DL OY) and Rebate Fee Even.

A *Rebate Fee* is required, even though it is 0/blank

**Set Up SACR > Product Related > Financial Aid > Loans > Create Loan Types**

Update the *Loan Fee Rate* on this screen to the new value.

Ensure that the correct fees are being displayed at the bottom, under the *Loan Fees* heading.
Before you resume packaging in October, update all your active packaging plans to use the Sequestration Fee item types (Packaging Rules 1 tab).

You item type will probably differ from this one.

On the Packaging Rules 2 tab, be sure the default Disb Plan and Split Code are appropriate. If not, override them with the correct Disb Plan and Split Code.

Here are the screens that need to be set up for any new item types:

- Create Item Type in cooperation with Student Financials (Set Up SACR > Product Related > Student Financials > Item Types > Item Types). Needs to be effective dated on or before the beginning of the fiscal year.

- Create FA Item Type (Set Up SACR > Product Related > Financial Aid > Awards > Financial Aid Item Types).
  - Row 1 should have the same effective date as row 1 of the Item Type (above).

  Institution Report Codes:
  - FED: Any non TIV aid that should be reported on IPEDs/CDS as Federal
  - SSIG: Stage Grant
  - NDAS: North Dakota Academic Scholarships
  - NDCT: ND Career & Technical Education Scholarships
  - SCH: Institutional Scholarships

- Create Fiscal Item Type (Set Up SACR > Product Related > Financial Aid > Awards > Fiscal Item Types).

- Create Disbursement Rules for the Item Type (Set Up SACR > Product Related > Financial Aid > Disbursement > Define Item Type Rules).
• For Federal programs, consider adding to Return of Title IV Aid (Set Up SACR > Product Related > Financial Aid > Application Processing > Define Rules for Return).

• For loans, always create a Loan Type (Set Up SACR > Product Related > Financial Aid > Loans > Create Loan Types).

• For federal loans, consider adding to Right to Rescind setup (NDU Applications > NDU Financial Aid > Setup > NDU Right to Rescind Setup).