

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

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SUBJECT: Guidance on COD Processing of Pell Grant Restoration for Eligible Loan Discharges

As noted in [Dear Colleague Letter GEN-22-15](#), the *FAFSA Simplification Act* included provisions to restore Federal Pell Grant (Pell Grant) eligibility for students who received an eligible loan discharge.

In this announcement, we provide information about the changes to be made to the Common Origination and Disbursement (COD) System related to restoration of Pell Grant eligibility specifically for students who received an eligible loan discharge. We will implement these changes in the COD System on July 30, 2023.

COD System – Pell Grant LEU Restoration for Discharge Adjustments

Once the COD System changes are in place, we will begin to identify students who received an eligible loan discharge (e.g., borrower defense, false certification, identity theft, etc.). We will restore each identified student's Pell Grant eligibility by adjusting the student's Pell Grant Lifetime Eligibility Used (LEU) attributable to the Pell Grant award received for attendance at a school where the student also received a loan discharge. **Important:** Pell Grant LEU Restoration for Discharge adjustments will be processed in batches after Federal Student Aid verifies a student received an eligible loan discharge and has a Pell Grant award at the same school for the same award year.

Note: For auditing purposes, the Pell Grant adjustments will not be made to the Total Eligibility Used (TEU) percentages shown on the COD website, but only to the LEU. However, if because of an adjustment, the student is eligible for additional funds for an award year (2023–24 and forward), the COD System will allow the TEU to exceed 100.0000%. In such instances, a school would need to follow the procedure described below in the COD website's Pell LEU History Page Information section of this document.

School Notifications

When Pell Grant LEU Restoration for Discharge adjustments are made, schools will receive information about the adjustments in several ways:

- **Email Notification** – We will send an email alerting schools that a Pell Restoration list is available on the COD website's File Share Communications page. The list format currently in place for Pell Closed School discharge adjustments will not change; it will just now include Pell Restoration for Discharge adjustments. In short, the list will show all students who had their Pell Grant LEU adjusted (regardless of reason) and are associated with the school if, generally
 - the student received any *Title IV* aid at the school during one or more of the five most recent award years, or
 - the school's Federal School Code was included on the student's highest ISIR transaction for the most recent of the last three *Free Application for Federal Student Aid* (FAFSA[®]) processing years for which the student submitted a FAFSA.
- **COD Website's Pell LEU History Page Information** – Schools will be able to view Pell Grant LEU Restoration for Discharge adjustments on the COD website's LEU History Page. Pell Grant LEU adjustments made due to an eligible loan discharge will be noted as "Restoration for Discharge" in the Adjustment Type field.

Note: While the LEU is not award specific, the LEU adjustments are attributed to an individual award year. As noted above, Pell Grant Restoration for Discharge adjustments will not be reflected in the TEU percentage for an award year, so an adjusted TEU for the current year will need to be calculated by the school. The adjusted TEU is calculated by subtracting the Eligibility Used (EU) percentage(s) at the school(s) where the student received a Restoration for Discharge adjustment from the student's Pell Grant TEU, as displayed on the Person Pell Information screen.

For example, a student has a 2023–24 TEU of 100.0000% based on disbursements at three schools, as follows:

- 25.1997% EU at School A, disbursed in May 2023 for a cross-over summer term

- 33.3333% EU at School B, disbursed in September 2023 for the fall term
- The student transfers to your school in January 2024, where you disburse the remaining 41.4670% EU (for 2023–24).
- The loan the student received at School A is discharged, and a Restoration for Discharge adjustment is applied.

The student's adjusted 2023–24 TEU is 74.8003% (100.0000 minus the 25.1997 that was attributable to the school where student received a Restoration for Discharge adjustment). Thus, the student would have 25.1997% eligibility remaining for the 2023–24 award year.

Submitting new 2023–24 disbursements for this student, in what will appear to be more than the 100.0000% TEU, but within the additional 25.1997% eligibility, will not hit Potential Overaward Process (POP) edits, and will be accepted by the COD System, providing the submission meets all other Pell Grant processing edits.

- **Search Functionality** – Schools can search for a specific student's Pell Grant LEU Adjustment under the Escalation Type Search screen on the COD website by entering the student's SSN and Date of Birth.
- **Pell Closed School Restoration Web Changes** – The Pell Restoration menu under the “School” tab of the COD website will be renamed Pell LEU Closed Restoration to differentiate these pages from the Pell Restoration for Discharge web pages. The title of each page under the Closed School Restoration menu will also be updated to reflect that it pertains to Pell Closed School Restoration rather than Pell Restoration for Discharge.
- **COD Warning Edit 229 (Pell LEU Restoration Due to discharge of an eligible loan)** – We will return COD Warning Edit 229 when a student has received a Pell Grant LEU Restoration for Discharge adjustment. COD Warning Edit 229 will be returned at the “Student” level <SSN> during origination or maintenance for any **award type** for a student who meets all the following criteria:
 - Has a Pell LEU Restoration for Discharge adjustment of greater than 0,
 - Has an existing Pell Grant award for an active award year on the COD System **or** a Pell Grant award is being submitted for the student, and
 - Is not a graduate student (does not have an existing Direct Loan with a Grade Level of 6 or 7 on the COD System **or** a Direct Loan with a Grade Level of 6 or 7 is not being submitted for the student).
- **NSLDS Postscreening/Institutional Student Information Records (ISIRs)** – The COD System will send NSLDS the adjusted LEU for all students who have had a Pell Grant LEU Restoration for Discharge adjustment. NSLDS postscreening will be triggered if the new Pell Grant LEU meets certain conditions that impact the student's Pell Grant eligibility (for example, a Pell Grant LEU of more than 500% changes to a Pell Grant LEU of 500% or less). In such instances, an updated ISIR and Student Aid Reports (SAR) will be generated. For more information on postscreening when the Pell Grant LEU changes, refer to the 2023-24 ISIR Guide.

Student Notifications

We will send an email to each student who received a Pell Grant LEU Restoration for Discharge adjustment **and**

- Who is not receiving aid as a graduate student,
- Has a Pell Grant LEU, after the Restoration for Discharge adjustment, of less than 600.000%,
- Has either additional Pell Grant eligibility restored for the 2023–24 award year or forward or had a Pell Grant LEU before the Discharge adjustment of between 500.000% and 600.000%.

The text of this email notice is below.

Pell Grant Eligibility Restoration Email Text to Students



Dear [First Name],

We are writing to inform you that the U.S. Department of Education (ED) has restored a portion of your Federal Pell Grant lifetime eligibility.

The amount of Pell Grant funds you can receive over your lifetime is limited by federal law to be the equivalent of six years of Pell Grant funding. However, ED has excluded a portion of Pell Grant eligibility used from your lifetime limit calculation due to the discharge of your federal student loan(s) under the Borrower Defense Act.

This restoration of your Pell Grant eligibility may allow you to receive additional Pell Grant funds for the current school year and future school years if you are enrolled in an eligible undergraduate program, haven't previously earned a bachelor's degree, and meet other applicable eligibility criteria.

If you meet these conditions, take this letter to your school's financial aid office so they can help you determine if you qualify for any additional Pell Grant funds.

Sincerely,

U.S. Department of Education
Federal Student Aid

Contact Information

If you have questions about this announcement, contact the FSA Partner and School Relations Center at 1-800-848-0978. You may also email CODSupport@ed.gov.