



# Principles of Direct Loans

Georgia Association of Student Financial Aid Administrators

Duluth, GA

May 17, 2011





# DL Principles: Agenda

- Systems Overview
- Processing Cycle
- Originating Loans
  - PLUS loans
- Master Promissory Notes
- Entrance Counseling
- Disbursement
- Exit Counseling
- Reconciliation





# Direct Loan System

## ➤ Systems involved

### ❖ COD

- ✓ Common record

### ❖ School's Financial Aid system

### ❖ SAIG

- ✓ TG Mailbox – D/L Data Services and D/L Servicing Delinquency Report

### ❖ G5

- ✓ Funding – Cash Draws

- ✓ Return funds





# Direct Loan Processing Cycle

**Originate**



MPN

Ent Cslg

**Disburse**

**Reconciliation**

Exit Cslg





# Origination

- Origination is the Direct Loan equivalent of FFEL certification
- Similar to originating Grants in COD
  - Confirm eligibility
  - Determine award/loan amount
  - Loan Origination Record sent to COD





# Origination

## ➤ Direct Loan Origination

- ❖ Data is sent in “blocks” of information
  - ✓ Contains person data + DL Award + anticipated disbursement dates and amounts
- ❖ Data accepted or rejected
  - ✓ Hard reject
  - ✓ Warning edit





# Origination

## ➤ Direct Loan Origination

### ❖ School transmits Loan Origination Record (LOR) to COD

- ✓ Loan ID xxxxxxxxxS11Gxxxx001
- ✓ Financial award number 001
- ✓ Via “Common Record” or “Document”
- ✓ Document must be formatted in appropriate schema

### ❖ COD sends a receipt

- ✓ Customer Service Representative (CSR) will email/call for malformed document





# Origination

## ➤ Direct Loan Origination

- ❖ Can be done via batch (Common Record)
  - ❖ COD sends a common record response to each submitted document
- ❖ Online individually
  - ✓ All data entered field by field
  - ✓ Creates loan ID
  - ✓ Web generated response option





- PLUS loan requires credit check
  - ❖ Credit decision “stands” for 90 days
    - ✓ Approval linked to submitted loan
  - ❖ DL credit check looks for adverse credit NOT credit worthiness - Absence of credit is not evidence of adverse credit
  - ❖ Borrower choice of follow-up
    - ✓ Endorser
    - ✓ Appeal
    - ✓ Pass on PLUS loan



## ➤ PLUS credit check

### ❖ StudentLoans.gov

- ✓ Self service
- ✓ PLUS loan request includes instant credit check
- ✓ eMPN for PLUS borrower
- ✓ Options for PLUS borrower
  - Credit balance
  - Amount or up to COA
  - Appeal - Endorser - Pass - Don't Know





## ➤ PLUS credit check

### ❖ School process

- ✓ Written authorization required
- ✓ Online via COD website
  - Instant response
- ✓ Loan Origination Record (LOR)
  - ✓ Result returned on CR response
  - ✓ Loan can be accepted and built but credit reject...edit code #036



# PLUS Loans



The screenshot shows the StudentLoans.gov website. At the top left is the U.S. Department of Education logo with the slogan "START HERE GO FURTHER FEDERAL STUDENT AID". The top right features the "StudentLoans.gov" logo. A navigation bar includes links for Home, Learn More, Tools and Resources, Managing Repayment, FAQs, and Contact Us. The main content area is divided into several sections:

- Manage My Direct Loan:** Contains a "Sign In" button and a list of options: View My Loan Documents, Entrance Counseling, Sign Master Promissory Note, **Complete PLUS Request Process** (highlighted with a red box), and Endorse PLUS Loan. A note below states: "Please visit the PIN site if you are a new user or have forgotten your PIN."
- StudentLoans.gov banner:** Features a photo of four diverse students and text: "This site is your source for information from the U.S. Department of Education about how to manage your student loans."
- Learn More:** Lists links such as "Find Information about Student Aid Programs", "Direct Loan Overview", "What you Need for Direct Loans", "What to Expect for Direct Loans", and "Asesoramiento de Ingreso".
- Tools and Resources:** Lists links like "Apply for PIN", "FAFSA", "Exit Counseling", "Direct Loan Consolidation", and "My Financial Aid History".
- Managing Repayment:** Lists links including "Repaying Your Loans", "Repayment Plans & Calculators" (with a sub-link for "Income Based Repayment Plan"), "Trouble Making Payments?", "Loan Discharge", "Public Service Loan Forgiveness", and "Teacher Loan Forgiveness".





# PLUS Loans

U.S. DEPARTMENT OF EDUCATION  
COMMON ORIGATION & DISBURSEMENT

Person
School
Batch
Award
Services
User

- ▶ **Person Search**
- ▶ **Counseling Search**
- ▶ **MPN/ATS Search**
- ▼ PLUS App Search
- ▶ **Credit Check**
- ▶ **Post Data Archive**
- ▶ **Applicant Search**
- ▶ **Servicer**

## PLUS Application Search

? **HELP**

Use this screen to search for the existing PLUS applications.

**PLUS Application ID**

To search for the PLUS applications, enter the SSN and Last Name and/or First Name.

**Borrower (Parents or Graduate/Professional Students)**

SSN  Last Name  First Name

To search for the PLUS applications, enter the SSN and Last Name and/or First Name.

**Student (Parent PLUS)**

SSN  Last Name  First Name

SEARCH

May 06 2010 14:07 EDT
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# Master Promissory Notes

## ➤ eMPN

- ❖ Borrower driven
- ❖ Fast and accurate
- ❖ Viewable/retrievable/printable
- ❖ Instant data to COD from StudentLoans.gov





# Master Promissory Notes

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- Manage My Direct Loan:** Includes a "Sign In" button, a "View My Loan Documents" link, a "Sign Master Promissory Note" link (highlighted with a red box), "Complete PLUS Request Process", and "Endorse PLUS Loan". A note at the bottom of this section says, "Please visit the PIN site if you are a new user or have forgotten your PIN."
- Tools and Resources:** Lists "Apply for PIN", "FAFSA", "Exit Counseling", "Direct Loan Consolidation", and "My Financial Aid History".
- Managing Repayment:** Lists "Repaying Your Loans", "Repayment Plans & Calculators" (with a sub-link for "Income Based Repayment Plan"), "Trouble Making Payments?", "Loan Discharge", "Public Service Loan Forgiveness", and "Teacher Loan Forgiveness".

A central banner features a photo of four diverse students sitting outdoors and the text: "StudentLoans.gov This site is your source for information from the U.S. Department of Education about how to manage your student loans."





# Master Promissory Notes

- All MPNs have a 10-year “life”
  - ❖ Paper and electronic
  - ❖ Status/Expiration returned on response file
  - ❖ Actual disbursement within 12 months of receipt at COD extends expiration date





# Master Promissory Notes

- Multi-year functionality
  - ❖ Can link to any “active” MPN
- Single-year functionality
  - ❖ New MPN each academic year
- Single loan MPN
  - ❖ Endorsed PLUS loan
  - ❖ MPN status “Inactive” when endorser linked to loan





# Master Promissory Notes

## ➤ Paper MPN

### ❖ COD can print

- ✓ Send to borrower
- ✓ Send to school

### ❖ School can print

- ✓ Must mail to processing center
- ✓ Must print manifest
- ✓ Responsible for note





# Master Promissory Notes

- COD will link incoming LOR to MPN with latest expiration date
- Loan links to MPN on SSN, DOB and first two characters of first name
  - SYF school must match Direct Loan School Code and academic dates





# Master Promissory Notes

- Multiple MPNs on the COD database not an issue
- COD will reject actual disbursement without accepted/linked MPN
  - ❖ Reject edit 081
  - ❖ MPN ID
    - ✓ xxxxxxxxxxxM11Gxxxxx001
    - ✓ xxxxxxxxxxxN11Gxxxxx001





# Master Promissory Notes

- MPN status/link and expiration date returned on LOR response
  - ✓ “A” accepted
  - ✓ “R” rejected or no MPN on file
  - ✓ “I” inactive
  - ✓ “P” pending note...no LOR on file





# Search for Promissory Notes



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**COMMON ORIGATION & DISBURSEMENT**



Person

School

Batch

Award

Services

User

▶ Person Search

▶ Counseling Search

▼ MPN/ATS Search

▶ PLUS App Search

▶ Credit Check

▶ Applicant Search

▶ Servicer

## Promissory Note / Agreement to Serve Search

[?HELP](#)

Use this screen to search for the Direct Loan Promissory Note.

Search For:

SSN

MPN ID

Date Range search returns all linked and unlinked Direct Loan Promissory Note for a specified school and date range.

Note: All MPN date range searches will reflect status as of the previous business day.

### Date Range

Entity ID

Begin Date

End Date

**SEARCH**





# Entrance Counseling

Studentloans.gov

The screenshot shows the StudentLoans.gov website. At the top left is the Federal Student Aid logo with the text "START HERE GO FURTHER FEDERAL STUDENT AID". To the right is the "StudentLoans.gov" logo. Below these is a navigation bar with links: Home, Learn More, Tools and Resources, Managing Repayment, FAQs, and Contact Us. The main content area is divided into several sections. On the left, under "Manage My Direct Loan", there is a "Sign In" button and a list of links: "View My Loan Documents", "Entrance Counseling" (highlighted with a red box), "Sign Master Promissory Note", "Complete PLUS Request Process", and "Endorse PLUS Loan". Below this list is a note: "Please visit the PIN site if you are a new user or have forgotten your PIN." To the right of this list is a large image of four diverse students sitting outdoors, with the text "StudentLoans.gov" and a description: "This site is your source for information from the U.S. Department of Education about how to manage your student loans." Below the image are three columns of links. The first column, "Learn More", includes: "Find Information about Student Aid Programs", "Direct Loan Overview", "What you Need for Direct Loans", "What to Expect for Direct Loans", and "Asesoramiento de Ingreso". The second column, "Tools and Resources", includes: "Apply for PIN", "FAFSA", "Exit Counseling", "Direct Loan Consolidation", and "My Financial Aid History". The third column, "Managing Repayment", includes: "Repaying Your Loans", "Repayment Plans & Calculators" (with a sub-link "Income Based Repayment Plan"), "Trouble Making Payments?", "Loan Discharge", "Public Service Loan Forgiveness", and "Teacher Loan Forgiveness".





# Entrance Counseling

- Entrance counseling required for first-year, first-time borrower
  - ❖ FFELP counseling will stand for D/L\*
  - ❖ Doesn't have to be ED website/materials
  - ❖ MUST appropriate to loan type/program
  - ❖ SCHOOL determines if counseling is valid or not

\* Same loan type





# Entrance Counseling



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COMMON ORIGATION & DISBURSEMENT



Person School Batch Award Services User

- Person Search
- Counseling Search
- MPN/ATS Search
- PLUS App Search
- Credit Check
- Applicant Search
- Servicer

## Counseling Search

HELP

You can enter up to 10 SSNs to search from. One SSN per line.

SSN

Date Range search returns all counselings for a specific school.

Date Range

Entity ID: <None Selected>

Begin Date: December 29 2010

End Date: December 29 2010

Award Year: '10-'11

Counseling Type: Direct Loan Entrance Counseling

SEARCH

Dec 29 2010 11:35 EST Home | Privacy Act | Links | Contact Us | Today's Update | Help | Glossary | Log Off



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Person School Batch Award Services User

- Person Search
- Counseling Search
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- Credit Check
- Applicant Search

## Counseling Search Results

HELP

Records 1 to 1 of 1

SSN	Name	DOB	School ID	Award Year	Counseling Type	Counseling Seq ID	Date Completed	Origination on File	ATS Note Completed	View HTML
001				2010		001	03/10/2010	N/A	N/A	

Export Results to .csv Format

Export Results to .csv Format

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START HERE  
GO FURTHER  
FEDERAL STUDENT AID



# Entrance Counseling

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Per **John David** User  
XXXXX1234  
01/01/1900

**Person Search**

**Person Info**

- Detail
- All Awards
- Direct Loan
- Promissory Notes
- Credit Check
- Events
- Correspondence
- Memo
- Additional Eligibility
- Borrower-Servicer Relationship

**Counseling Search**

**MPN/ATS Search**

**S App Search**

**Credit Check**

**Post Data Archive**

**App**

**Servicer**

### View Person Information ? HELP

12 Happy Lane  
Mountain Home, GA 30000  
[sendtome@gmail.com](mailto:sendtome@gmail.com)  
(202) 821-3953

<b>Address</b>		
<b>Email</b>		<b>Citizenship</b> US Citizen
<b>Telephone</b>		<b>Previous SSN</b>

<b>School Assigned ID</b>	068710
<b>Post 9/11 Deceased Veteran Dependent</b>	No
<b>Direct Loan Entrance Counseling</b>	Not on File
<b>Direct Loan Entrance Counseling with Grad PLUS</b>	Complete

Action Code  Result Code  SUBMIT

Jul 29 2010 09:45 EDT

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# Direct Loan Processing Cycle

**Originate**



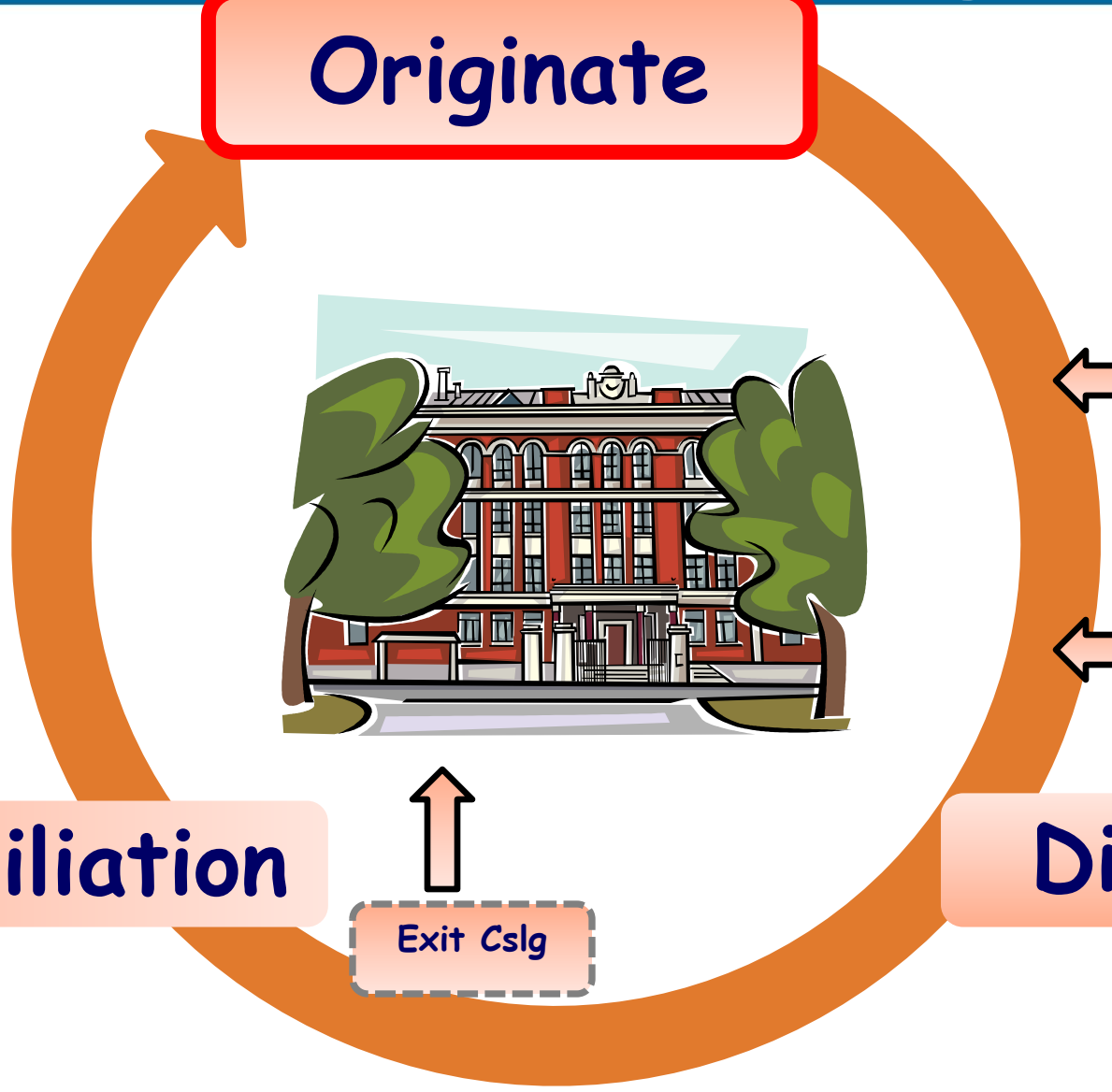
MPN

Ent Cslg

**Disburse**

**Reconciliation**

Exit Cslg





# Disbursement

- Pending vs. Actual Disbursement
  - ❖ Pending disbursement and date is “anticipated” future disbursement and date
    - ✓ Part of LOR
    - ✓ No impact on funding
    - ✓ Disbursement Release Indicator = FALSE
  - ❖ No need to change until ready to disburse



# Disbursement

- Pending vs. Actual Disbursement
  - ❖ Actual disbursement drives funding
    - ✓ Origination fee and upfront instant rebate assessed on actual disbursement
    - ✓ Disbursement release indicator = TRUE
    - ✓ Report to COD via CR





# Disbursement Reporting

- Actual disbursement date and amount
  - Report as early as 7 days before the actual date of disbursement
  - Report within 30 days of crediting the student's account
- Interest begins to accrue on actual disbursement date reported by school





# Disbursement

- Report ACTUAL DATE OF DISBURSEMENT AND AMOUNT
  - ❖ Change if necessary
    - ✓ Borrower request
    - ✓ Withdrawal
    - ✓ No-show
    - ✓ Mistake
      - Date
      - Amount





# Disbursement

- “Booked” Loan
  - ❖ Accepted Origination record, MPN and 1<sup>st</sup> Disbursement
  - ❖ Binding obligation between borrower and ED
  - ❖ BN document type under batch search
    - ✓ System generated file on first actual disbursement only
  - ❖ Liability for funds with ED



# Disbursement

- Advanced Funded Schools
  - ❖ Current Funding Level (CFL)
    - ✓ Corresponding available balance in G5
  - ❖ Calculate immediate need
  - ❖ Draw funds from G5
    - ✓ Award ID P268K11xxxx
    - ✓ Net amount
    - ✓ NOT student specific
  - ❖ Flexibility to avoid excess cash



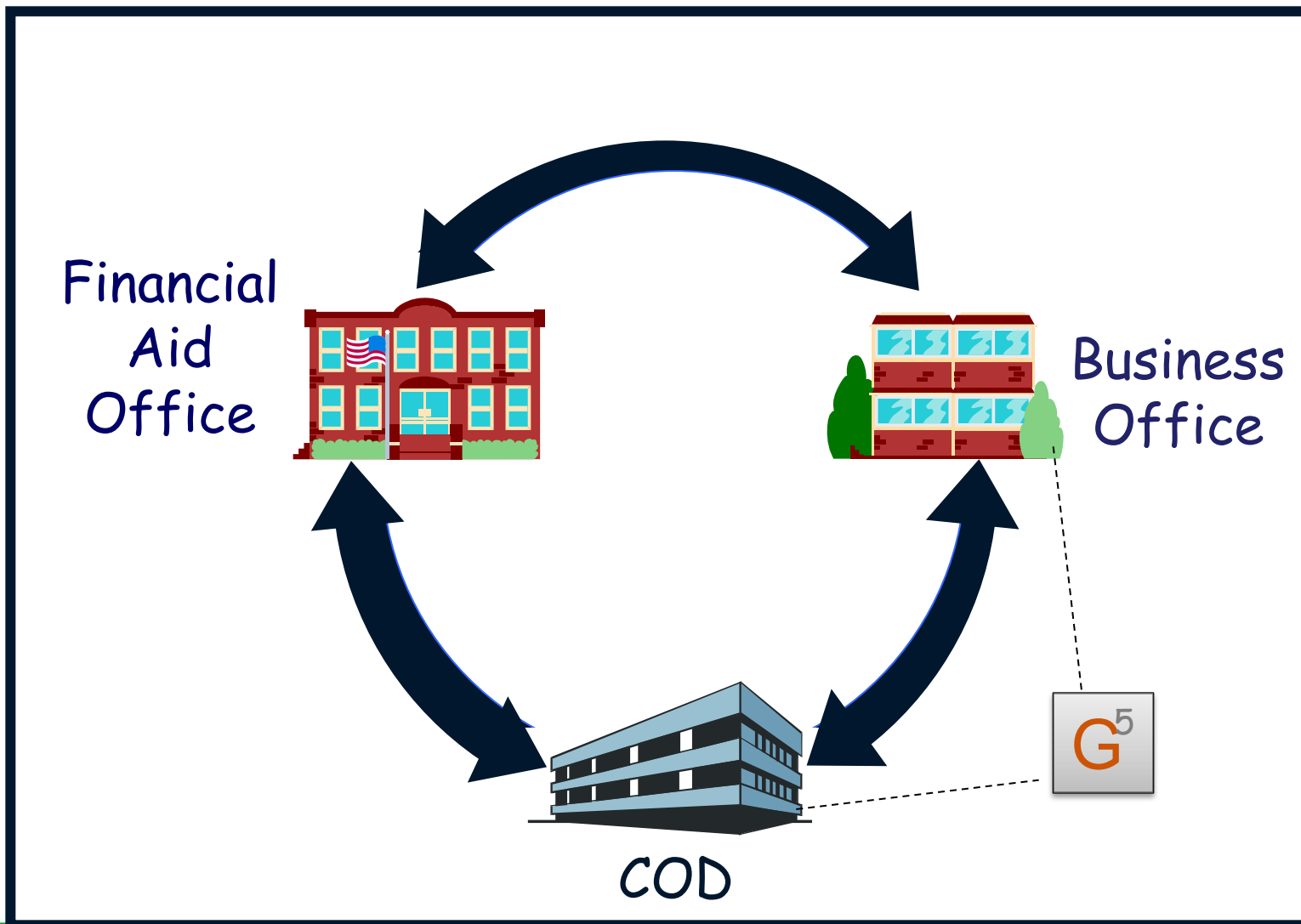
# Direct Loan Reconciliation

- The process by which the Direct Loan Cash Balance recorded on the Department of Education system is reviewed and compared with a school's internal records on a monthly basis
  - ❖ Identify and resolve discrepancies
  - ❖ Document reasons for their Ending Cash Balance





# Reconciliation





# Tools and Resources

- School Account Statement
- COD Web site
- DL Tools
- Student Files
- Financial Aid Office Reports
- Business Office Reports





# Tools and Resources

- COD School Relations Center
  - ❖ Weekly monitoring e-mails
    - ✓ Unsubstantiated cash
    - ✓ 30-day reporting monitoring
  - ❖ COD Reconciliation Team
    - ✓ Dedicated reconciliation specialists
    - ✓ Problem solving
    - ✓ G5 assistance



# School Account Statement

- Generated on 1<sup>st</sup> weekend of the month
  - ❖ Contains data through end of previous month
  - ❖ Separate School Account Statement for each open award year
  - ❖ Different report format options





# Program Year Closeout (PYCO)\*

- The process by which schools complete final processing at the end of a Direct Loan program year
  - ❖ \$0 Ending Cash Balance
  - ❖ \$0 Unsubstantiated cash
  - ❖ \$0 Unbooked disbursements
- \* PYCO date July 31<sup>st</sup> of the year following end of the award year






# Program Year Closeout


- July 31 of the year following the award year
  - ❖ COD website-balance confirmation screen
  - ❖ No unsubstantiated cash
  - ❖ No unbooked disbursements
  - ❖ No reporting of disbursements, no draws of cash, no reports
  - ❖ Reopening the year if necessary



# Balance Confirmation



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Person
School
Batch
Award
Services
User

**School Balance Confirmation** ? HELP

Program 
Award Year

The main purpose of this screen is to allow you to submit your confirmation and to enter the School Ending Cash Balance and the End Date of the School Balance.

UNIVERSITY OF

Current Program Year Close Data	
Today's Date	04/12/2010
Net Drawdowns/Payments	\$114,312,722.00
Total Net Booked Disbursements	\$114,317,368.00
Current Ending Cash Balance	(\$4,646.00)
Total Net Unbooked Disbursements	\$0.00
Latest Award End Date	09/09/2009

Days past the Latest Reported Award End Date: 215

Balance Confirmation Form	
Date	
School Name	
Name of School Official	
Telephone Number	
E-Mail Address	
Last SAS Ending Cash Balance	(\$4,646.00)
Last SAS Date	03/31/2010
School Ending Cash Balance	<input type="text"/>
End Date of School Balance	<input type="text"/> <input type="text"/> <input type="text"/>

I am certifying that my school's internal cash balance is \$0 for the Award Year referenced above. This is in agreement with the Department's official ending cash balance reflected in my school's most recent SAS report. My school has no outstanding issues for this program year. I understand that by submitting this request I authorize the Department of Education to take the following actions for the Award Year listed above:





# What To Watch For

- Work rejected data and submit corrections immediately
- Report accurately and timely
- Reconcile each and every month
- Close your Program Year as soon as possible – **DON'T WAIT UNTIL NEXT YEAR!**





# Exit Counseling

- Exit counseling required when no longer attending or drop below half- time
  - ❖ Doesn't have to be ED website/materials
  - ❖ MUST be appropriate to loan type/program
  - ❖ SCHOOL determines if counseling is valid or not
  - ❖ NSLDS NewsLetter #26





# Exit Counseling



START HERE  
GO FURTHER  
FEDERAL STUDENT AID

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[Hurricane Assistance](#)



## NSLDS STUDENT ACCESS

National Student Loan Data System

### Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

[Financial Aid Review](#)

[Exit Counseling](#)

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# DL Servicing

- Contracted 4 additional Servicers for incoming volume
  - ❖ ACS (Current Servicer)
  - ❖ Nelnet
  - ❖ Sallie Mae
  - ❖ Great Lakes Education Loan Services
  - ❖ FedLoan Servicing (PHEAA)
- COD generated D/Ls distributed at booking





- **Default/Delinquency Management**
  - ❖ Default management results published
  - ❖ Servicers will partner with financial literacy advocacy groups to educate borrowers and assist schools
  - ❖ Each servicer is encouraged to continually improve and compete among one another to deliver the best results for borrowers, schools, and FSA



# Direct Loan

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U.S. Department of Education

Federal Student Aid

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# Direct Loan

