

March 2007

DLB-07-04

Subject: Minimizing Unbooked Loan Balances

Dear Partner:

At this time, we want to remind you of the regulatory requirement that a loan origination record (award), an actual disbursement record, and a signed Master Promissory Note (MPN) must be submitted to the Department of Education (the Department) within 30 days of the date of a Direct Loan's initial actual disbursement. Any additional disbursements or adjustments must be submitted within 30 days of the actual disbursement or adjustment date. These regulations are set forth in 34 CFR 685.301(d).

The practical impact of the 30-day reporting requirement is that a Direct Loan is "booked" upon the Department's receipt and acceptance of a loan origination record (award), an actual disbursement record, and a signed MPN. When a loan books, the liability for the loan transfers from the school and establishes the Department's ability to collect on the loan. In addition, the Direct Loan Servicing Center begins communicating with the borrower of the loan.

It is critical that we notify a borrower as expeditiously as possible of his or her loan obligation and of interest accrual on the loan. We expect schools to comply with the 30-day reporting requirement so that we can do so. To date, we have reported unbooked loan status to schools on a regular basis. During the next year, we will enhance our outreach to schools that have unbooked loan balances and will implement additional measures to reduce the number of unbooked loans and improve compliance with the 30-day reporting requirement.

We will share the details of our efforts to reduce the number of unbooked loans and improve 30-day reporting compliance through forthcoming communications. At this time, we provide the following suggestions to assist schools in avoiding unbooked loan situations:

1. **Timely Reporting** – Always report disbursements to the Common Origination and Disbursement (COD) System as soon as possible (no later than 30 days after the actual disbursement date). Ensure that any rejected disbursements are resolved within this timeframe as well.
2. **MPN Processing** – Have students complete MPNs electronically when possible. While schools cannot require students to complete MPNs electronically, processing MPNs in this manner is faster, reduces errors, and eliminates the problems associated with the loss of paper MPNs. A school may enroll as an eMPN participating school by contacting the COD School Relations Center (more information is also available on the [Direct Loan Electronic MPN Web site](#)).
3. **School Procedures** – Set up school procedures so that disbursements are either not made or are held on your system until an MPN is accepted in the COD System and linked to the associated award. This slight delay will help ensure that all of a borrower's data is processed and accepted in the COD System, will make disbursement processing easier, and will greatly reduce the number of unbooked disbursements.

- A systematic way to aid schools in this process is to change the option flag on the COD System. Schools may request that a flag be set in the COD System to require that an MPN be accepted and on file before an actual disbursement is accepted. Schools may request this option by contacting their customer service representative at the COD School Relations Center.
4. **Multi-Year vs. Single-Year Option** – Change the school’s option to allow for multi-year use of the MPN. Multi-year use of the MPN allows schools to use one MPN to award multiple loans to a borrower for up to 10 years. Using the MPN as a multi-year promissory note may help reduce the number of unbooked loans because schools can use an existing MPN for new awards rather than processing a new MPN every year. Schools that use the multi-year functionality must have an active or passive confirmation process in place for students to accept subsequent awards, and, as a result, still have the opportunity to counsel their borrowers about the new loans. This multi-year use functionality is open to all schools in the Direct Loan Program (see [DLB-03-02](#)) and can be changed at any time by contacting the COD School Relations Center.
 5. **Error Resolution** – Resolve rejected records in a timely manner. Following up on errors as soon as possible after they are found may prevent them from becoming a more serious problem later.
 6. **Reporting Tools** – Use available school reports. These reports can help identify missing information and unbooked loans quickly or can warn you when an MPN that is on file is no longer valid or will expire shortly.
 - *School Account Statement (SAS), unbooked loan section* – This report contains cumulative unbooked loan and disbursement information for your school. The loan detail section of the report will show all unbooked loan amounts that do not currently have an MPN on file in the COD System.
 - *30-Day Warning Report* – This report provides information on which item is needed to book the loan on the COD System. Unlike the SAS, it will show loans that are missing MPNs and/or disbursement records, as well as unlinked MPNs.
 - *MPN Reports* – These reports include the MPN Discharge Report, Expired MPN Report, and MPNs About to Expire Report, and provide information regarding the status of existing MPNs accepted on the COD System that are associated with your school.

More information regarding these reports and how schools can use the information contained in the reports is available in the [COD Technical Reference, Volume VI, Section 8](#).

7. **Web Site Tools** – Use the [COD Web site](#). It provides up-to-date information for research and issue resolution.

We hope these suggestions help to improve processing at your school and assist you in minimizing your school’s unbooked loan balance. If you have additional questions about unbooked loans or about the information contained in this bulletin, please contact the COD School Relations Center at 800/848-0978 or by e-mail at CODSupport@acs-inc.com. Thank you for your ongoing partnership in the Direct Loan Program.

Sincerely,

Bill Leith
General Manager, Program Operations Channel