

**Office of Student Financial Aid
School and Third-party Servicer Y2K
Contingency Plans**

Due to a Y2K systems failure at a school or third-party servicer:	Impact of the failure:	Contingency plan:	Regulatory consequences:*
1. The school or third-party servicer cannot create Pell Grant origination or disbursement records or cannot transmit those records to RFMS for processing.	RFMS will not have the data necessary to increase the school's Pell Grant authorization level. As a result, the school may not have access to the funds it needs to make timely disbursements to eligible students.	<p>To mitigate the impact of this failure, ED will increase the Pell Grant authorization levels for all schools in December 1999 based on each school's historical funding needs for the month of January. A school or servicer may request funds under that authorization and disburse those funds as it normally would.</p> <p>If the school needs additional Pell Grant funds before or shortly after its systems are repaired, it must contact Pell Grant Customer Service at 1-800-4PGRANT (1-800-474-7268).</p>	<p>Depending on the nature or extent of the failure, the school or servicer may not be able to comply with the 30-day reporting requirements under 34 CFR 690.83.</p> <p>ED will not enforce the 30-day reporting requirements until March 1, 2000, or the date the school or servicer repairs its systems, whichever date occurs first.</p> <p>In the event that a school does not complete repairs if its system by March 1, 2000, it must contact the appropriate Case Team. If a servicer cannot comply with the 30-day reporting requirements, it must immediately contact the appropriate Case Team.</p>

* For audit and program review findings, ED will not assess a liability or impose a fine for violations of program requirements that occur solely because of a Y2K failure as long as the school or servicer:

1. Follows the guidance and procedures contained in this letter and detailed in the contingency plan charts, and ensures that all corrected amounts of federal student aid funds associated with a Y2K system failure have been properly paid or returned to the appropriate party;
2. Informs the auditor or reviewer of the Y2K system failure before the audit or review is conducted; and
3. In response to the audit or review finding, prepares a letter signed by the President or CEO that describes the system failure, identifies the date the system failed and the date it was repaired, and notes briefly the actions previously taken to make that system Y2K compliant. The school or servicer must submit this letter along with its audit or provide it to the reviewer at the time of the review.

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<p>2. A school or servicer cannot create Direct Loan origination records or transmit those records to the DLOC.</p>	<p>DLOC will not have the data necessary to request funds for Standard and Option 1 schools. As a result, these schools may not have the funds they need to make timely loan disbursements to eligible students and parents.</p>	<p>A Standard or Option 1 school should submit a request for funds via fax to Direct Loan Operations at 1-202-205-2508 for an amount the school or servicer determines is sufficient to meet its immediate disbursement needs. DL Operations will then initiate a draw of funds on behalf of the school.</p>	<p>Depending on the nature or extent of the failure, the school or servicer may not be able to comply with the 30-day reporting requirements under 34 CFR 685.102(b) and 685.301(d).</p> <p>ED will not enforce the 30-day reporting requirements during a school failure period or for an additional 30 days, whichever date occurs first.</p> <p>In the event that a school does not complete repairs if its system by the end of this 30-day period, it must contact the appropriate Case Team. If a servicer cannot comply with the 30-day reporting requirements, it must immediately contact the appropriate Case Team.</p>
<p>3. The school or servicer cannot receive or process ISIR data.</p>	<p>The school may not be able to determine whether its students are eligible for aid or the amount of aid students should receive.</p>	<p>ED encourages schools to consider making arrangements with a servicer or another school to help ensure that financial aid processing continues during a Y2K failure. For example, a school may make arrangements with another school for it to receive ISIRs or package financial aid on its behalf.</p>	<p>During the period of the Y2K failure, ED will not consider a school that receives or processes ISIR data on behalf of schools that experience Y2K failures to be third-party servicers as normally defined under 34 CFR 668.2. Consequently, that school will not have to submit a compliance audit covering those activities as it would otherwise be required to do under 34 CFR 668.23(c).</p>

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1. Follows the guidance and procedures contained in this letter and detailed in the contingency plan charts, and ensures that all corrected amounts of federal student aid funds associated with a Y2K system failure have been properly paid or returned to the appropriate party;
2. Informs the auditor or reviewer of the Y2K system failure before the audit or review is conducted; and
3. In response to the audit or review finding, prepares a letter signed by the President or CEO that describes the system failure, identifies the date the system failed and the date it was repaired, and notes briefly the actions previously taken to make that system Y2K compliant. The school or servicer must submit this letter along with its audit or provide it to the reviewer at the time of the review.

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<p>4. The school or servicer cannot process, access, or otherwise obtain or rely on system-stored student registration and/or enrollment information (e.g., a registration system failure).</p>	<p>The school may not be able to accurately determine the eligibility or amount of aid students should receive.</p>	<p>For students who were enrolled in classes in 1999 or students who pre-registered or enrolled for classes starting in 2000, ED will allow the school or servicer to make aid awards to those students based records or documents on that 1999/2000 that it has about those students' enrollment data. However, the school may only disburse those awards by crediting student accounts. After the systems are repaired, the school or servicer must determine whether students qualified to receive the aid credited to their accounts and promptly return any misapplied aid to the appropriate title IV account.</p> <p>ED will allow the school up to 30 days following the date that it credited a student's account to pay a credit balance to the student. If the school chooses to make a short-term loan to a student pending completion of repairs to its systems, it may not charge the student interest or fees on that loan.</p>	<p>Depending on the nature or extent of the failure, a school or servicer may not be able to comply with the regulations under 34 CFR 682.604 (FFEL), 685.303 (Direct Loans), 690.75 (Pell Grant), 675.9 (Work-study), 674.9 (FSEOG), and 676.9 (Perkins Loans) that require a school to determine whether a student is eligible or continues to be eligible for aid contemporaneously with making a disbursement of that aid.</p> <p>ED will not enforce these rules during a school or servicer failure period or for 30 days after the failure date, whichever date occurs first.</p> <p>A school that credits student accounts under this plan may not be able to comply with the 14-day credit balance requirements under 34 CFR 668.164(e) if its systems are not repaired shortly after a failure.</p> <p>ED will not enforce the credit balance rules during a school or servicer failure period or for 30 days after the school credits a student's account, whichever date occurs first.</p> <p>In the event that a school does not complete repairs if its system by the end of either of these 30-day periods, it must contact the appropriate Case Team. If a servicer cannot comply with these regulations, it must immediately contact the appropriate Case Team.</p>

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1. Follows the guidance and procedures contained in this letter and detailed in the contingency plan charts, and ensures that all corrected amounts of federal student aid funds associated with a Y2K system failure have been properly paid or returned to the appropriate party;
2. Informs the auditor or reviewer of the Y2K system failure before the audit or review is conducted; and
3. In response to the audit or review finding, prepares a letter signed by the President or CEO that describes the system failure, identifies the date the system failed and the date it was repaired, and notes briefly the actions previously taken to make that system Y2K compliant. The school or servicer must submit this letter along with its audit or provide it to the reviewer at the time of the review.

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<p>5. The school cannot debit a student's account for institutional charges or credit the student's account with title IV aid payments (e.g., an accounting system failure)..</p>	<p>The school may not be able to accurately determine a student's account balance or properly reflect title IV program transactions in its general ledger or subsidiary accounts.</p>	<p>As long as the school or servicer has documentation that identifies the type and amount of aid that students are eligible to receive, ED will allow the school or servicer to request the funds it needs to make disbursements to those students. The school may subsequently transfer those funds to its operating account even though its accounting system may not show that title IV disbursements have been made. After its systems are repaired, the school or servicer must promptly reflect in its accounting system all transactions that occurred during the failure period.</p> <p>ED will allow the school up to 30 days following the date that it received the funds noted above to pay a credit balance to the student. If the school chooses to make a short-term loan to a student pending completion of repairs to its systems, it may not charge the student interest or fees on that loan.</p>	<p>Depending on the nature or extent of the failure, a school or servicer may not be able to comply with the record keeping requirements under 34 CFR 668.24(b) that it maintain on a current basis records and accounts that reflect all title IV program transactions.</p> <p>ED will not enforce these record keeping requirements during a school or servicer failure period or for 30 days after the failure occurs, whichever date occurs first.</p> <p>A school that draws down funds under this plan may not be able to comply with the 14-day credit balance requirements under 34 CFR 668.164(e) if its systems are not repaired shortly after a failure.</p> <p>ED will not enforce the credit balance rules during a school or servicer failure period or for 30 days after the school receives those funds, whichever date occurs first.</p> <p>In the event that a school does not complete repairs if its system by the end of either of these 30-day periods, it must contact the appropriate Case Team. If a servicer cannot comply with these regulations, it must immediately contact the appropriate Case Team.</p>

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1. Follows the guidance and procedures contained in this letter and detailed in the contingency plan charts, and ensures that all corrected amounts of federal student aid funds associated with a Y2K system failure have been properly paid or returned to the appropriate party;
2. Informs the auditor or reviewer of the Y2K system failure before the audit or review is conducted; and
3. In response to the audit or review finding, prepares a letter signed by the President or CEO that describes the system failure, identifies the date the system failed and the date it was repaired, and notes briefly the actions previously taken to make that system Y2K compliant. The school or servicer must submit this letter along with its audit or provide it to the reviewer at the time of the review.

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<p>6. The school or servicer cannot update a Student Status Confirmation Report (SSCR) or return electronically an updated SSCR to NSLDS.</p>	<p>NSLDS will not have current or accurate enrollment data to provide to lenders and guaranty agencies. As a result, some borrowers may enter repayment erroneously or otherwise be adversely affected. Other borrowers may not be put into repayment when required.</p>	<p>To mitigate the impact of this failure, ED is now obtaining the most recent enrollment data available and will provide this data to lenders, guaranty agencies, and Direct Loan Servicing in the event of a Y2K failure.</p> <p>ED will allow the school or servicer an additional 30 days to complete and return an updated SSCR and extend from 30 to 90 days the time by which the school or servicer must notify a lender or ED directly of a change in a borrower's enrollment status or address.</p>	<p>Depending on the nature or extent of the failure, a school or servicer may not be able to comply with the reporting requirements in 34 CFR 682.610(c) or 34 CFR 685.309(b). Under these rules, a school or servicer must complete and return an SSCR within 30 days after receiving it.</p> <p>ED will not enforce the SCCR reporting requirements during a school or servicer failure period or for an additional 30 days after the receiving the SCCR, whichever date occurs first.</p> <p>ED will not enforce the 30-day provisions under 34 CFR 682.610(c)(2) and 34 CFR 685.309(b)(2) that a school or servicer report enrollment and other data directly to lenders or ED during a failure period or for an additional 60 days after it discovers a change in the student's status, whichever date occurs first.</p> <p>The school or servicer must contact NSLDS Customer Service at 1-800-999-8219 if it needs more time.</p>

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2. Informs the auditor or reviewer of the Y2K system failure before the audit or review is conducted; and
3. In response to the audit or review finding, prepares a letter signed by the President or CEO that describes the system failure, identifies the date the system failed and the date it was repaired, and notes briefly the actions previously taken to make that system Y2K compliant. The school or servicer must submit this letter along with its audit or provide it to the reviewer at the time of the review.

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7. The school or servicer cannot report to NSLDS the cumulative loan amount or loan status of Federal Perkins Loan borrowers.	NSLDS will not have current or accurate Perkins Loan data to provide to schools. As a result, some aid applicants may exceed their cumulative loan amount, or ineligible applicants may receive title IV aid.	ED will grant the school or servicer an additional 30 days to report Perkins Loan data.	<p>Depending on the nature or extent of the failure, a school or servicer may not be able to comply with the reporting requirements described in the Notice that was published in the Federal Register on September 19, 1997. Under that Notice, schools are required to submit electronically Perkins Loan data to NSLDS.</p> <p>ED will not enforce this requirement or the requirement described in DCL 95-L-77 (that a school or servicer provide Perkins Loan data monthly) during a failure period or for an additional 30 days after the failure, whichever date occurs first.</p> <p>The school or servicer must contact NSLDS Customer Service at 1-800-999-8219 if it needs more time.</p>

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<p>8. The school or servicer cannot perform due diligence activities for Federal Perkins Loans.</p>	<p>Borrowers may not enter repayment or be granted a forbearance or deferment in a timely manner.</p>	<p>ED will grant the school or servicer an additional 30 days to perform due diligence activities.</p>	<p>Depending on the nature or extent of the failure, a school or servicer may not be able to comply with the following due diligence activities as it normally would or within required timeframes:</p> <ul style="list-style-type: none"> a. That it obtain a written request from a borrower before granting a forbearance as described under 34 CFR 674.33(d)(2); b. That it must contact borrowers during initial and post deferment grace periods as provided in 34 CFR 674.42(b)(2)(i), (ii), and (iii); and c. That it must send to borrowers the first overdue notice within 15 days after the payment due date, as provided in 34 CFR 674.43(b)(1). <p>ED will not enforce these requirements during a failure period or for 30 days after the date these activities would normally be completed, whichever date occurs first.</p> <p>In the event that a school does not complete repairs if its system by the end of these 30-day periods, it must contact the appropriate Case Team. If a servicer cannot comply with these due diligence requirements, it must immediately contact the appropriate Case Team.</p>

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2. Informs the auditor or reviewer of the Y2K system failure before the audit or review is conducted; and
3. In response to the audit or review finding, prepares a letter signed by the President or CEO that describes the system failure, identifies the date the system failed and the date it was repaired, and notes briefly the actions previously taken to make that system Y2K compliant. The school or servicer must submit this letter along with its audit or provide it to the reviewer at the time of the review.