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Implementation of the Federal Perkins Loan Program Master Promissory Note (MPN)

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Implementation of the Federal Perkins Loan MPN

This presentation covers Department of Education policy on the use of the Federal Perkins Loan Program Master Promissory Note (MPN) and the implementation of a multi-year, electronic MPN at Penn State University



ED Policy Guidance on Perkins MPN

- Spring 2002 Negotiated Rulemaking provided for use of Perkins MPN
 - Section 674.2 – Definitions
 - Modified definition of “making of a loan” – “when the institution makes the first disbursement of a loan to a student for an award year
 - Add definition of “MPN” – “A promissory note under which the borrower may receive loans for a single award year of multiple award years



ED Policy Guidance on Perkins MPN

- Spring 2002 Negotiated Rulemaking
 - Sec. 674.16 – Making and disbursing loans
 - Modified Sec. 674.16(d) to require “legally enforceable promissory note for each loan” and eliminated requirement for the borrower’s signature each award year
 - Added Sec. 674.16(d)(3) – conditions under which Perkins MPN expires



ED Policy Guidance on Perkins MPN

- Spring 2002 Negotiated Rulemaking
 - Sec. 674.19 – Fiscal procedures & records
 - Sec. 674.19(e)(4) requires an institution to electronically store e-signed notes and be able to retrieve an electronically stored note in a coherent format
 - Requires institution to return the original or a true and exact copy of note marked “paid in full” or otherwise notify borrower in writing that the loan is paid in full



ED Policy Guidance on Perkins MPN

- NPRM – August 6, 2002
 - <http://ifap.ed.gov/fregisters/FR0806200205.html>

- Final regulations – November 1, 2002
 - <http://ifap.ed.gov/fregisters/FR1101200203.html>
 - Effective date July 1, 2003



ED Policy Guidance on Perkins MPN

- MPN approved by OMB-June 12, 2003
 - Expiration June 30, 2006
- MPN Posted to IFAP website
 - Dear Colleague CB-03-11, July 17, 2003
 - <http://ifap.ed.gov/dpcletters/CB0311.html>
 - Dear Colleague CB-03-13, Aug. 17, 2003
(electronic MPN)
 - <http://ifap.ed.gov/dpcletters/CB0313.html>



ED Policy Guidance on Perkins MPN

- Implementation Guidance
 - Dear Colleague CB-03-14, Aug. 8, 2003
 - <http://ifap.ed.gov/dpcletters/CB0314.html>
- Replaces current note after transition
- Implementation Dates:
 - Optional for new loans on or after 7/1/03
 - Required for new loans made on or after 11/1/04



ED Policy Guidance on Perkins MPN

- Perkins MPN does not change the lending process:
 - Determine borrower eligibility
 - Ensure a signed prom note covers loan
 - Provide loan disclosures/notices under Sec. 674.16(a) and Sec. 668.165(a) (can be provided electronically through a secure website)
 - Disburse, service and collect



ED Policy Guidance on Perkins MPN

- Options for MPN Use:
 - School chooses annual or multi-year use
 - Annual note: Borrower signs once each year for all loans made that year
 - Multi-year: Borrower signs on MPN for all loans made until the note expires
 - Borrower must notify school in writing if s/he wants no further loans under multi-year MPN



ED Policy Guidance on Perkins MPN

- MPN Expiration Provisions-No further loans made under MPN after earliest of:
 - The date school receives borrower’s written request for no further MPN loans
 - 12 months after signature date if no disbursement has been made under MPN
 - 10 years after signature date or date of school’s receipt of MPN



ED Policy Guidance on Perkins MPN

- MPN format and text cannot be changed [except bracketed text]
- MPN requires subsidiary record of disbursements and adjustments
- Use of electronic MPN in accordance with ED E-Signature Standards
 - Dear Colleague GEN-01-06, May 2001
 - <http://ifap.ed.gov/dpcletters/gen0106.html>



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Standards for Electronic Signature

Document – “Standards for Electronic Signature” (revised as of July 25, 2001)

<http://ifap.ed.gov/dpcletters/attachments/gen0106Arevised.pdf>



Standards for Electronic Signature

- Worked with the following Penn State offices in obtaining policies & procedures to determine if PSU met the standards:
 - Admissions
 - Center for Academic Computing (CAC)
 - Office of Student Aid
 - Registrar
 - Security Office
 - Student ID Office
 - Office IT Staff
 - Central IT Staff
 - Internal Auditors



Standards for Electronic Signature

- Gathered information and policies and procedures from offices in regards to the process of verifying or changing Name, SSN, and date of birth
 - Admissions
 - Registrar
 - Office of Student Aid



Penn State Authentication Process

- Student ID Card process:
 1. Freshmen Testing – students directed to Student ID Office
 2. Must bring photo ID (Driver's License, Passport)
 3. Students asked for social security number
 4. Photo is taken for the Student ID. Image is stored on database
 5. Student issued ID. ID has photo and student's name on front of card. Magnetic stripe on back of card has SSN embedded

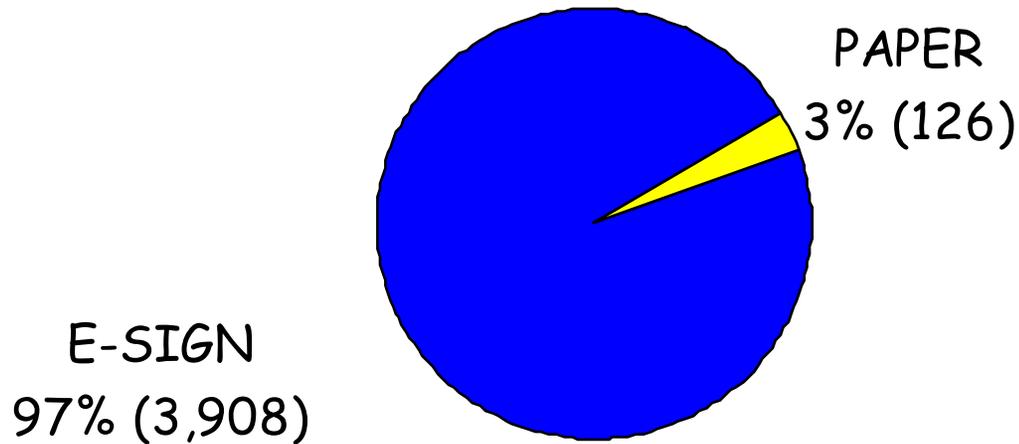


Penn State Authentication Process

- Computer Access Account Process
 1. Student is directed to computer access account signature station
 2. Student swipes Student ID and is prompted to enter date of birth
 3. If date of birth matches our database the student is prompted to sign an agreement accepting electronic services and agreeing to computer usage and security policies
 - A. Not to share their password
 - B. Notify officials if password is compromised
 - C. Consequences if policy is violated
 4. The agreement and signature is electronically imaged
 5. The student is issued a User ID and Password



Perkins Master Promissory Notes Signed - 2003-04





Mainframe Changes

- ❖ Awarding – Future semester awards for students who signed master prom note
- ❖ eLion Student Aid Summary – Direct students to electronic signature web-site
- ❖ Promissory Note creation process:
 1. To not create paper notes for students
 2. To invite students with Penn State accounts to choose method of signing (Paper/e-Note)
 3. To create Master Promissory Notes (MPN) for Perkins
- ❖ Manually print paper notes for students choosing not to sign electronically
- ❖ Control reports revised for updating student signature



Mainframe Changes

- ❖ MPN Dates
 - Created
 - Signed
 - Expires
- ❖ MPN expiration procedure
 - Cancel Create Date
- ❖ Loan Disclosure Notice - Regulation 34 CFR 674.16(a)
- ❖ Notification of Disbursement – Regulation 34 CFR 668.165(a)
- ❖ Loan Disbursement (System disbursements and manual disbursements)
- ❖ Loan Decreases/Cancel
- ❖ Paid in Full/Assignments – (Future enhancement)



Penn State eSignature Perkins Master Promissory Note Process



Awarding / Aid Summary

- Awarding procedure reviews MPN Signed date and Expiration date
- MPN is signed and expiration date is greater than current date + 3 months - award is processed for disbursement
- MPN is not signed or expiration date is less than current date + 3 months - award is processed for note creation.



Loan Disclosure Notice

- email sent to students directing them to web-site (different: signed MPN / unsigned MPN)
- Web-site provides information specific to their Perkins Loan –Regulation 34 CFR 674.16(a)
 - ✓ Student Loan Disclosure Statement
 - ✓ Repayment Schedule



Note Creation

- Nightly procedure extracts loan information
- Create date updated
- Email invitation generated



Promissory Note Invitation

- e-mail sent to students with an active Penn State Access Account inviting them to sign their promissory note electronically
- Student notified to have specific information ready before beginning the e-Note process:
 - ✓ Borrower's permanent address, e-mail address, and phone number
 - ✓ Borrower's drivers license number
 - ✓ Names, addresses, and phone numbers of two other adults, etc.



e-Sign Web Application

<http://www.studentloans.psu.edu/pdf/enote.pdf>



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