

Session #2

Direct Loan Programmatic Primer

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Direct Loan Training Suite – Programmatic Primer

Agenda

Overview

DL Process

Servicing

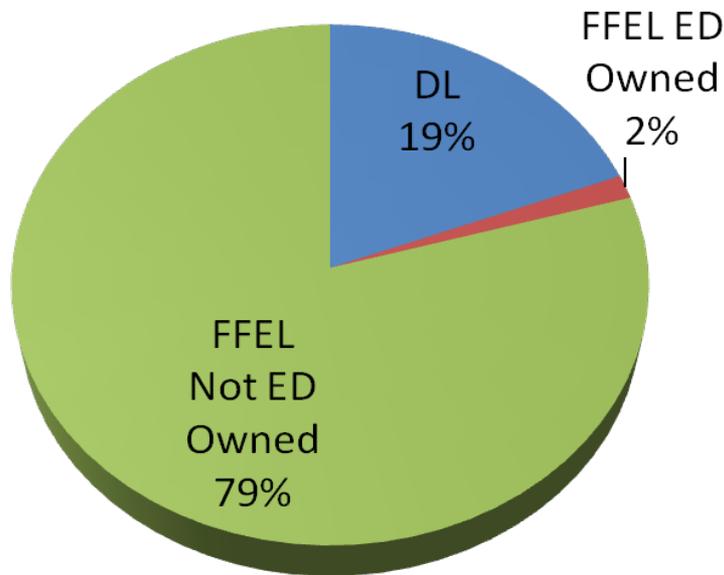
Additional Resources



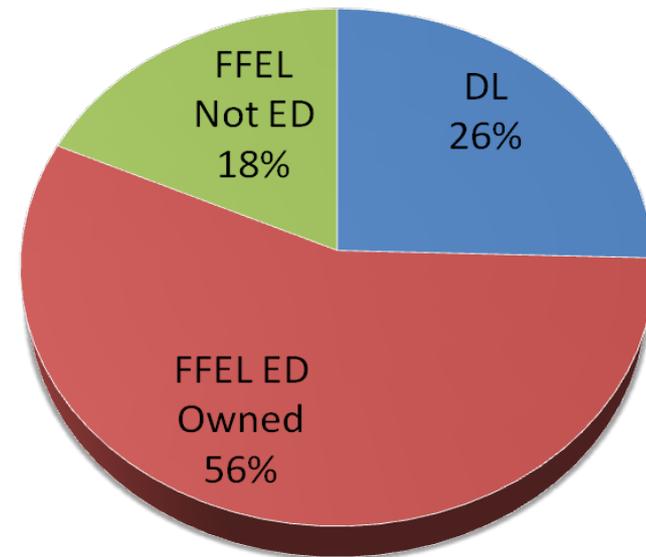
What a Difference a Year Makes

Number of Loans

2007-08



2008-09



DIRECT LOAN – FFEL PROGRAM STATISTICS

	2007-2008		2008-2009		2009-2010 (To Be Added)	
	DL	FFEL	DL	FFEL	DL	FFEL
Schools	1,224	4,621	1,735	4,424	1,880	3,848
Loans	3,317,000	13,388,034	5,412,766	15,229,602	5,513,182	7,911,666
Dollars	\$13.1 B	\$55.5 B	\$20.9 B	\$61.1 B	\$ 12.4B	\$17.9B



2008-09 ECASLA LOAN PURCHASE STATISTICS*

	TOTAL FFEL LOANS MADE	FFEL LOANS SOLD TO ED	PERCENT SOLD TO ED
Loans	15,229,602	11,591,588	76.1 %
Dollars	\$61,160,183,858	\$46,252,966,517	75.6 %

*Does not include Consolidation Loans



2008-2009 ED OWNED LOANS

	ALL LOANS MADE	DIRECT LOAN	FFEL PURCHASED BY ED	TOTAL LOANS OWNED BY ED	% OWNED BY ED
Loans	20,642,368	5,412,766	11,591,588	17,004,354	82.4 %
Dollars	\$82.1 Billion	\$20. 9 Billion	\$46. 3 Billion	\$67.2 Billion	81.8 %



William D. Ford Federal Direct Loan Program



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Roles and Responsibilities

- **Schools**

- Certify eligibility
- Educate borrowers about their responsibilities
- Send/receive financial and student data to/from Federal Student Aid
- Deliver proceeds
- Funds management and reconciliation



Roles and Responsibilities

- **Federal Student Aid** provides operational, system, and service support to *schools*
 - School Eligibility
 - Funding
 - Reconciliation/Closeout
 - Communications/Publications



Roles and Responsibilities

- **Federal Student Aid** also provides operational, system, and service support to *borrowers*
 - Loan Servicing
 - Software/Web-based services
 - Customer Service



Annual Loan Limits

Year	Dependent Undergraduate	Independent Undergraduate And Dep. Undergrad whose parent can't borrow PLUS	Graduate/ Professional Student
1 st	\$5,500 (maximum \$3,500 subsidized)	\$9,500 (maximum \$3,500 subsidized)	Up to \$20,500 each academic year (maximum \$8,500 subsidized)
2 nd	\$6,500 (maximum \$4,500 subsidized)	\$10,500 (maximum \$4,500 subsidized)	
3 rd and Beyond	\$7,500 (maximum \$5,500 subsidized)	\$12,500 (maximum \$5,500 subsidized)	



Interest Rates

Direct Subsidized Loans for Undergraduate Borrowers

1 st Disbursed On or After	And Before	Interest Rate
July 1, 2009	July 1, 2010	5.6%
July 1, 2010	July 1, 2011	4.5%
July 1, 2011	July 1, 2012	3.4%
All Other Direct Subsidized and Unsubsidized Loans		6.8%
Direct PLUS for Parents and Grad/Professional Students		7.9%
Direct Consolidation		Weighted Average 8.25% Cap



Fees and Interest Rebate

Direct Subsidized and Unsubsidized Loans

First Disbursed On or After	Origination Fee	Up-front Interest Rebate
July 1, 2009 and before July 1, 2010	1.5%	1.0%
July 1, 2010 and beyond	1.0%	0.5%

PLUS fees remain at 4.0% with an upfront interest rebate of 1.5%



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Benefits

- Grace period
- Forbearance
- Deferment
- *Public Service forgives remaining balance on certain loans after 120 on-time payments*
- *No Accrual of Interest Benefit for Active Duty Service Members (up to 60 months) for DL borrowers serving in an area of hostilities*

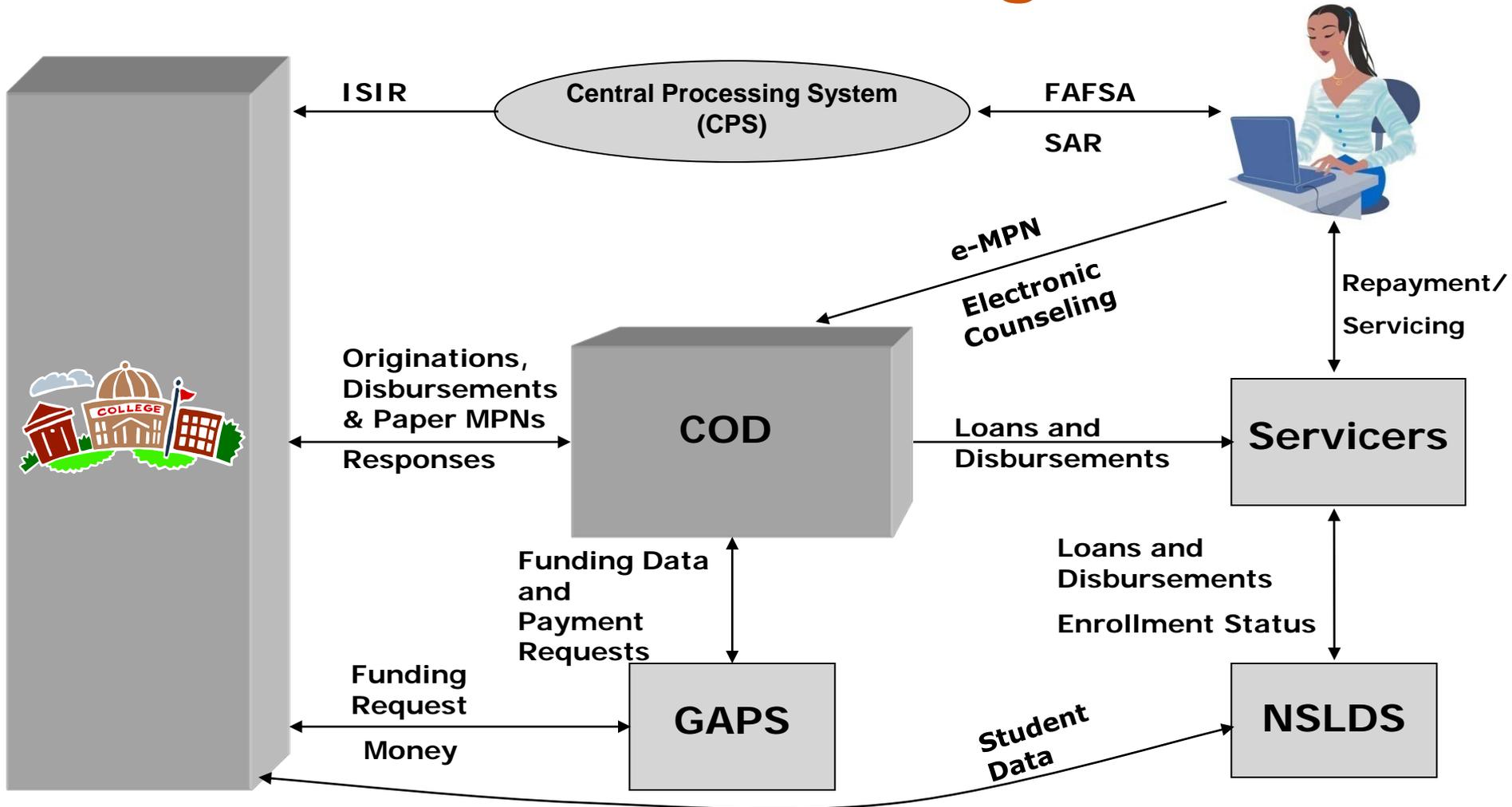


Repayment Options

- Standard Repayment
- Extended Fixed/Extended Graduated Repayment
- Graduated Repayment Plan
- *Income-Contingent Repayment (ICR)*
- Income-Based Repayment (IBR)



COD Processing



Common Origination and Disbursement (COD) System

- COD is a student-centric
 - Pell, ACG, SMART, TEACH, DL
- School sends information to COD
- COD processes/edits and returns response

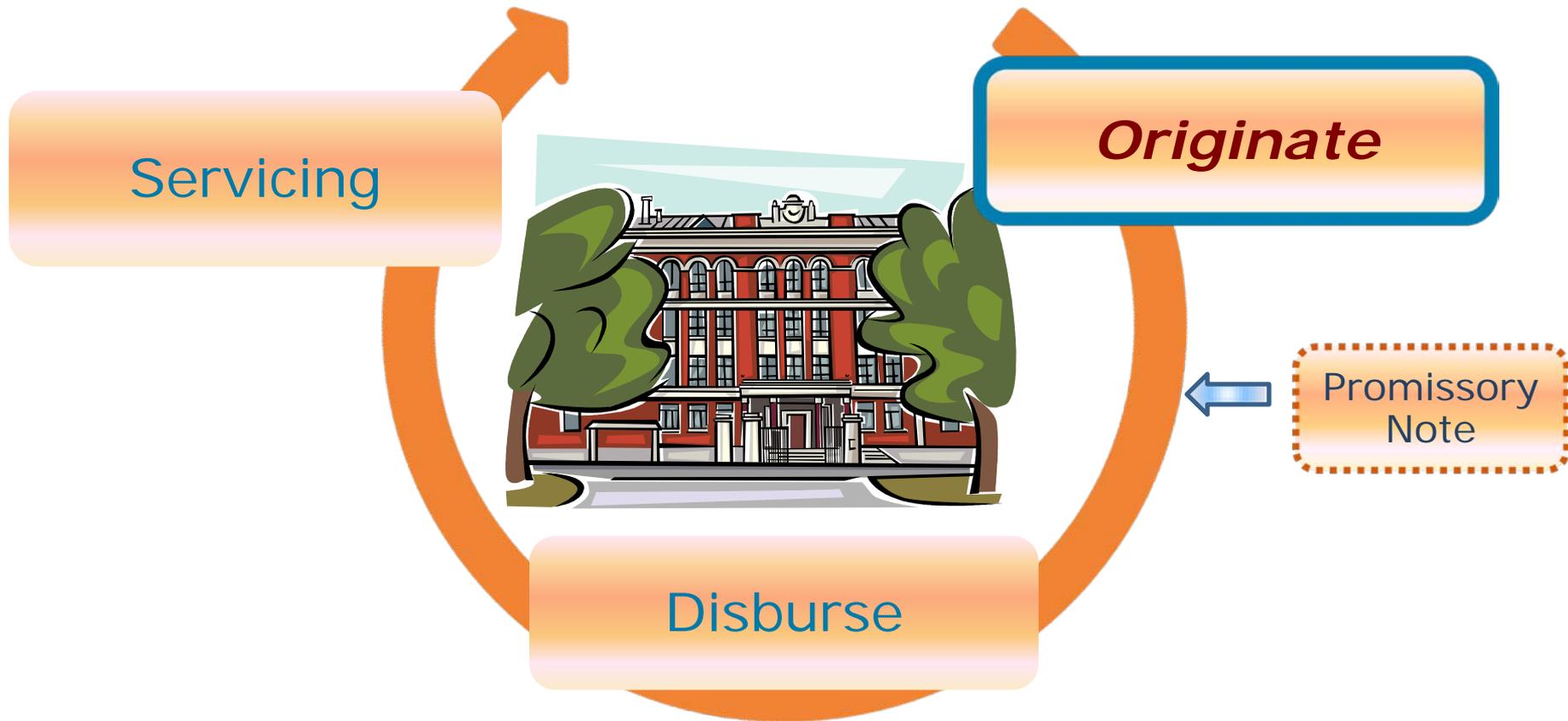


Submitting Records to COD

- Batch
 - Via SAIG mailbox
 - Picked up by periodic “sweeps”
 - Typically transmits many student records
- Online at COD website
 - Transactions almost “real time”
 - Involves one student record at a time



Direct Loan Processing Cycle



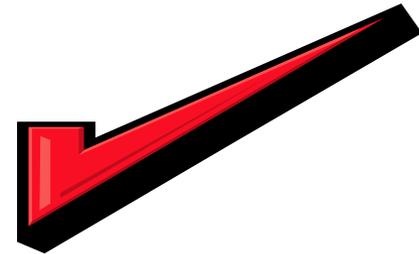
Loan Origination

- Direct Loan Originates and FFEL Certifies
 - Loan Origination Record (LOR) contains **Person** data + DL **Award** + **Disbursement** data (amounts and dates)
 - Anticipated or actual disbursements must equal the award amount
- COD response
 - Indicates if records were accepted or rejected
 - Edit codes tell what is wrong
 - Provides status and expiration date of the MPN



PLUS Loan Credit Check

- COD Completes upon receipt of origination
 - PLUS MPN includes authorization
- Online Credit check, with signed authorization



PLUS Credit Check

- No Adverse Credit
- Adverse Credit options
 - Stop PLUS process
 - Obtain an endorser
 - Appeal to COD due to extenuating circumstances



PLUS Loan Endorser

- COD mails “endorser addendum” with denial packet
- Borrower locates someone willing to endorse the loan
- Endorser completes and signs addendum
- Borrower returns addendum to MPN processor
- Credit check for endorser



New March 2010

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DirectLoan

Home | Understand | FAQs | Contact Us | Additional Links

Welcome to MyDirectLoan

- Access your loan documentation
- Complete Direct Loan Entrance Counseling
- Complete your Master Promissory Note
- **Complete your Direct PLUS Application**
- Endorse a Direct PLUS Loan

Sign In
Please use your PIN to sign in
OR
Why am I signing in?

Announcements

- ▣ Updated information available for TEACH grant
- ▣ Direct Loan interest rates effective July 1, 2009
- ▣ New TEACH grant Exit counseling sessions now available

Understand

- » What you Need
- » What to Expect
- » Direct Loan Overview

Before You Start

- » Apply for PIN
- » Submit a FAFSA

Follow-up

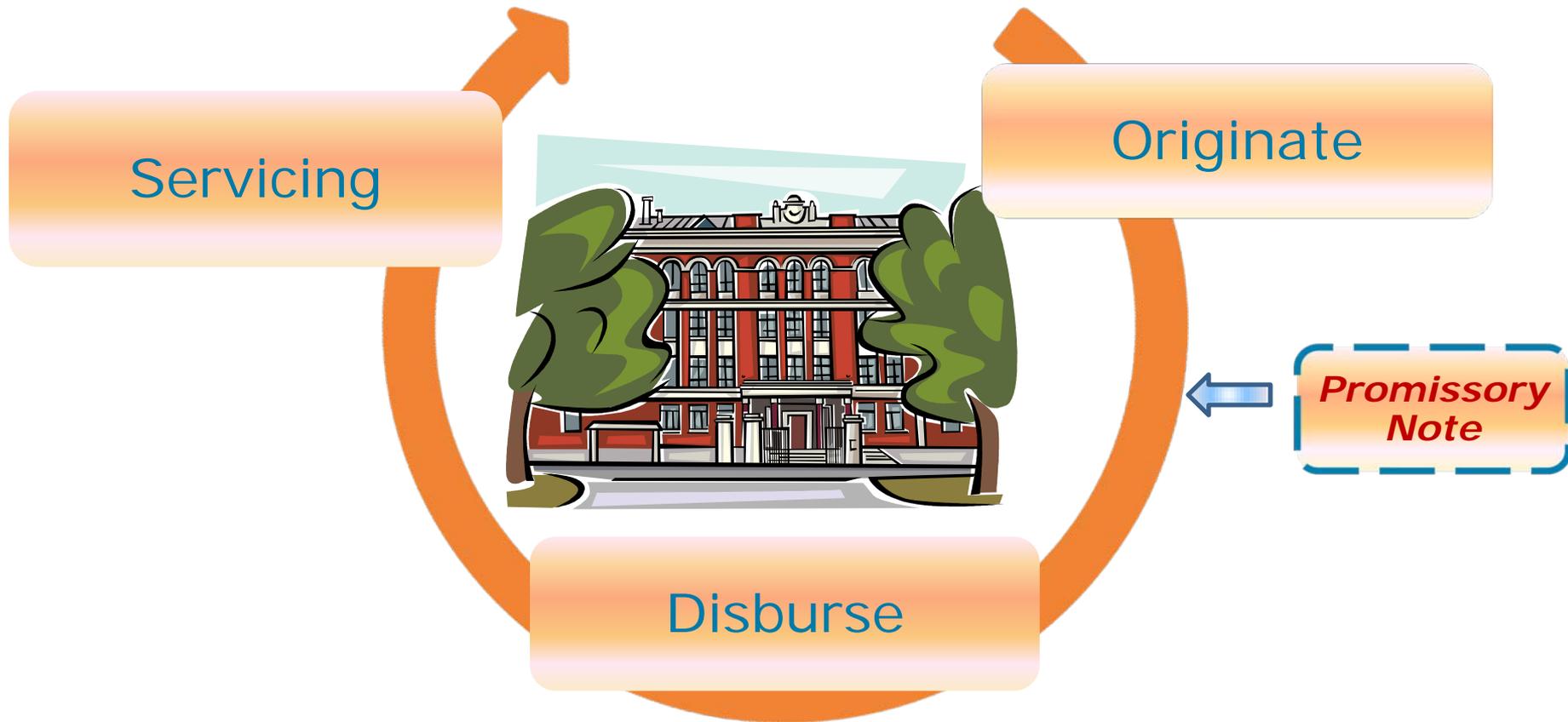
- » Financial Aid History
- » Loan Repayment
- » Consolidate Loans
- » Exit Counseling

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WhiteHouse.gov | FirstGov.gov | ED.gov



Direct Loan Processing Cycle



School Options for MPN

- Multi-year vs. Single-year
- Electronic vs. Paper
- COD Print vs. School Print (with paper)



eMPN

- www.dlenote.ed.gov
- Benefits
- School options
- eMPN simulations



New March 2010

The screenshot shows the DirectLoan website interface. At the top left is the Department of Education logo with the text "START HERE GO FURTHER FEDERAL STUDENT AID". To the right is the "DirectLoan" title. Below the header is a navigation menu with links: Home, Understand, FAQs, Contact Us, and Additional Links. The main content area is divided into several sections:

- Welcome to MyDirectLoan**: A list of tasks including "Access your loan documentation", "Complete Direct Loan Entrance Counseling", "Complete your Master Promissory Note" (circled in red), "Complete your Direct PLUS Application", and "Endorse a Direct PLUS Loan".
- Sign In**: A green button with the text "Sign In" and "Please use your PIN to sign in". Below it is a "OR" button and a link "Why am I signing in?".
- Announcements**: A list of updates including "Updated information available for TEACH grant", "Direct Loan interest rates effective July 1, 2009", and "New TEACH grant Exit counseling sessions now available".
- Understand**: A sub-section with links for "What you Need", "What to Expect", and "Direct Loan Overview".
- Before You Start**: A sub-section with links for "Apply for PIN" and "Submit a FAFSA".
- Follow-up**: A sub-section with links for "Financial Aid History", "Loan Repayment", "Consolidate Loans", and "Exit Counseling".

At the bottom of the page, there are links for "FOIA", "Privacy", "Security", and "Notices" on the left, and "WhiteHouse.gov", "FirstGov.gov", and "ED.gov" on the right.



Paper MPN

- Printing options
- Submitting paper MPNs to MPN processor
 - Direct from student
 - Via school
 - Manifest
 - Sub/Unsub batched separately from PLUS



MPN Responses

- Linked MPNs
- Pending MPNs— “X”
 - If no award for the student in COD
- New response for each status and expiration date change



Linking MPNs to Loans

- New loan awards linked to active MPNs
- If more than one MPN is active, COD links to one with greatest expiration date



Entrance & Exit Counseling

- Through March 2010 - online counseling at the Direct Loan Servicing Web Site
www.dl.ed.gov
- Entrance Counseling materials available
www.fsapubs.org
 - Brochures
 - Entrance Counseling Guide
 - Direct Loan Videos
- Entrance & Exit Counseling reports available



New March 2010

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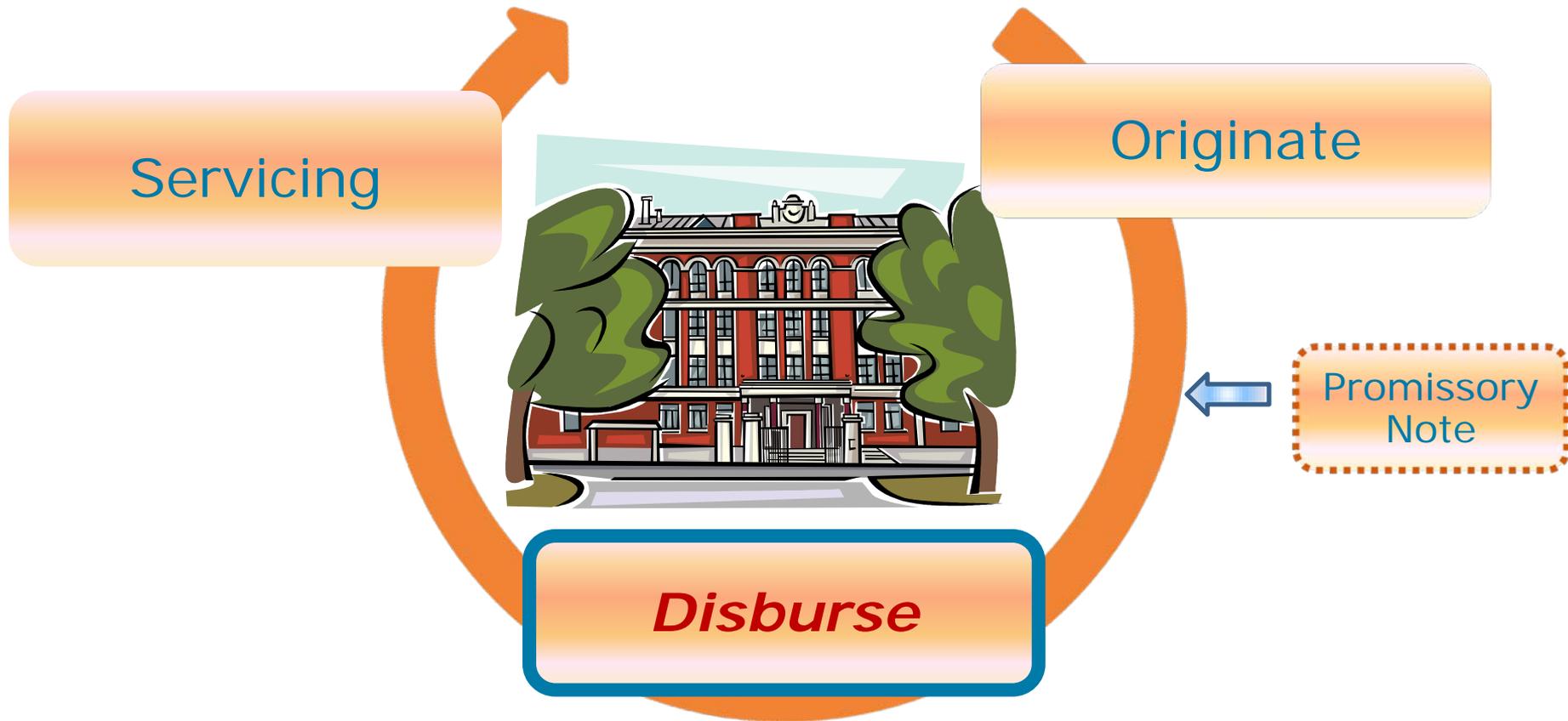
- » Financial Aid History
- » Loan Repayment
- » Consolidate Loans
- » **Exit Counseling**

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Direct Loan Processing Cycle



Disbursements

- MPN in place before disbursing
- Disbursements for loans without an accepted MPN will reject
- Report Disbursements within 30 days
 - Actual disbursement date
 - Disbursement amount
 - 30-Day Warning Report



Borrower's Right to Cancel

- School must honor request
 - Affirmative confirmation: within 14 days
 - No affirmation: within 30 days
- School option after those deadlines provided it is within 120 days of disbursement date
- After 120 days, or schools denial
 - Borrower repays & is responsible for any fees/interest
- To cancel a loan in COD, reduce loan amount and disbursement amounts to \$0.



Returning Funds on Borrower's Behalf

- When returning funds on behalf of the borrower, the school **must** send funds to DLSC if more than 120 days have passed since the date of disbursement
- Send as payment on loan
- Include borrower name, loan ID and loan amount being returned on school's check to COD

U.S. Department of Education
Attention: Payment Center
P.O. Box 530260
Atlanta, GA 30353-0260



Funds

- Current Funding Level (CFL)
- Drawdowns
- Excess Cash



Funding

- Schools receive initial Current Funding Level (CFL)
- Funding Method – Advance Cash
- May request funds from G5 before/after disbursing aid
- School submits Actual Disbursement Records to COD to substantiate drawdown within 30 days





Empowering the **grant** community.

- www.g5.gov
- Schools use the G5 System to:
 - View current funding information
 - Return cash
 - Request payments and adjust drawdowns



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G5

- Schools should contact G5 when:
 - They need to add a new bank acct.
 - They need to designate which acct. they will use
- Contacting G5
1-888-336-8930



Funding

- Schools request funds from G5
- Transmission of funds to the school
 - ACH (Automated Clearinghouse)
 - FEDWIRE



Funds That Must be Returned

- Excess Cash
- Overpayment of DL funds
- Borrower wishes to cancel all or part of loan
 - Within 120 days of Disbursement



Remember to update COD!



Returning DL Funds

- Return funds via either
 - G5 (preferred) or
 - By mail to COD School Relations Center
 - Include a completed Direct Loan Refunds of Cash form
- DLB-08-01



Returning Funds Using G5



Department of Education *e*-REFUNDS

PRIVACY CUSTOMER SERVICE HELP EXIT

Open Awards

Other Refunds

Selected Refunds

Accounts & History

Prior History

Back to GAPS

DUNS Number

Refunds Selected
0

Total Refunds
\$0.00

View

Click View to
continue to your
refund selection.

Refunds to Open Awards

Select an award by entering a refund amount. When you are finished entering refund amounts, click the 'Add Refund Amounts to Selected Refund List' button. Browse through available open awards to refund by using the buttons below or jump to a specific award by selecting the range that contains the award. Refunds are displayed alphabetically by PR Award Number. Site will timeout after 10 minutes of inactivity.

<< First < Previous Next > Last >> Jump To: 1: Q215S060156 - Q215S060156 Go

PR Award Number	Net Draw	Refund Amount
P268K085352	\$661,000.00	\$ <input type="text"/>
P268K095954	\$212,000.00	\$ 17,000.00
P268K095956	\$168,000.00	\$ <input type="text"/>

Add Refund Amounts to Selected Refund List

<< First < Previous Next > Last >> Jump To: 1: Q215S060156 - Q215S060156 Go

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Reconciliation



Reconciliation

- What is it?
- What do I do?
- Why is it important?



Reconciliation

- Schools must reconcile each month
- Similar to balancing a checkbook
- Use reports to research and determine timing differences between COD and School

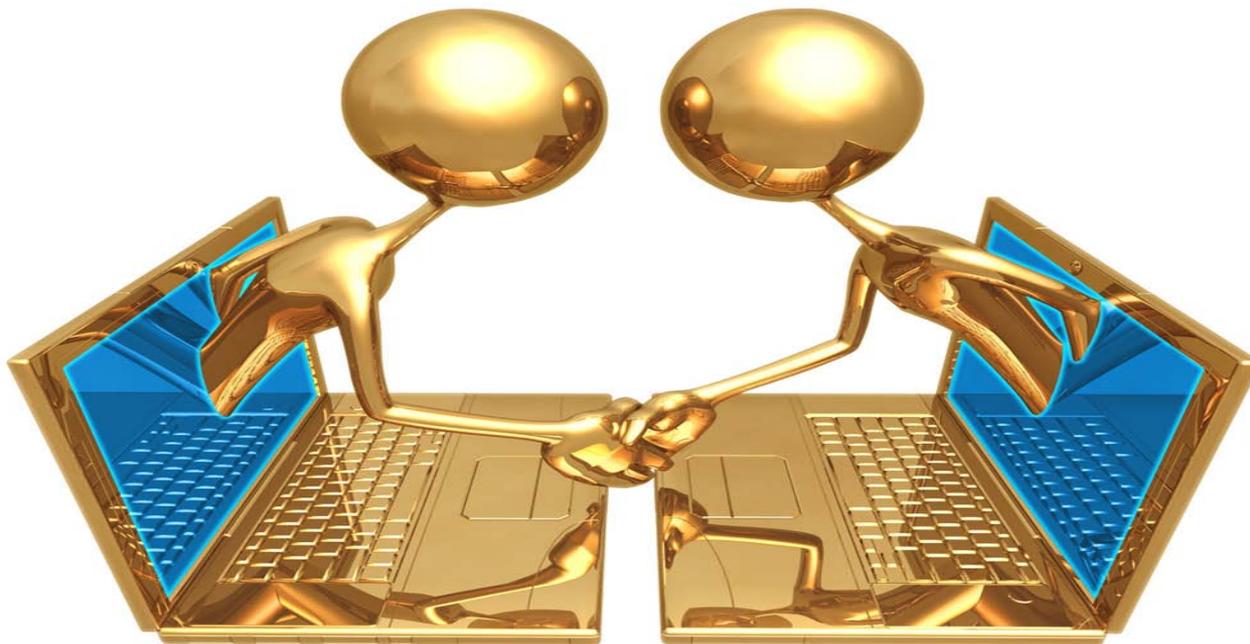


DL Reconciliation

- Monthly activity
 - School reconciles internally, FAA and Business offices
 - School reconciles externally with COD
 - Reconcile cash, loan summary, and loan detail
 - Document your reconciliation
- Aids to Reconciliation
 - COD screens and reports
 - School Account Statement (From COD)
 - Direct Loan Tools Software (FSA Download site)
 - COD Reconciliation specialists



Program Year Closeout



Program Year Closeout

- What *is* it?
- What do *I* do?
- Why *is* it important?

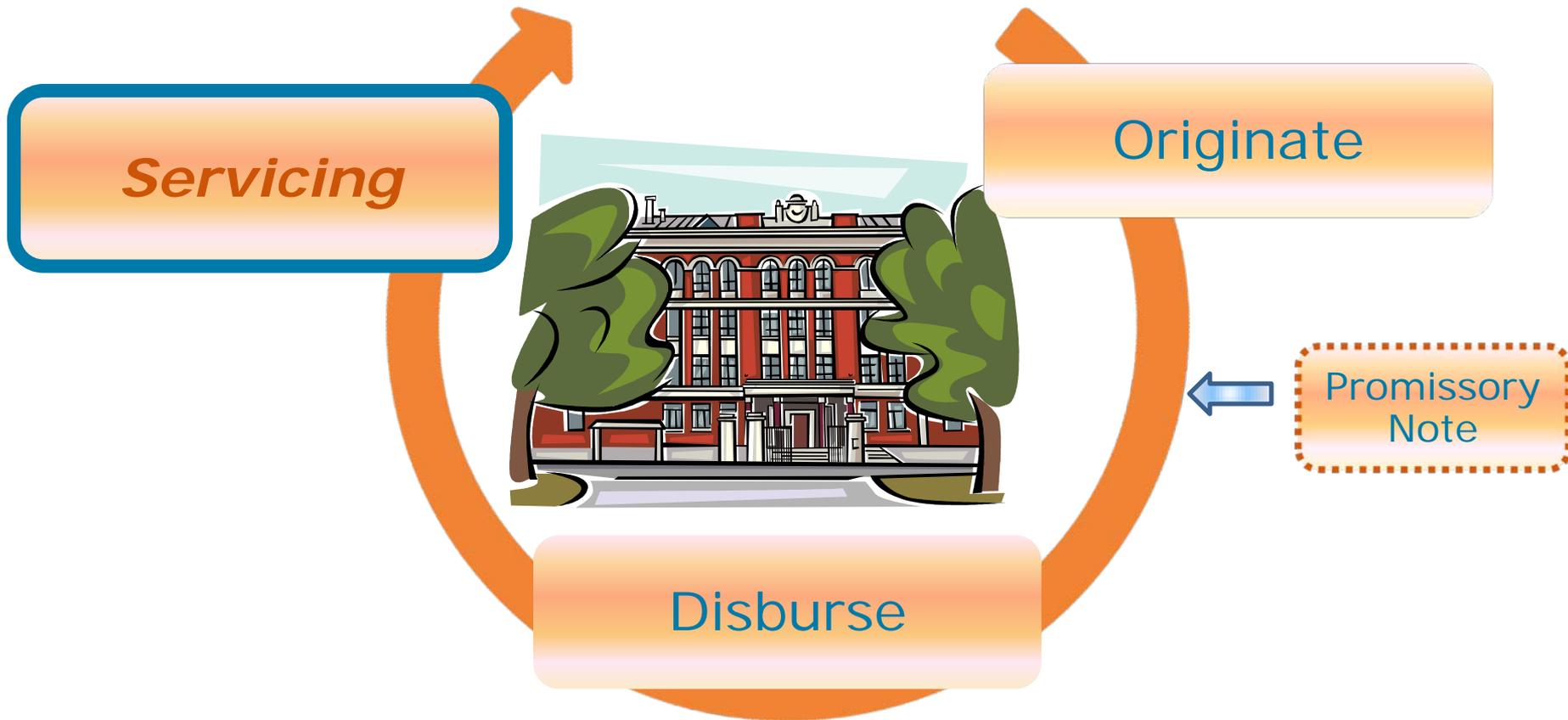


Program Year Closeout

- Process is complete when:
 - School and COD show a cash balance of \$0 *and*
 - All COD records match all school DL records and business office system transactions *and*
 - School Account Statement (SAS) reflects a \$0 unbooked balance



Direct Loan Processing Cycle



Servicing Future

- Current Servicer:
 - ACS
- Four Additional Servicers:
 - Great Lakes Education Loan Services
 - Nelnet
 - Sallie Mae Corporation
 - AES / PHEAA



Servicing Future

- July 15, 2010
 - Allocations of new borrower loan volume
- August 31, 2010
 - Additional Servicers fully operational to handle Direct Loans



Servicing Future

- Servicers comply with all legislative and regulatory requirements and **unique** best in business services
- Borrower's loans with one Servicer
- Schools work with Multiple Servicers



Tools & Resources



School Web sites

- **COD Web site**
 - <http://cod.ed.gov>
- **Direct Loan Web site**
 - <http://www.direct.ed.gov>
- **Federal Student Aid Information**
 - <http://www.ifap.ed.gov>



School Call Centers

- **COD School Relations Center**
– 800-848-0978
- **Direct Loan Servicing-School Services**
– 888-877-7658
- **Direct Loan Consolidation Center**
– 800-557-7392



School Publications

- Direct Loan School Guide
- Code of Federal Regulations
- Federal Student Aid Handbook
- COD Technical Reference
 - Implementation Guide
- Blue Book
- NSLDS Enrollment Reporting Guide



Borrower Web sites

- **Federal Student Aid Information**
– <http://www.studentaid.ed.gov>
- **Direct Loan Servicing Center – Borrower Services**
– <http://www.dl.ed.gov>
- **Direct Loan Consolidation Center**
– <http://www.loanconsolidation.ed.gov>
- **Federal Student Aid Ombudsman**
– <http://www.ombudsman.ed.gov>



Borrower Call Centers

- **Federal Student Aid Information**
 - (800) 433-7327
- **COD School Relations-Applicant Services**
 - (800) 557-7394



Borrower Call Centers (Continued)

- **Direct Loan Servicing Center – Borrower Services**
 - (800)848-0979
- **Direct Loan Consolidation Center**
 - (800) 557-7392
- **Federal Student Aid Ombudsman**
 - (877) 557-2575



Additional Assistance for Schools

DLenrollment_fsa@ed.gov



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Thank you!

