

Chapter 8

Overview of NSLDS

8.1 Sources of Information

8.2 Functions

Contents

Chapter 8: Overview of NSLDS

8.1 Sources of Information.....	8-1
8.2 Functions	8-1
8.2.1 Prescreening for Title IV Aid Eligibility.....	8-2
8.2.2 Default Rate Calculations	8-2
8.2.3 Monitoring GA and Lender Billings for Reasonability.....	8-3
8.2.4 Support Research Studies and Policy Development.....	8-3
8.2.5 ED Budget Analysis and Development.....	8-3
8.2.6 Audit and Program Review Planning	8-3
8.2.7 Assessment of FFEL Program Administration by GAs, Schools, and Lenders.....	8-4
8.2.8 Refund/Cancellation Support	8-4
8.2.9 Borrower/Loan Tracking	8-4
8.2.10 Student Status Confirmation Report (SSCR)	8-4
8.2.11 Financial Aid Transcript (FAT).....	8-4
8.2.12 Credit Reform Act (CRA) Support	8-5
8.2.13 Organizational Contacts	8-5
8.2.14 Aid Overpayments.....	8-5

Overview of NSLDS

NSLDS, authorized by the Education Amendments of 1986 and funded in 1992, is a comprehensive database of the following:

- Loan-level information for Title IV borrowers
- Grant-level information for Pell Grant recipients
- Outstanding Pell Grant, FSEOG, and Perkins overpayments

Information already in the database or planned for later addition covers all active Title IV loans as of October 1, 1989. Thereafter it covers FDLP loans (from the beginning of the program); Pell Grant recipient data (since the 1993-1994 academic year); and any outstanding Pell Grant, FSEOG, and Perkins overpayments, regardless of age.

8.1 Sources of Information

NSLDS receives data from the following:

- GAs
 - FFEL loan-level data
- Lenders (or their servicers)
 - Additional FFEL loan-level data through their guarantors
- Schools
 - Perkins and income contingent loan-level data
 - Pell Grant and FSEOG overpayments
 - Enrollment status reports
- Federal Direct Loan Program Servicer
 - FDLP loan-level data
- Other Title IV systems
 - Title IV applicant data
 - Pell Grant recipient data
 - FISL and FFEL/Perkins loans assigned to ED

8.2 Functions

Data collected by NSLDS was identified as that needed to support the various functions mandated by its authorizing legislation, as amended from time to time. Currently, the 14 functions that are operational or under development are:

1. Prescreening for Title IV Aid Eligibility
2. Default Rate Calculations
3. Monitoring GA and Lender Billings for Reasonability
4. Support Research Studies and Policy Development

5. ED Budget Analysis and Development
6. Audit and Program Review Planning
7. Assessment of FFEL Program Administration by GAs, Schools, and Lenders
8. Refund/Cancellation Support
9. Borrower Tracking
10. Loan Transfer Tracking
11. SSCR
12. Financial Aid Transcript (FAT)
13. Credit Reform Act (CRA) Support
14. Organizational Contacts
15. Aid Overpayments

8.2.1 Prescreening for Title IV Aid Eligibility

NSLDS prescreening enables schools to electronically receive stored data on previous Title IV aid recipients. Eligibility of Title IV applicants is determined when the Central Processing System (CPS) scans the NSLDS active database to identify individuals with one or more of the following:

- Default on an existing Title IV loan
- Overpayment of an existing Title IV Pell Grant
- Overpayment of an existing Supplemental Education Opportunity Grant (SEOG)
- Amount of aid received for a single year
- Cumulative aid received under a given loan program

When a match occurs between Title IV applicant records and the NSLDS database, information about the applicant's history of loans and Pell Grant and SEOG overpayments is formatted and sent to CPS. Defaulted loans and all Perkins Loans, including National Direct Student Loans, National Defense Student Loans, and Income Contingent Loans, are also reported.

8.2.2 Default Rate Calculations

Default rates are calculated annually for schools participating in FFEL and FDLP. Schools with default rates above established thresholds for at least three years may lose FFEL program eligibility. The 1992 Reauthorization of the Higher Education Act of 1965 directed ED to calculate default rates for lenders and GAs that participate in FFEL programs by using the same formula used for schools.

Default rate calculations are performed in response to the Department's Default Reduction Initiative. This initiative is intended to reduce student loan defaults and improve service to students by eliminating schools with ineffective or irresponsibly managed student loan programs. Accurate calculation of default rates is critical to schools, lenders, and GAs because participation in Title IV aid programs and FFEL programs can be affected.

NSLDS maintains a history of default rate calculations, computes state and national averages for schools, and provides results of default rate calculations to ED. Default rate calculations are based on FFEL loan information in the NSLDS database.

8.2.3 Monitoring GA and Lender Billings for Reasonability

ED pays subsidies and interest to lenders of FFEL program loans while the borrowers are in school or during a grace period. NSLDS provides the capability to monitor billings for reasonability by supporting more timely assessment. It also provides details of accessible loan information. This capability helps ensure that billings received by ED from lenders and GAs reflect the status of their portfolio as reported to NSLDS. Program review analysts use these capabilities to assess lender and GA participation in Title IV programs.

8.2.4 Support Research Studies and Policy Development

NSLDS provides several types of access to support users performing research and developing policy: online and ad hoc queries. Online queries range from focused queries which pertain to a single student or school for relatively small amounts of data, to massive queries, requiring NSLDS to supply or summarize massive amounts of data. Output from focused queries may be sent to a screen or a local printer. Data from large queries may need to be saved to diskette or directly to a PC.

8.2.5 ED Budget Analysis and Development

Every year, ED develops input for the President's budget, based partly on projected loan program costs for a seven-year period. The budget planning cycle includes analysis, development of budget assumptions and estimates, coordination within ED, budget submission, and subsequent revisions. NSLDS provides a source of more accurate, current data than has been previously available regarding the performance of loan programs. This information is used to develop reliable, sound assumptions on which to base the estimated program budget, answer budget-related questions, and support "what-if" analyses.

8.2.6 Audit and Program Review Planning

Audits and program reviews are used by ED to assess the performance of various Title IV aid delivery system participants. Audit and program review planning functions involve retrieving specific data on organizations (that is, schools, lenders, and GAs), and identifying key indicators used to schedule audits and reviews for maximum effectiveness.

8.2.7 Assessment of FFEL Program Administration by GAs, Schools, and Lenders

Assessment of the FFEL program administration by GAs, schools, and lenders is a specific application of NSLDS research capabilities. Research studies may be either short- or long-term and are generally aimed at evaluating the effectiveness of particular program practices. As with any research, analysts attempt to assess program administration with limited data. This makes research sources relatively inflexible and regular assessments of program administration practices and trends difficult to perform.

8.2.8 Refund/Cancellation Support

When a student withdraws from school and qualifies for a refund of institutional charges (tuition and fees), the school is required to provide the refund within a specified time. The school sends the FFEL refunds to the appropriate lender to reduce the loan principal. Until the lender receives the refund, the Government is billed for special allowance and interest on the full loan principal.

Some schools do not provide refunds or return loan checks in a timely manner. NSLDS maintains statistics of schools' refund information about the time schools take to perform these actions. This information helps auditors and program reviewers spot schools with poor records of handling refunds and cancellations.

8.2.9 Borrower/Loan Tracking

The web page allows different user groups, such as loan holders and GAs, to identify current and previous loan holders and locate borrowers. This is accomplished utilizing the NSLDS web screens. Access to the web page is limited to authorized users.

8.2.10 Student Status Confirmation Report (SSCR)

The SSCR is detailed throughout this guide.

8.2.11 Financial Aid Transcript (FAT)

The FAT component of NSLDS summarizes all previous Title IV financial aid a student has received while attending another institution. Histories are received on students currently attending or transferring to an institution. They are reviewed by a financial aid administrator to determine the student's current levels of aid, whether there is any derogatory information that would prevent awarding aid for the first time, or to continue aid to an enrolled or enrolling student. The transcript process permits the school's financial aid administrator to initiate a request to NSLDS for an individual's financial aid transcript that provides the following data:

- Default on existing Title IV loans
- Overpayment on an existing Title IV Pell Grant or SEOG
- The amount of aid received for a single year or cumulatively under a given loan program

8.2.12 Credit Reform Act (CRA) Support

The CRA requires loan-level tracking of all federally guaranteed loans. NSLDS tracks and reports loans by program and cohort year in which the loan is guaranteed within risk category summary totals. Loan data is used semi-annually to estimate government costs associated with loan programs. The scheduled information from the NSLDS active database is downloaded, sorted, and merged to create interim files for subsequent reports. Specific data identified as critical for determining cash inflows and outflows is extracted from the database. This data is used in equations and report summaries.

8.2.13 Organizational Contacts

The Organizational Contact area of the web allows schools to easily maintain an accurate list of names, titles, telephone numbers, addresses, and e-mail addresses for staff at their institutions. This area also allows other educational entities to quickly obtain contact information from the Organizational Contacts area of the NSLDS web page.

8.2.14 Aid Overpayments

The Aid Overpayment area of the web page allows financial aid staff to enter overpayments directly to NSLDS. Entries made on the web are in real-time and will be immediately reflected in the student's "**Loan History**". Payments made by the student will also be reflected in this area.

