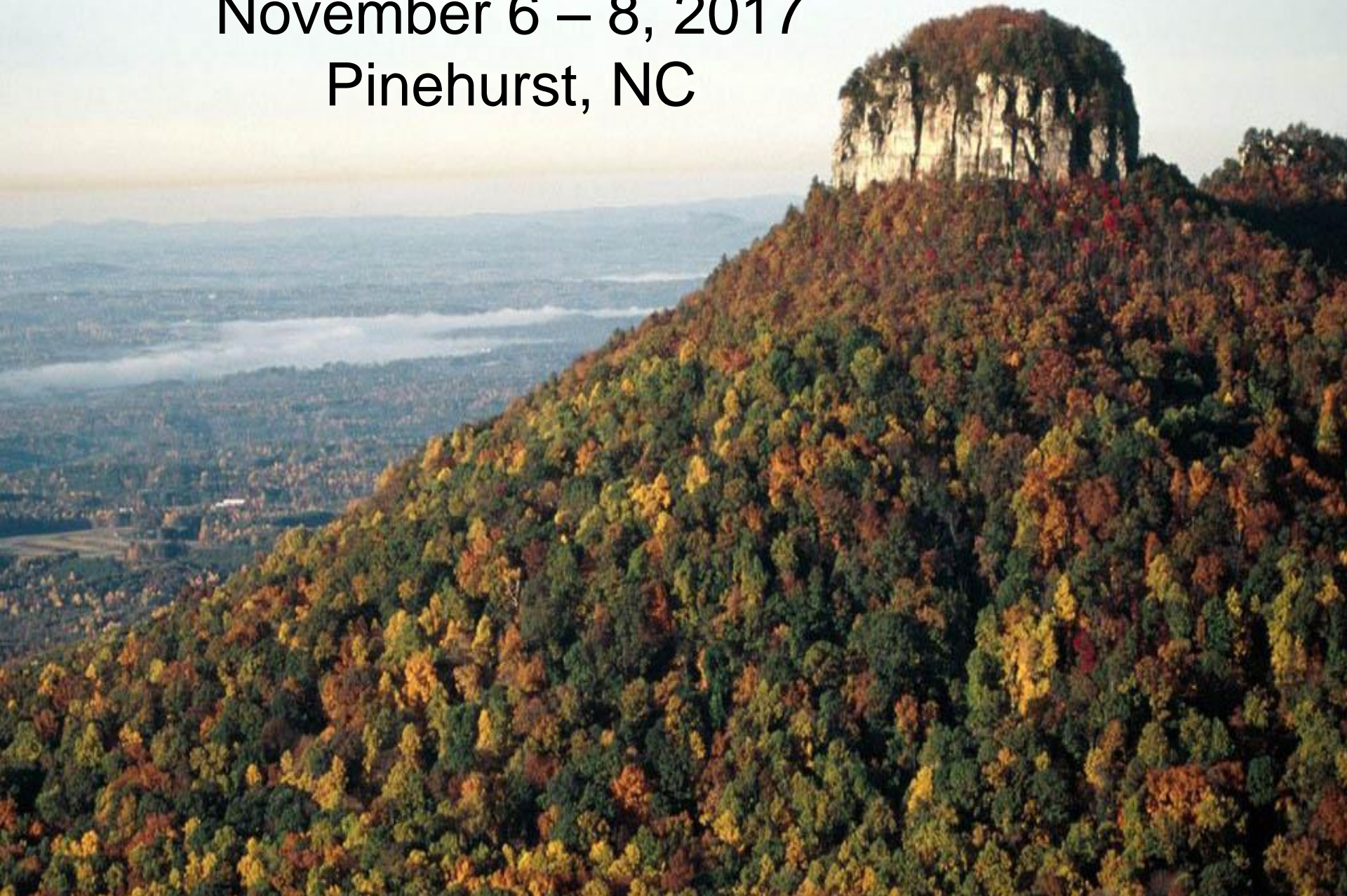


NCASFAA Fall 2017 Conference  
November 6 – 8, 2017  
Pinehurst, NC

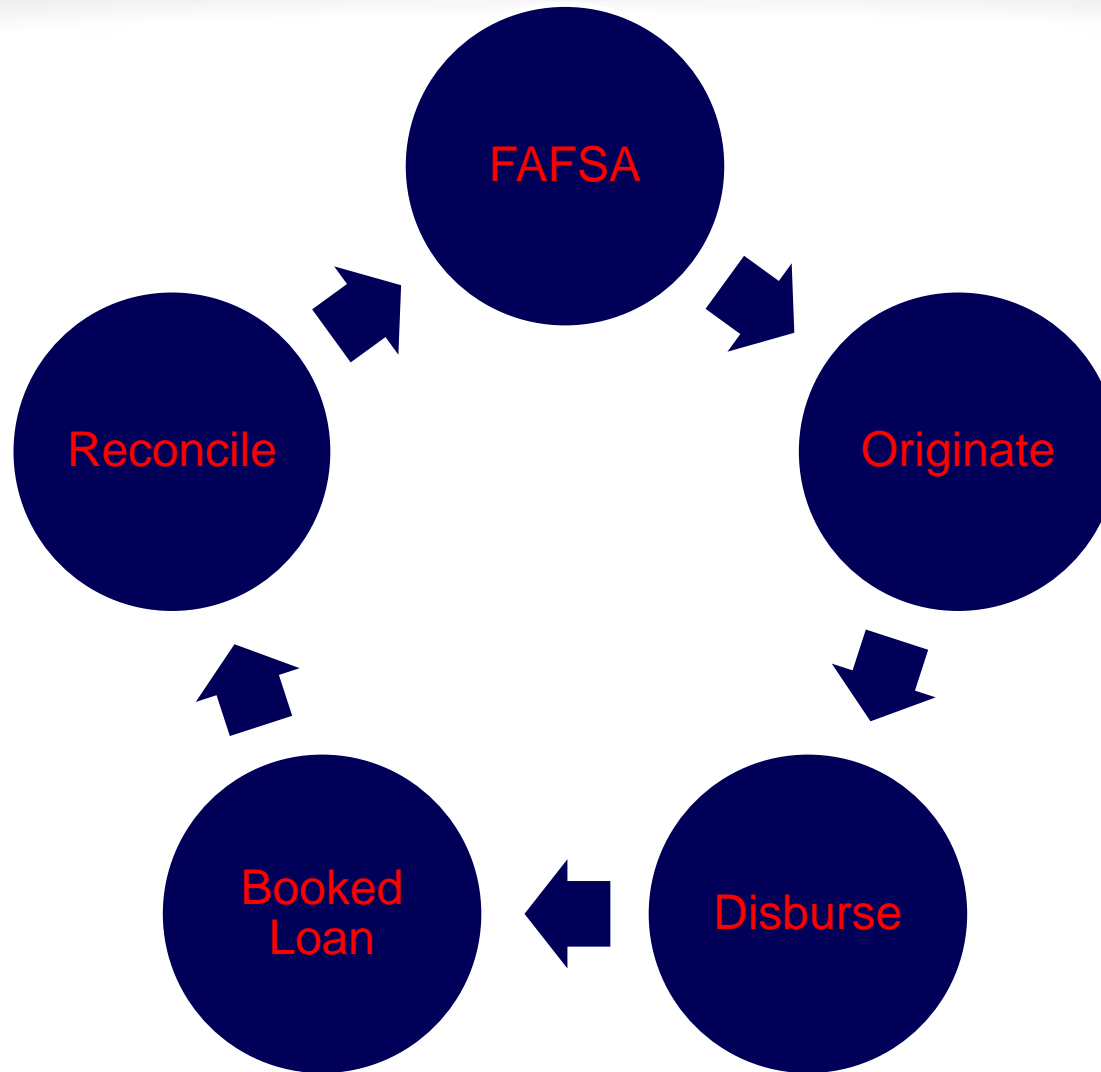


# Direct Loan “Life Cycle”

## The Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”

Wood Mason  
U.S. Department of Education  
Federal Student Aid  
Atlanta, GA  
404.974.9259 (Office)  
wood.mason@ed.gov



# Direct Loan “Life Cycle”

## Systems Involved...

- Central Processing system (CPS)
  - ✓ FAFSA
  - ✓ ISIR
  - ✓ SAR
- Student Aid Internet Gateway (SAIG)
  - ✓ CPS data
  - ✓ NSLDS data
  - ✓ COD data



# Direct Loan “Life Cycle”

## Systems Involved...

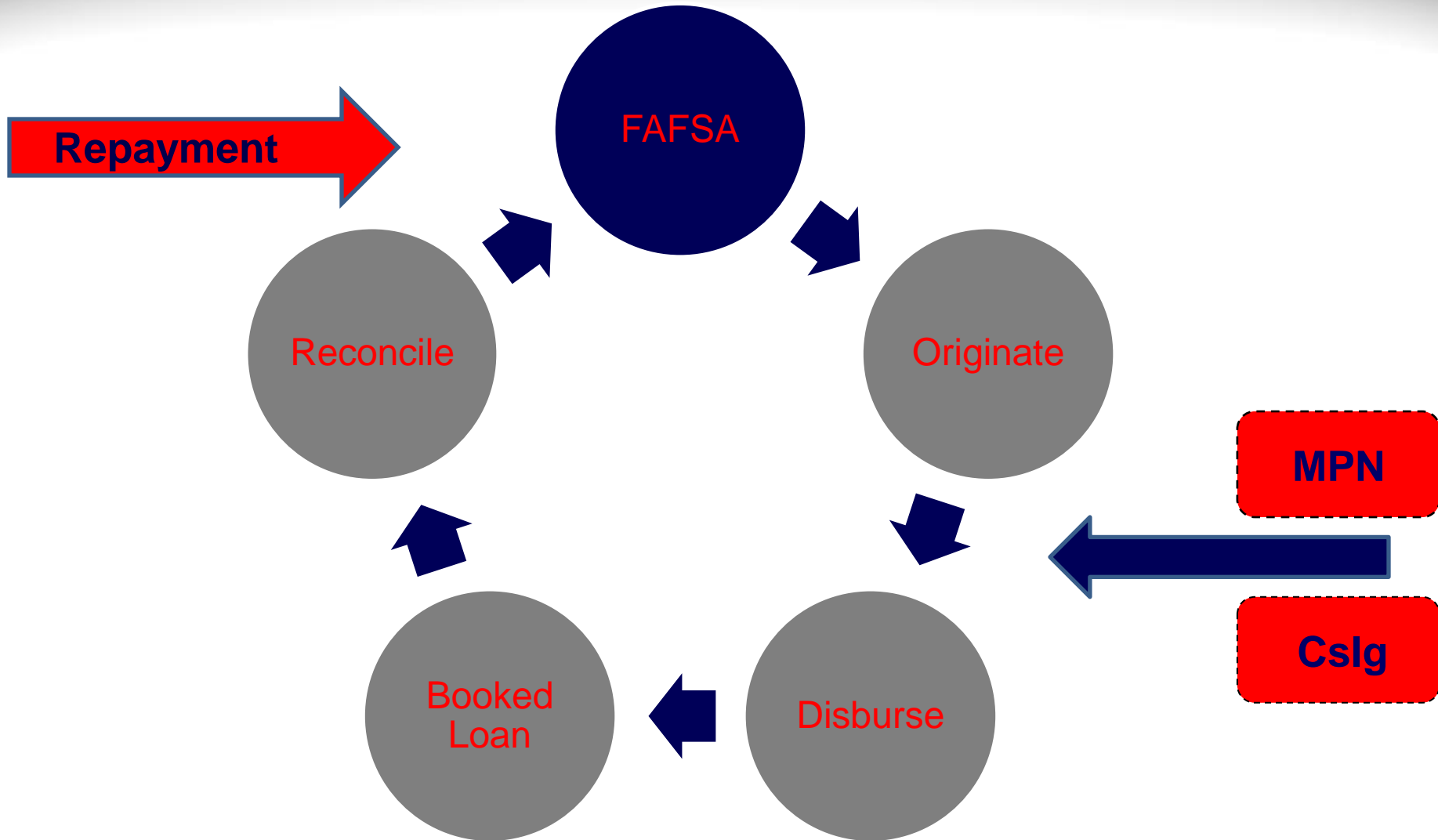
- Common Origination & Disbursement System (COD)
  - ✓ Common Record
  - ✓ Common Record Response
- StudentLoans.gov
  - ✓ Counseling
  - ✓ Master Promissory Note (MPN)
  - ✓ PLUS Request
  - ✓ Endorser Addendum
  - ✓ Repayment Estimator

# Direct Loan “Life Cycle”

## Systems Involved...

- G5 (Funding)
  - ✓ Drawdowns
  - ✓ Returns of Cash
- NSLDS (Eligibility)
  - ✓ Annual Loan Limits
  - ✓ Subsidized Usage Limit (SULA)
  - ✓ Defaulted loans
- Direct Loan Servicers (Repayment)

# Direct Loan “Life Cycle”





# Direct Loan “Life Cycle”

## Direct Loan (D/L) Eligibility

- Your student **MUST** be an eligible student

✓ 34 CFR 668.32

AND

- **MUST** be an eligible borrower

✓ 34 CFR 685.200

AND

- **MUST** have completed a “Free Application for Federal Student AID (FASFA) be an eligible borrower(Eligibility)

✓ You have received, reviewed, and retained his or her CPS data

# Direct Loan “Life Cycle”

## In the beginning is the FAFSA

- Students can do an electronic FAFSA or paper FAFSA
  - ✓ For AY 2017-2018 to date, out of 13,721,853 FAFSAS completed only 17,708 are paper
- CPS calculates an Expected Family Contribution (EFC)
- CPS generates the “output document”
  - ✓ Institutional Student Information Record (ISIR)
    - ✓ Electronic file sent to your school
  - ✓ Student Aid Report
    - ✓ Sent to your student
  - ✓ CPS “data” sent to COD

# Direct Loan "Life Cycle"



U.S. DEPARTMENT OF EDUCATION  
**COMMON ORIGATION & DISBURSEMENT**



**Person** School Batch Award Services User

▶ Person Search  
▶ Counseling Search  
▶ MPN/ATS/Manifest  
▶ PLUS App Search  
▶ Endorser Search  
▶ Credit Check  
▼ Applicant Search  
    Applicant Search  
    Pell LEU History Search  
    Subsidized Usage Search  
▶ Escalation  
▶ Servicer  
▶ Default Search

### Applicant List

Award Year

CPS Data

Award Year	CPS Transaction Number	Date of Birth	Name	Pell Eligibility	Transaction Status
'17-'18	4			N	Y
'17-'18	3			N	Y
'17-'18	2			Y	Y
'17-'18	1			Y	Y
'14-'15	3			Y	Y
'14-'15	2			Y	Y
'14-'15	1			N	R
'13-'14	1			Y	Y
'10-'11	2			N	Y
'10-'11	1			N	Y

[Export to CSV](#)

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# Direct Loan "Life Cycle"

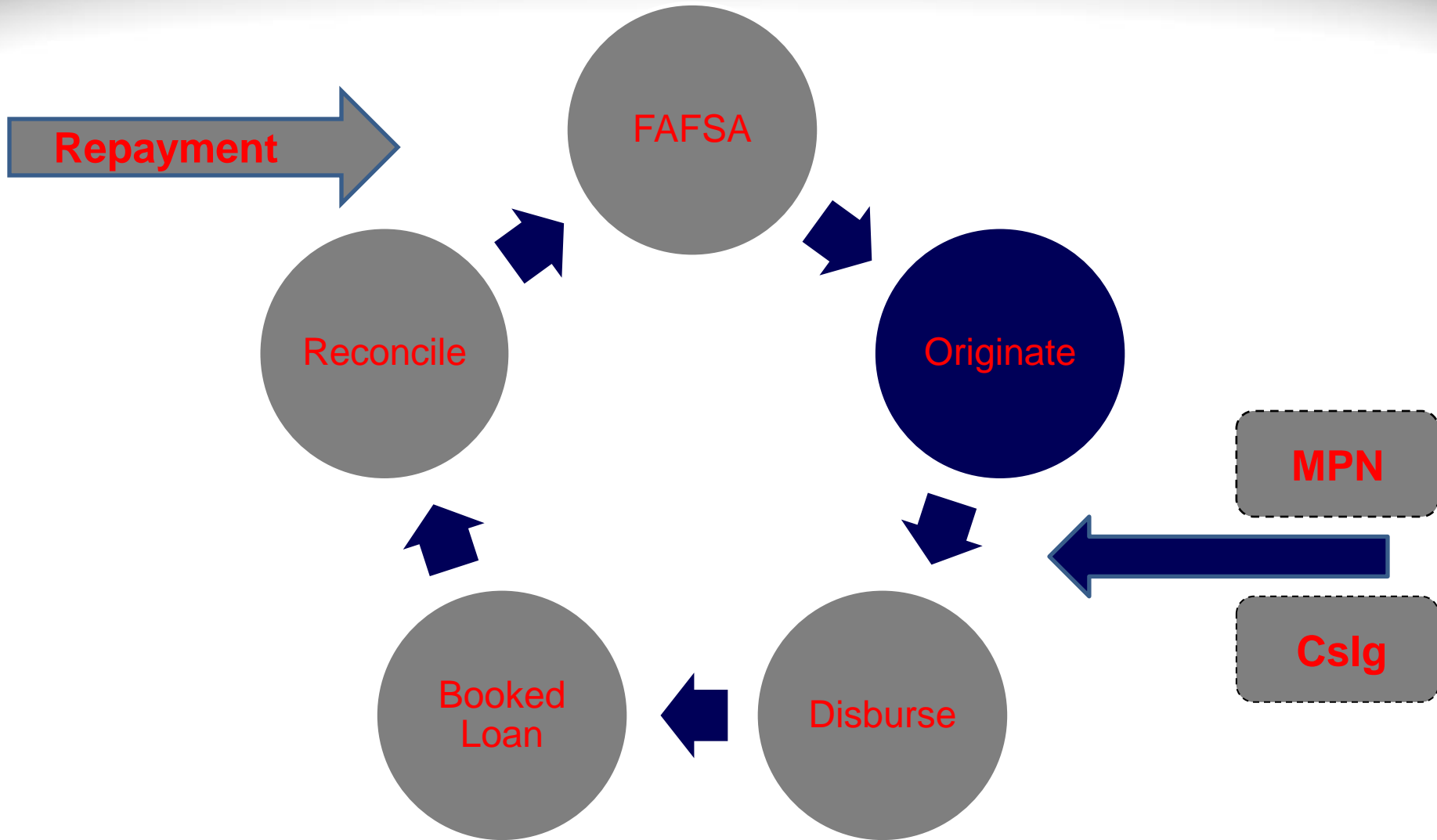
<ul style="list-style-type: none"> <li>▶ <b>Endorser Search</b></li> <li>▶ <b>Credit Check</b></li> <li>▼ <b>Applicant Search</b> <ul style="list-style-type: none"> <li>Applicant Search</li> <li>Pell LEU History Search</li> <li>Subsidized Usage Search</li> </ul> </li> <li>▶ <b>Escalation</b></li> <li>▶ <b>Servicer</b></li> <li>▶ <b>Default Search</b></li> </ul>	
<b>CPS Detail</b>	
Original SSN	
CPS Transaction Number	2
Award Year	'17-'18
Original Name Code	RA
EFC	0
Date of Birth	
First Name	
Middle Initial	
Last Name	
Current SSN	
Address	
City	
State	
Zip	
Pell Eligible Flag	Y
Verification Selection Indicator	Selected by CPS for verification
SSA Match Flag	SSN, Name and Date of Birth match
SSA Date of Death	
NSLDS Match Flag	Eligible for Title IV Aid
Processed Record Type	History Correction Record
Transaction Data Type	C
Application Data Type	Application
Transaction Data Source	Web Student
Application Data Source	Web Student
Duplicate SSN Flag	No such record exists
Auto Zero EFC Indicator	Flag not set
SSA Citizenship Flag	U.S. citizen
Dependency Status	Independent with Primary EFC
Dependency Override (Professional Judgment) Indicator	Dependency Override not requested
SAR "C" Flag	No C flag set

# Direct Loan “Life Cycle”

The ISIR is transmitted to your school via SAIG

- The ISIR gives you the data needed to calculate your student’s “need” and the basic information to ascertain eligibility
- You **MUST** have a valid “output document” in your possession on which you award Title IV Aid

# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”

## D/L Origination

- You determine eligibility
- You calculate the award
  - ✓ Direct Loan amount and “type”
- Origination is a dated event
  - ✓ “Create Date” in your software
  - ✓ You **MUST** award based on a CPS Transaction number

# Direct Loan “Life Cycle”

## D/L Origination

- Origination takes place in your school software
  - ✓ Your software will assign a Direct Loan Award ID
    - ✓ xxxxxxxxxxS17xxxxxx001
- Origination data is transmitted to the Common Origination & Disbursement System (COD) for editing
  - ✓ ***MUST include substantially equal actual/pending disbursements equal to the loan amount***
  - ✓ You cannot “frontload” a Direct Loan Award origination



# Direct Loan “Life Cycle”

## D/L Origination

- TIP: You can originate a D/L Award **PRIOR** to the borrower completing other associated program tasks ***unless your school’s routine requires them to be completed first***
  - ✓ No particular “order of processing”
  - ✓ Master Promissory Note? **Not** Required
  - ✓ Credit Check? Accepted credit history **Not** required
  - ✓ Endorser? **Not** required

# Direct Loan “Life Cycle”

Origination data is transmitted from your financial aid software to COD via a Loan Origination Record (LOR)

- Transmitted across SAIG as a Common Record (CR)
- The loan origination data can also be manually entered individually on the COD Web

OR

- Created and entered via the Direct Loan Origination Tool

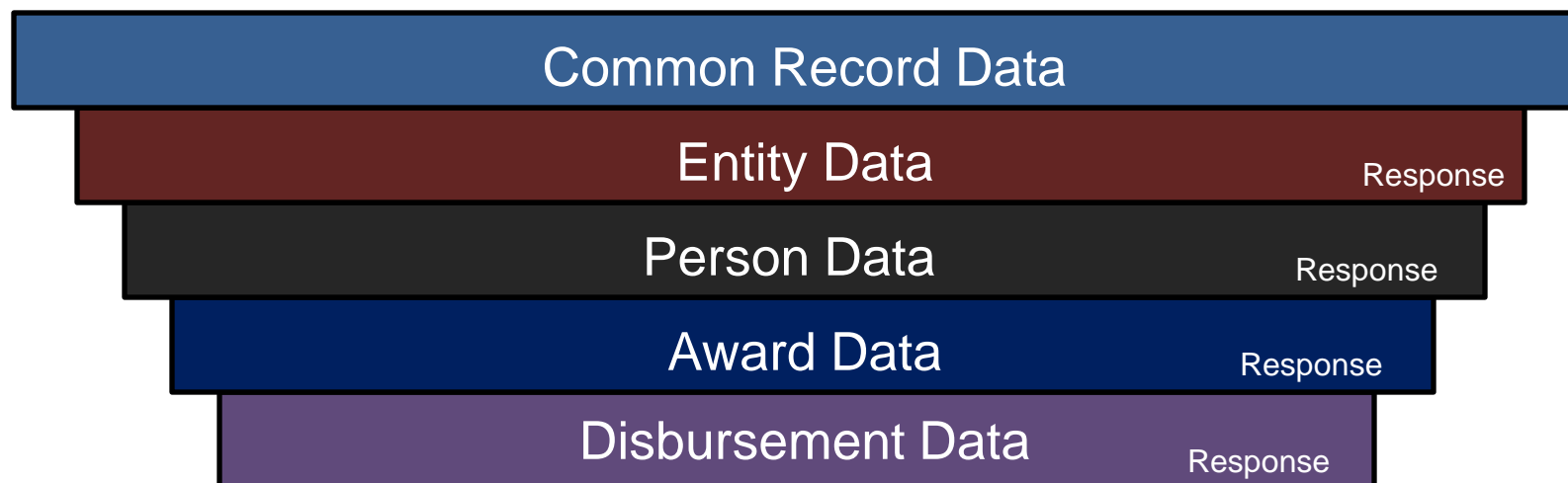
# Direct Loan “Life Cycle”

## D/L Origination

- You **MUST** report **ALL** required origination data to COD on **EVERY** D/L Award including Subsidized Usage Limit Applies (**SULA**) data
  - ✓ Demographic data
  - ✓ CPS Transaction Number
  - ✓ Loan amount
  - ✓ Disbursement data
  - ✓ SULA data
    - ❖ COD is the “traffic cop” that enforces SULA limits
- Refer to the current COD Technical Reference for complete information on what minimum data **MUST** be reported on the LOR

# Direct Loan “Life Cycle”

COD processes your CR against COD System and Direct Loan Program edits



# Direct Loan “Life Cycle”

What Does COD Do With Your Data?



# Direct Loan “Life Cycle”

The submitted origination data is validated against Program and COD edits

- COD generates and returns a Common Record Response to every submitted LOR no matter how it's created
- The Common Record Response identifies data that has been rejected or data that is suspect but accepted
  - ✓ Data receiving a hard edit and rejected must be “fixed” and re-submitted to COD
  - ✓ Data receiving a “Warning Edit” indicates the submitted data is suspect but will be accepted and processed

# Direct Loan “Life Cycle”

## COD edits

- A warning edit is a “heads-up”
  - ✓ Data is accepted and processed by COD
- Rejected data is returned to the school for correction and re-submission
  - ✓ The reject reason(s) and reject code are returned
- COD “Correction” Code #219 occurs when the loan amount exceeds the disbursement amount
  - ✓ COD “corrects” the loan amount to equal the amount disbursed
  - ✓ COD returns the new amount in the response

# Direct Loan “Life Cycle”

## COD Disclosure Statement

- Unless a school opts to do so, COD generates and sends to the borrower a Disclosure Statement 7 days prior to the first disbursement date
  - ✓ Not on a Direct PLUS Loan unless there is an approved credit result associated with the award
  - ✓ COD will **NOT** automatically reprint Disclosure Statements when changes to the Award are received
- If the award is received less than 7 days prior to the earliest disbursement date the Disclosure Statement will be printed and sent immediately



# Direct Loan “Life Cycle”

## A D/L PLUS Loan requires a credit check

- A D/L PLUS Loan is reported to credit bureaus like any other financial obligation
- A credit check is “triggered” by...
  - ✓ LOR
  - ✓ PLUS Request via StudentLoans.gov
  - ✓ School instant credit check via the COD Web
- A D/L PLUS Loan can be accepted by COD with an unacceptable credit result
  - ✓ Borrower can appeal or secure an endorser to regain eligibility for the D/L PLUS Loan

# Direct Loan “Life Cycle”

A D/L credit check looks for an adverse credit history and **NOT** credit worthiness

- Adverse credit is defined in 34 CFR 685.200
  - ✓ Absence of credit is **NOT** evidence of an adverse credit history
- A credit result is valid for 180 days from the date of the credit check
  - ✓ If a subsequent credit check is run in less than 180 days COD will pull a valid credit result from the COD db if available

# Direct Loan “Life Cycle”

You ***MUST*** have the borrower’s authorization to perform a credit check

- Authorization is in the text on a Direct PLUS Loan Master Promissory Note (MPN)
  - ✓ An authorization form can be found on the COD Web
- Denial of one parent is sufficient to offer additional unsubsidized loan funds to the dependent student
  - ✓ Other parent does ***NOT*** have to undergo PLUS loan process
  - ✓ A credit result of “Denied” is ***not*** school specific and can be used across schools on loans with the same academic year

# Direct Loan “Life Cycle”

You can offer additional D/L Unsubsidized funding to the Dependent Student after your determination of the inability of the Parent to borrow due to exceptional circumstances

- Even if the credit check has been returned “Approved”
  - ✓ Forego the PLUS process altogether
  - ✓ 34 CFR 685.203(c)(1)(ii)
  - ✓ DCL GEN: 11-07
  - ✓ Case-by-case
  - ✓ ***DOCUMENT YOUR REASON FOR REACHING YOUR DECISION***

# Direct Loan “Life Cycle”

An endorser **CANNOT** be the student for whom the loan is intended

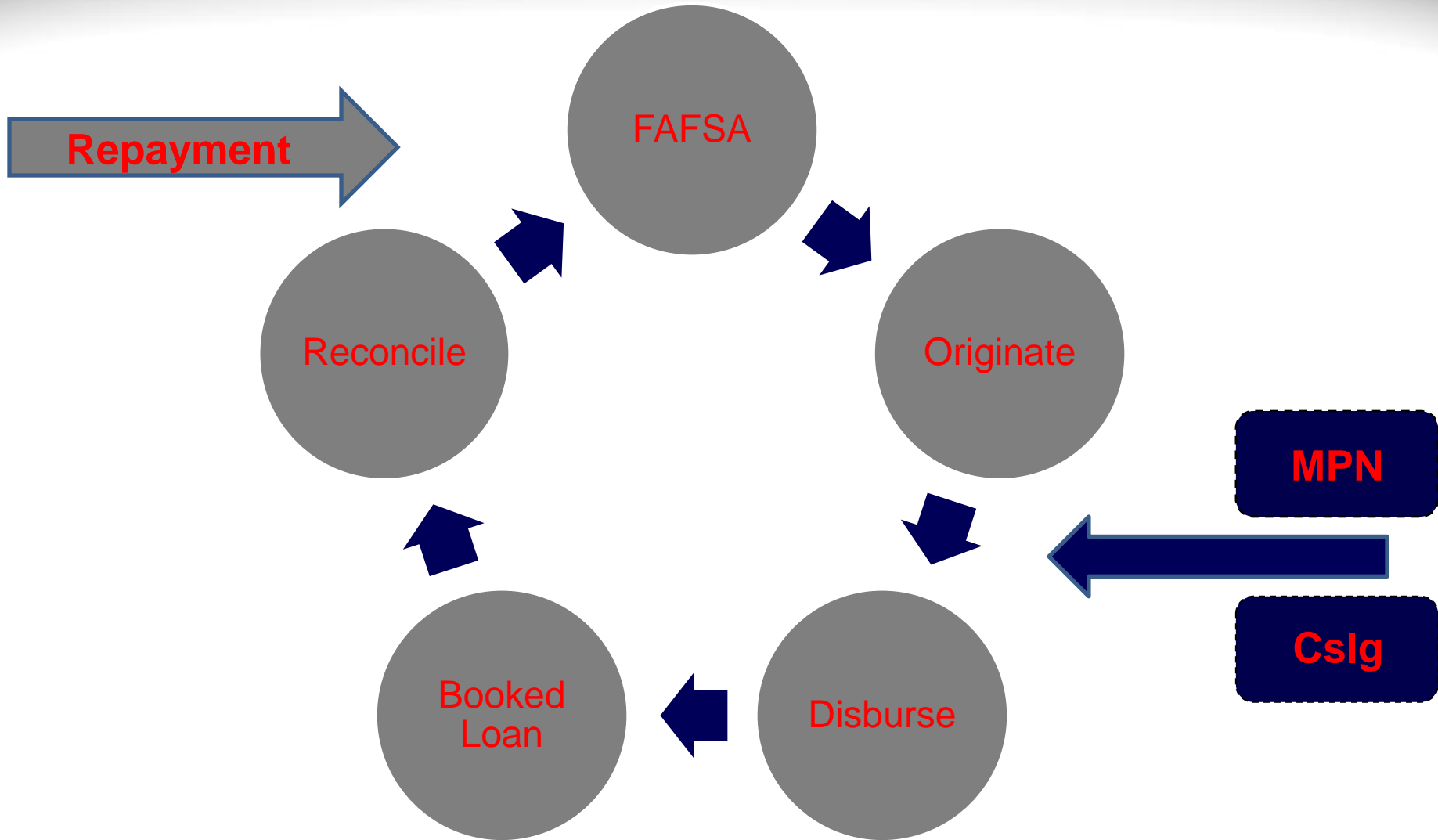
- An endorser undergoes the same credit check as the Parent borrower
- An endorser promises to pay outstanding principal balance, accrued interest, any penalties, AND any collection costs
  - ✓ An endorser cannot “back out” once they’ve endorsed the loan
- An endorser completes an Endorser Addendum/MPN
  - ✓ Document of obligation

# Direct Loan “Life Cycle”

You **CANNOT** disburse more than the amount endorsed

- You **CANNOT** increase an endorsed D/L PLUS Loan
  - ✓ You **MUST** originate a subsequent D/L PLUS Loan for the requested increase
  - ✓ A new credit check will be run if the previous credit check has expired

# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”





# Direct Loan “Life Cycle”

## Master Promissory Note (MPN)

- Two versions of the MPN...

- ✓ A Direct Subsidized/Unsubsidized Loan MPN

➤ xxxxxxxxxM17xxxxxxxx001

- ✓ A Direct PLUS Loan Master Promissory Note

➤ xxxxxxxxxN17xxxxxxxx001

- ✓ Master Promissory Notes are valid for 10 years from the date of receipt at COD

- ✓ Expires one (1) year from receipt at COD if no actual disbursement takes place in the first 12 months

# Direct Loan “Life Cycle”

## Master Promissory Note - “Multi-Year Feature”

- Schools taking advantage of the “Multi-Year Feature” (MYF) of an MPN can link multiple loans to an MPN
  - ✓ Across multiple award years and multiple schools
  - ✓ Loans “link” on the borrower Social Security Number, Date of Birth, and the first two characters of his or her first name
    - Direct Parent PLUS Loans link on the same key identifiers for both the student and the Parent

# Direct Loan “Life Cycle”

## Master Promissory Note - “Single-Year Feature”

- Schools taking advantage of the “Single-Year Feature” (SYF) of an MPN **MUST** require a borrower to complete an MPN each academic year

- ✓ Multiple loans from that school “link” to the MPN on the Social Security Number, Date of Birth, and first two characters of the first name of the borrower

***AND***

- ✓ The start/end dates of the Academic Year

***AND***

- ✓ The Direct Loan School Code in the Direct Loan ID

# Direct Loan “Life Cycle”

## Master Promissory Note - “Single-Loan” MPN

- The MPN linked to an **endorsed** Direct PLUS Loan (Parent or Graduate/Professional Student) is called a “Single-Loan” MPN
  - ✓ A “Single-Loan” MPN is flagged “Inactive” and no subsequent Direct PLUS Loans can be linked to it
    - **ALL** active MPNs for this borrower on the COD database are also flagged “Inactive”

# Direct Loan “Life Cycle”

## Counseling



# Direct Loan “Life Cycle”

## Entrance Counseling

- **Required** for a first-year, first-time borrower
  - ✓ **Required** for a first-time Graduate/Professional Student Direct PLUS Loan borrower
  - ✓ **NOT** required for Parent Direct PLUS Loan borrowers
- Can be conducted via an interactive online website or by the school
  - ✓ If done via StudentLoans.gov COD sends the school a system-generated response
    - ❖ The borrower can forward confirmation of completion to multiple schools

# Direct Loan “Life Cycle”

## Entrance Counseling

- ***Caveat:*** You ***CANNOT*** require an ***ADDITIONAL*** session of Entrance Counseling as a condition for a subsequent disbursement

# Direct Loan “Life Cycle”

## PLUS Counseling

- A Direct PLUS Loan recipient whose original credit decision is “Denied” **MUST** complete a session of PLUS Counseling
  - ✓ PLUS Counseling is linked to the credit check **NOT** the loan
  - ✓ PLUS Counseling is provided **ONLY** via the SLG Web
  - ✓ PLUS Counseling is a distinct and unique counseling module
  - ✓ PLUS Counseling is **NOT** Entrance Counseling and does not fulfill the Entrance Counseling requirement



# Direct Loan “Life Cycle”

## PLUS Counseling

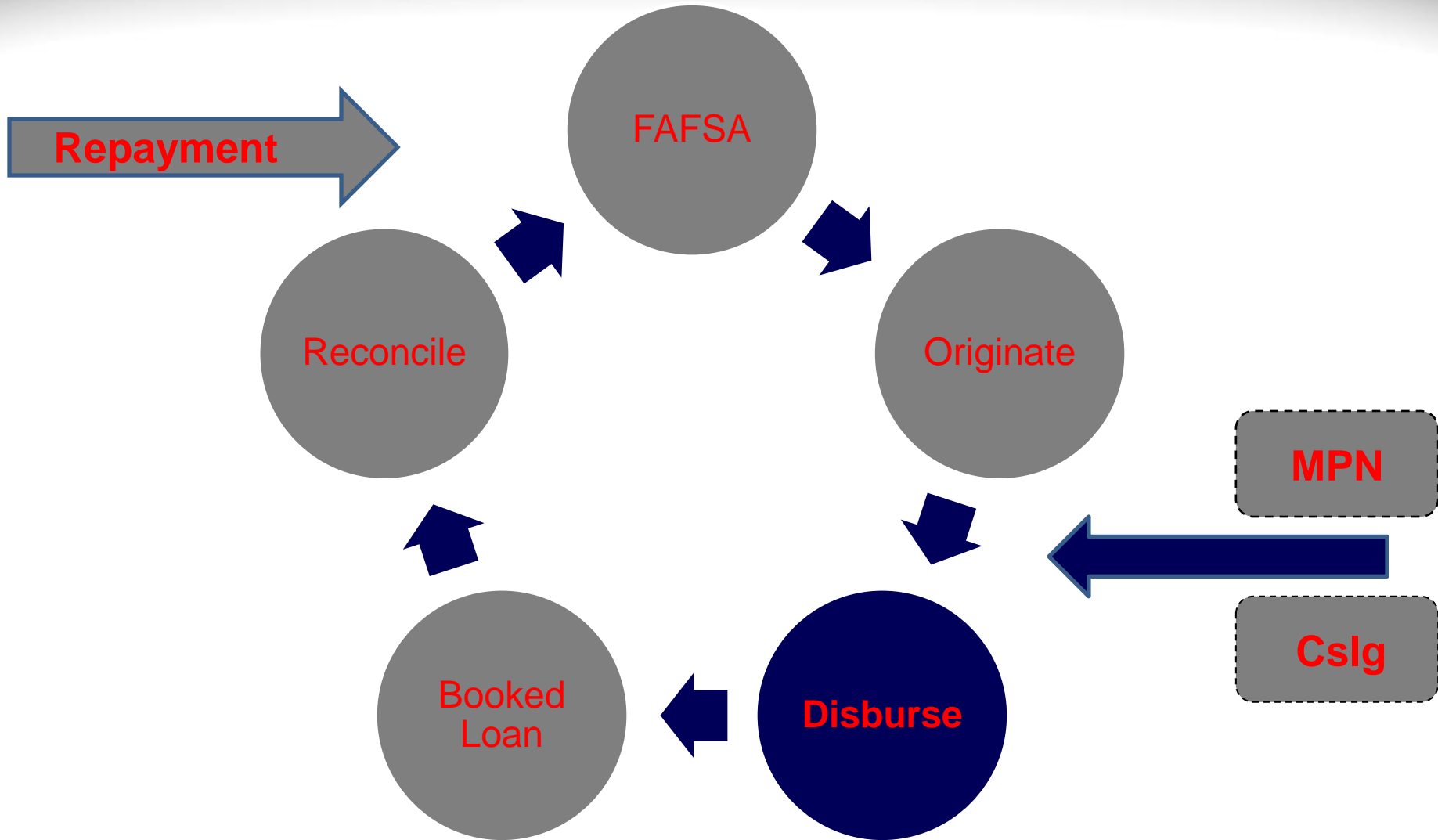
- A session of PLUS Counseling will be required for EACH original credit decision of “Denied” for a borrower who desires to remedy the adverse credit decision and gain eligibility for their Direct PLUS Loan
  - ✓ A Direct PLUS Loan borrower who **declines** to proceed any further in obtaining a Direct PLUS loan does NOT have to complete a session of PLUS Counseling

# Direct Loan “Life Cycle”

## Exit Counseling

- A school must ensure that exit counseling is conducted shortly before the student borrower ceases at least half-time study at the school
- The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means
  - ✓ If done via StudentLoans.gov COD will send the school a system-generated response
- You must ensure an individual with expertise in the title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions

# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”

## Funding Method

- Most D/L schools are on “Advanced Funding”
  - ✓ D/L schools **NOT** on Heightened Cash Management (HCM) receive an initial authorization
  - ✓ You will see a Current Funding Level (CFL) on the COD Web
  - ✓ You will see an available balance on the G5 Web
  - ✓ You calculate your “Immediate Need” and draw funds from G5
    - ✓ **NOT STUDENT SPECIFIC**

# Direct Loan “Life Cycle”

## Pending vs. Actual Disbursement

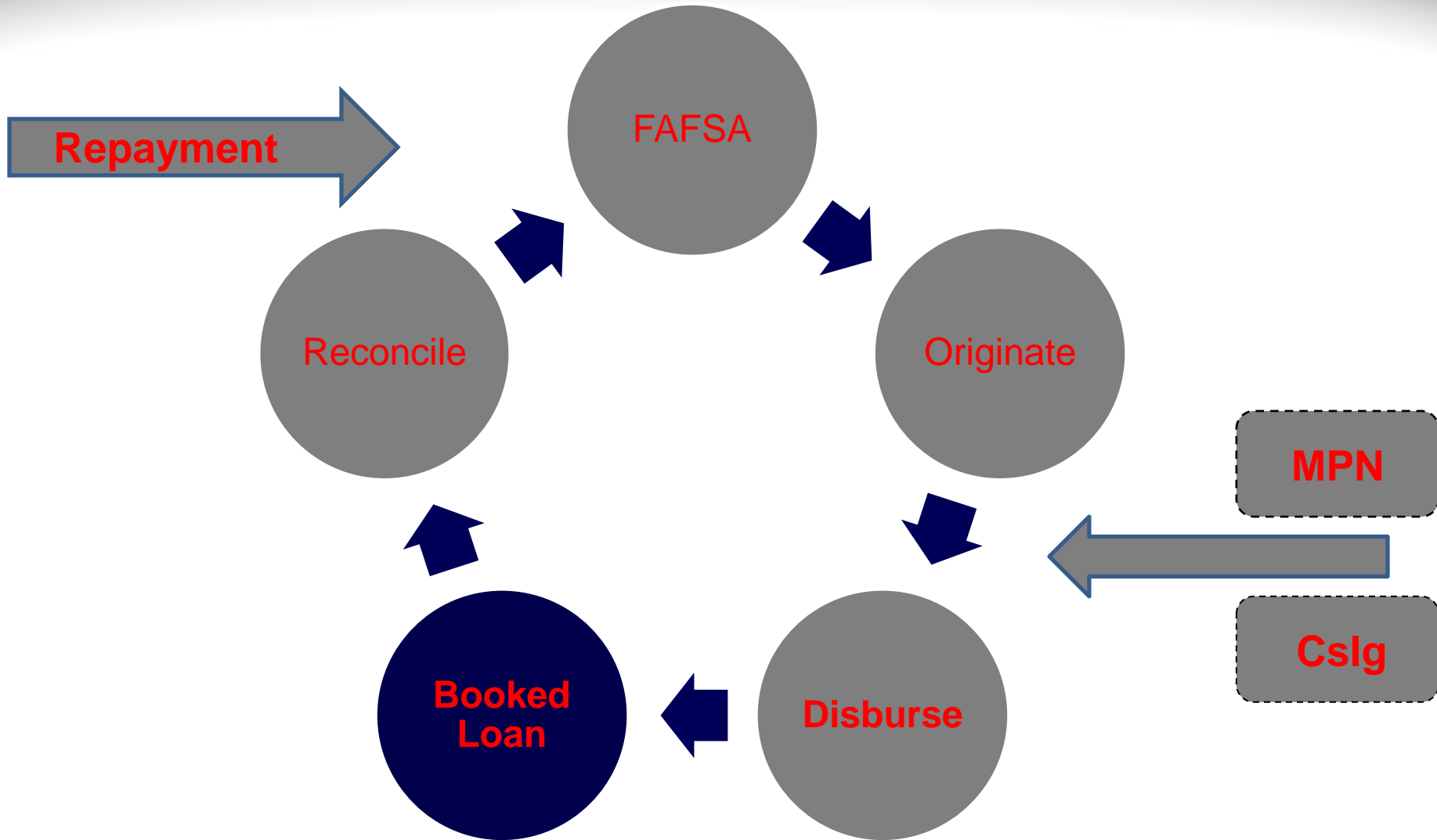
- A Pending Disbursement and date is “anticipated” future disbursement and date
  - ✓ Actually part of the LOR
  - ✓ No impact on funding
  - ✓ Disbursement Release Indicator (DRI) = FALSE
- If the anticipated disbursement date or amount changes you need **NOT** change it until you are ready to actually disburse it

# Direct Loan “Life Cycle”

## Pending vs. Actual Disbursement

- An Actual disbursement drives funding
  - ✓ DRI = TRUE
  - ✓ Substantiates funds drawn from G5
  - ✓ Increases your CFL in COD and then your available balance in G5
  - ✓ Origination fee assessed on an actual disbursement
  - ✓ Can be reported up to 7 days prior to actual date of disbursement
  - ✓ **MUST** report any disbursement, and any adjustment to an actual disbursement, within **15 days** of the event
  - ✓ You **MUST** accurately report the actual date and actual amount

# Direct Loan “Life Cycle”



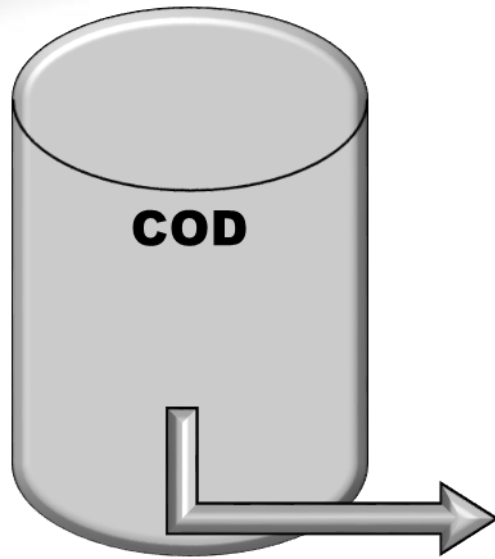
# Direct Loan “Life Cycle”

A booked loan is one where COD has received an accepted LOR, an accepted and linked MPN, and an accepted actual disbursement

- The loan processes through COD’s Loan Distribution Engine (LDE)
  - ✓ The LDE assigns the loan to a Servicer
  - ✓ If the borrower has previous loans the LDE will assign the new loan to the Servicer holding the previous loans
- The loan is now an obligation between the borrower and ED
  - ✓ Liability for the drawn funds migrates from the school to FSA



# Direct Loan “Life Cycle”



## Servicers

MOHELA

Granite State  
GSMR

Navient

Great Lakes

FedLoan  
Svcg

OSLA  
Servicing

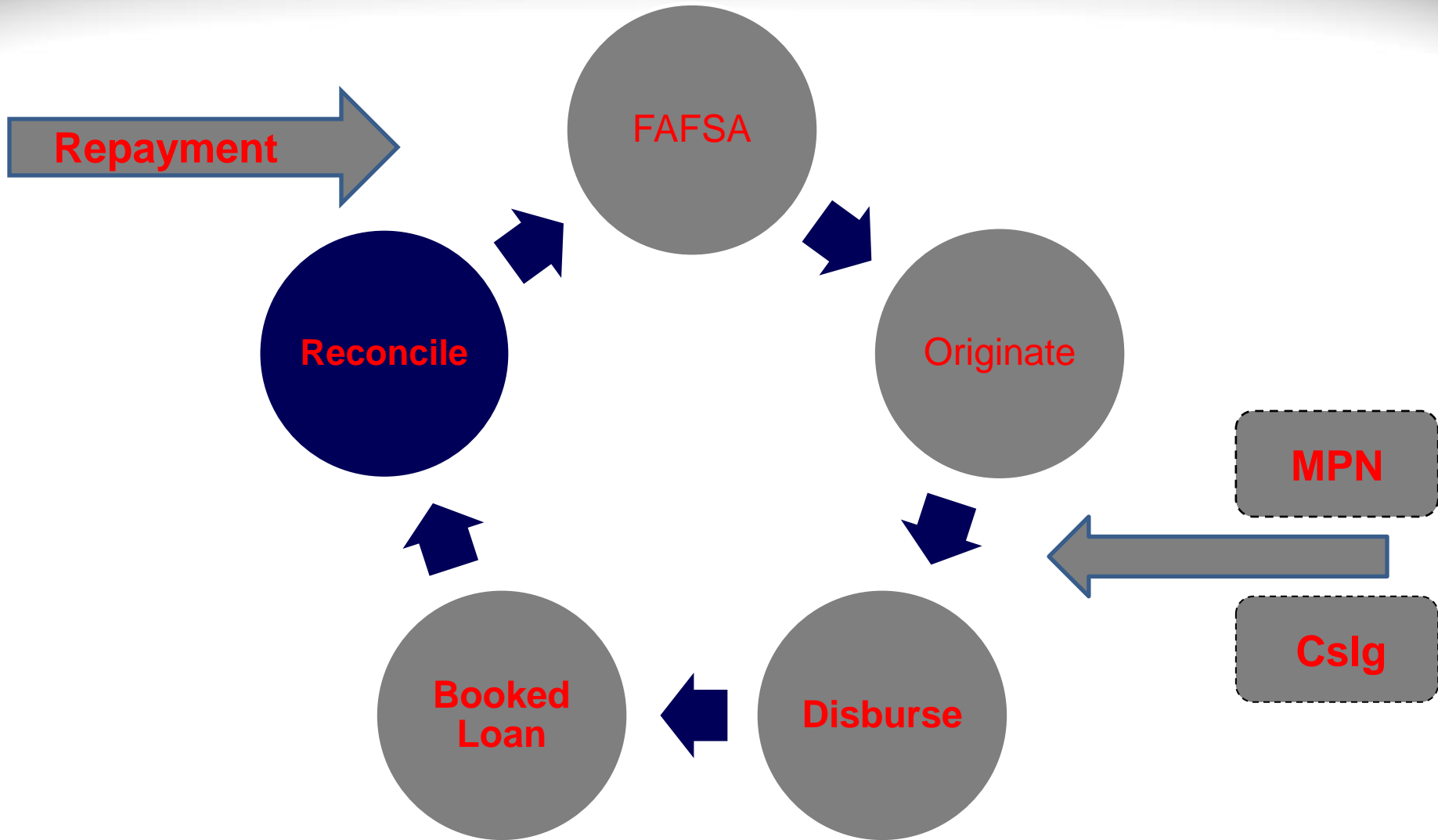
HESC/  
Edfinancial

NelNet

CornerStone

LDE : The Loan Distribution Engine is the interface that assigns a “booked” loan to a federal loan servicer

# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”

Generally, reconciliation means to bring into agreement or harmony...to make compatible or consistent



# Direct Loan “Life Cycle”

Title IV Reconciliation: The process by which Title IV aid (grants, loans, and campus-based aid) recorded on the Department of Education systems is reviewed and compared with a school’s internal records

AND

- Discrepancies are identified and resolved
- Address any remaining cash balance

# Direct Loan “Life Cycle”

Who is responsible for reconciliation?

Anyone that “touches” the money!

The “secret” to successful reconciliation?

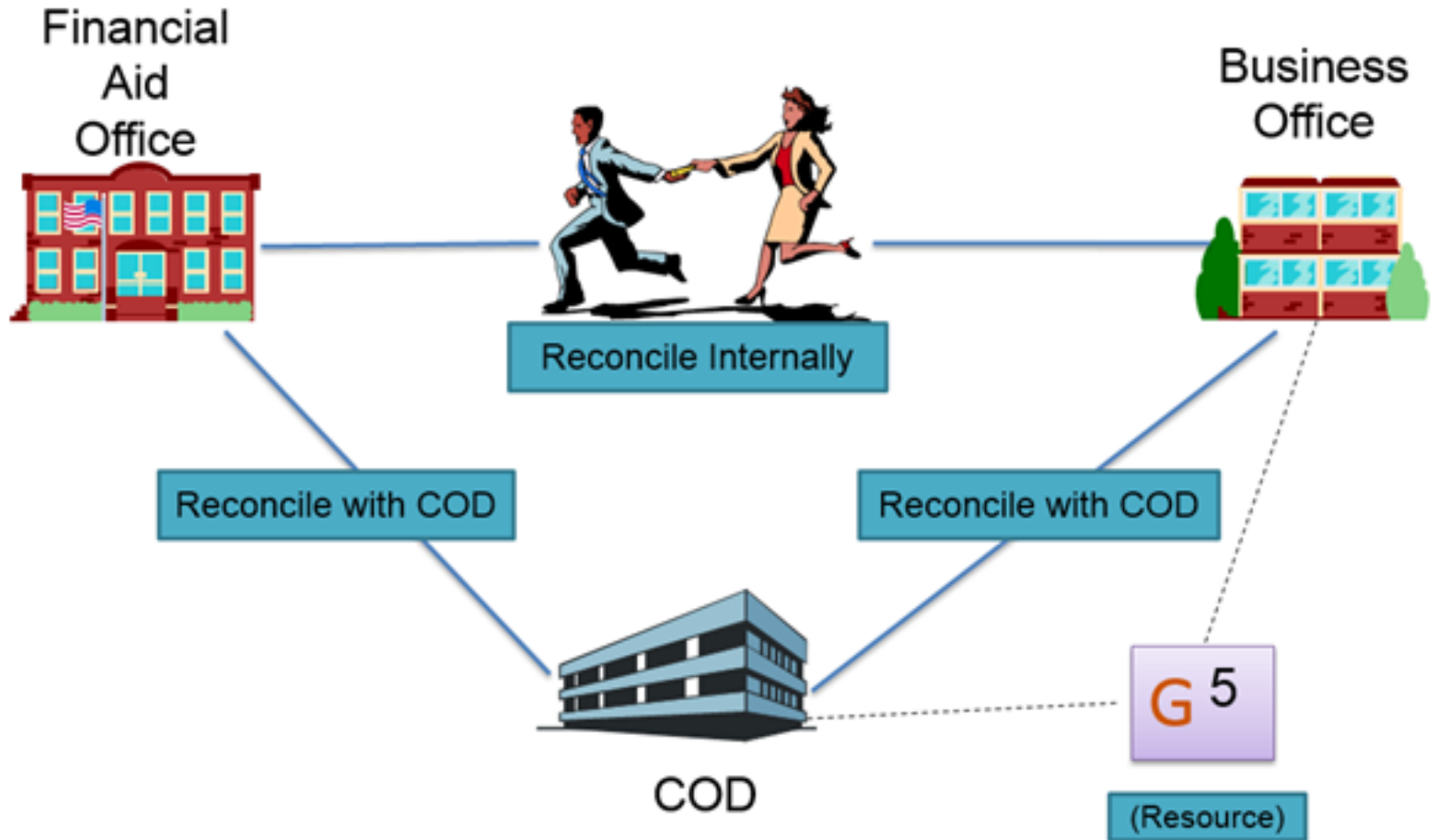
**KNOW WHERE THE MONEY IS!**

# Direct Loan “Life Cycle”

## Reconciliation is a “two-part” process

- Internal Reconciliation
  - ✓ The Financial Aid Office data and Business Office/Bursar’s Office/Comptroller’s Office data are compared and matched
- External Reconciliation
  - ✓ Reconciled school data is compared and matched to data in Department of Education systems

# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”

## Ensure that...

- Business Office data (amount and date) matches ***EXACTLY*** the data found in your Financial Aid Office software
- Net Drawdowns (ND) = Net Accepted and Posted Disbursements (NAPD)
- Cash management requirements are met
- Internal cash transactions (drawdowns, refunds of cash, and adjustments) match school bank statements



# Direct Loan “Life Cycle”

## Ensure that...

- Data transmitted electronically between school offices match
  - ✓ Run a regular comparison to identify any discrepancies
  - ✓ Include the Registrar’s Office

# Direct Loan “Life Cycle”



## Tips for internal reconciliation

- Frequent “check-in” between the Business and Financial Aid Offices
  - ✓ Disbursements reported match disbursements posted
  - ✓ Drawdowns/returns of cash match disbursement data
  - ✓ School banking data matches G5 data
- Regularly run a report to identify rejected data
  - ✓ Weekly/Bi-weekly
  - ✓ Resolve ALL rejected data and re-submit promptly
- Return funds to the correct program and year
  - ✓ Refunds of cash should be made electronically

# Direct Loan “Life Cycle”

And don't forget the student/recipient...

- Return funds/update disbursements not made and award amounts
  - ✓ Student doesn't want the disbursement
  - ✓ Student doesn't return for the next term
  - ✓ Student is no longer eligible



# Direct Loan “Life Cycle”

## External Reconciliation

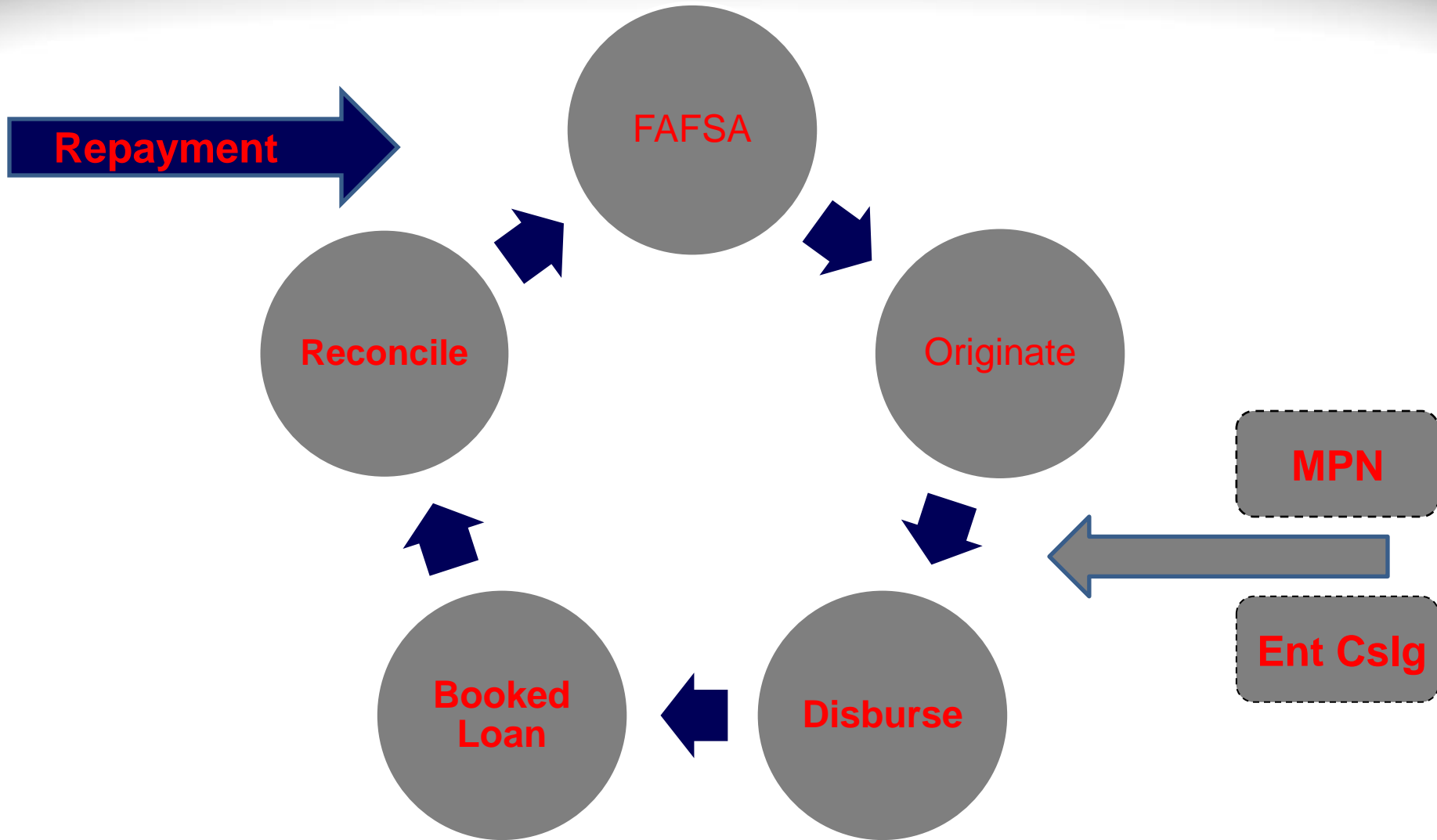
- Ensure that your internally reconciled disbursement data at the school matches **EXACTLY** that disbursement data reflected on COD
- Ensure that cash transactions recorded at the school match **EXACTLY** cash transactions reflected in COD and G5
  - ✓ Drawdowns
  - ✓ Drawdown adjustments
  - ✓ Refunds of cash

# Direct Loan “Life Cycle”

## Tips for external reconciliation

- ***Make sure your internal data is reconciled***
- Begin regular external reconciliation with U.S. Department of Education systems
  - ✓ COD
  - ✓ G5
- Daily/weekly monitoring of edit code rejects
  - ✓ Rejected D/L data does **NOT** increase your COD CFL and does **NOT** increase your G5 available balance
  - ✓ ***Rejected D/L data equals unsubstantiated cash***

# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”

## D/L repayment plans

- Standard Repayment Plan
  - Basic repayment plan for D/L
  - Fixed payment amount of \$50 or more monthly for up to 10 years
- Graduated Repayment Plan
  - ✓ Start low then increase every two (2) years
  - ✓ Payments will never be less than the amount of interest that accrues between your payments

AND

- ✓ Won't be more than three (3) times greater than any other payment

# Direct Loan “Life Cycle”

## D/L repayment plans

- Extended Repayment Plan
  - ✓ Repay your loans for a period of time up to 25 years
  - ✓ Must have \$30,000 or more in D/L loans
  - ✓ Fixed or graduated monthly payments
- Public Service Loan Forgiveness (PSLF)
  - ✓ Forgives the remaining balance on your D/Ls after 120 qualifying monthly payments on a qualifying repayment plan while working full-time for a qualifying Government or not-for-profit organization
  - ✓ Qualifying repayment plans for PSLF include **ALL** the Income Contingent Repayment Plans



# Direct Loan “Life Cycle”

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# Direct Loan “Life Cycle”

An income-driven repayment plan sets your monthly payment at an amount that is intended to be affordable based on your income and family size

- Revised Pay As You Earn Repayment Plan (REPAYE PLAN)
- Pay As You Earn Repayment Plan (PAYE Plan)
- Income-Based Repayment Plan (IBR Plan)
- Income-Contingent Repayment Plan (ICR Plan)
- Plans allow repayment for 20-25 years

# Direct Loan “Life Cycle”

## Resources



# Direct Loan “Life Cycle”

## COD Technical Reference

- Volume II
  - Section I – Implementation Guide
  - Section II – Message Classes
  - Section III – Common Record Layout
  - Section IV – Implementation Guide
- Volume VI
  - Section VIII - Reports

# Direct Loan “Life Cycle”

[ifap.ed.gov](http://ifap.ed.gov)

- Electronic Announcements
- Dear Colleague Letters
- Current FSA Student Aid Handbook
- 34 CFR 668 (Student Assistance General Provisions)
- 34 CFR 685 (William D. Ford Federal Direct Loan Program)

# Direct Loan “Life Cycle”

## COD Help Desk

- 8:00am – 11:00pm ET Mon-Fri
- 1.800.848.0978 (D/L)
- COD Reconciliation Specialists

# Direct Loan “Life Cycle”



# Direct Loan “Life Cycle”

Wood Mason  
U.S. Department of Education  
Federal Student Aid  
Atlanta, GA  
404.974.9259 (Office)  
wood.mason@ed.gov