

Title IV Loans

NCASF AA Fall Conference
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Harrah's Cherokee Resort
Cherokee, NC

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Agenda

- Private vs. Federal Title IV loans
- Title IV loans
 - ✓ Perkins
 - ✓ William D. Ford Direct Loan Program
 - ❖ Direct Subsidized Loans
 - ❖ Direct Unsubsidized Loans
 - ❖ Direct PLUS loans
 - ❖ Origination & Disbursement
 - ❖ Repayment
 - ❖ Reconciliation and Program Year Closeout

Private vs. Title IV loans

Private loans are still available from a number of providers

- Private loans generally require payment while in school
- A private loan may have a variable and higher interest rate
- A private loan is generally not “subsidized”
- A private loan may require an established, and satisfactory, credit history
 - ✓Credit score could impact the cost of the loan
- Interest on a private loan may not be tax deductible
- You cannot consolidate a private loan into a Direct Consolidation Loan

Agenda

Title IV Loans

Eligibility

Eligibility criteria is generally* the same for all Title IV loans and can be found in 34 CFR 668.32

- Citizenship status
- Default on Title IV awards
- Own property subject to a Federal lien or judgment
- Half-time enrollment as an eligible student in an eligible program at an eligible institution
 - ✓HS diploma or recognized equivalent
 - ✓Not incarcerated Student

***Perkins Loan Program does NOT require half-time enrollment status**

Agenda

Perkins Loan Program

Perkins Loan Program

A “campus-based” Title IV loan program for exceptionally needy students under which funds are provided and serviced by **PARTICIPATING*** schools

- Both undergraduate and graduate/professional students are eligible for the Perkins Loan Program
- Low interest rate
 - ✓5%
- Loans are made from the school’s revolving fund, i.e., cash on hand and collections of outstanding Perkins loans

*Not all schools participate

Perkins Loan Program

Annual loan limit based on need, other financial assistance, and availability of funds at the school

- Undergraduate/Graduate student
 - ✓Up to \$5,500/\$8,000

Aggregate loan limits

- Undergraduate/Graduate student
 - ✓\$27,500/\$60,000

Perkins Loan Program

ALL Perkins Loan borrowers enter repayment under a 10-year repayment plan

- First time entering repayment (or losing eligibility) provides a 9-month grace period
 - ✓ Subsequent loan grace period 6-months
- Payments are made to the originating school
- “Low income individuals” **may** have their repayment period extended an additional 10 years
 - ✓ Must meet regulatory criteria to be considered “low income individual”

Perkins Loan Program

The Perkins Loan Program offers repayment incentives

- A reduction =< 1% after 48 consecutive, on-time payments
- A discount =< 5% on remaining balance paid in full prior to the end of the repayment period

Additional benefits include, but are not limited to...

- Deferment
- Forbearance
- Several specific “service” related cancellations, i.e., Teaching service, Firefighters, Military in hostile action, and others

Agenda

William D. Ford Direct Loan Program

William D. Ford Direct Loan Program

The William D. Ford Direct Loan Program is offered to borrowers through *participating and eligible* institutions

- The program consists of Direct Subsidized (undergraduate students only), Direct Unsubsidized (undergraduate and graduate/professional students), and Direct PLUS (Parents of Dependent students and graduate/professional students) loans originated and disbursed by the institution
- A school may choose to participate in the subsidized/unsubsidized loan programs, the PLUS loan program, both or neither

William D. Ford Direct Loan Program

Generally, Direct Loan participating schools are “Advance Funded” and are subject to all cash management regulations found in 34 CFR 668.134

- Direct loan schools receive an initial authorization that establishes their Current Funding Level (CFL) in COD and a corresponding available balance in G5
 - ✓ Heightened Cash Monitoring (HCM) schools do NOT receive an initial authorization and operate as “records first” schools
 - ✓ Advance Funded schools calculate their own immediate need and draw funds from G5
 - ❖ Funds MUST be substantiated within 15-days of receipt

William D. Ford Direct Loan Program

Direct Loans are originated via batch or online submission and cover education related expenses over a period of enrollment called a “loan period”

- Generally disbursed in a minimum of two disbursements per loan period and no more than half of the award can be disbursed prior to the midpoint of the loan period
- Direct Loans cannot be “front loaded” and must be ***originated*** with substantially equal disbursements
- Unlike Pell Grants, a Direct Loan must be originated with anticipated and/or actual disbursements equal to the loan amount

William D. Ford Direct Loan Program

All Direct Loans are subject to an origination fee that is assessed on each actual disbursement

- 1.072% for Direct subsidized and unsubsidized loans with an earliest disbursement date (EDD) on or after December 1, 2013 and before October 1, 2014
- 4.288% for PLUS loans with an EDD on or after December 1, 2013 and before October 1, 2014
 - ✓Gross disbursement amount less origination fee equals net disbursement amount

William D. Ford Direct Loan Program

All Direct Loans are “secured” by a Master Promissory Note (MPN)

- Expire 10-years from date of COD receipt
 - ✓ 1-year if no actual disbursement in the first 12-months
 - ✓ Multiple loans can link to an MPN
- A unique MPN for subsidized and/or unsubsidized loans
 - ✓ Same MPN can be used for both loan types
 - ✓ XXXXXXXXXM14G99999001
- A unique MPN for PLUS loans
 - ✓ A unique MPN for each PLUS loan parent/dependent pair
 - ✓ XXXXXXXXXN14G99999001...PLUS loan(s)

William D. Ford Direct Loan Program

COD will NOT accept an actual disbursement on a Direct Loan without a linked MPN

- Schools can take advantage of the multi-year functionality of the MPN and their origination can link to ANY active MPN on COD associated with ANY school if key identifiers match
 - ✓Links on SSN, DOB first two characters of the first name
 - ✓Will link to the MPN with the latest expiration date
 - ✓Single-year functionality needs a new MPN each academic year

William D. Ford Direct Loan Program

All first-time, first-year borrowers of a Direct subsidized and/or unsubsidized loan, and first-time graduate/professional student PLUS loan borrowers, are required to complete entrance counseling prior to the first disbursement of the loan

- Counseling can be delivered by the school
- Counseling can be completed on the [StudentLoans.gov](https://studentloans.gov) website
- Subsidized/unsubsidized loan entrance counseling is NOT the same as PLUS loan entrance counseling

William D. Ford Direct Loan Program

All Direct Loan borrowers can take advantage of benefits provided by the program

- Deferred repayment while the student is in school
- Grace period after student loses eligibility
 - ✓ Graduation, no longer enrolled at least half-time, etc..
- Multiple repayment plans including loan consolidation
- Forbearance
- Loan forgiveness
 - ✓ Public Service Loan Forgiveness Program
- Can be originated and disbursed at more than one school during the same academic year

Agenda

Subsidized and Unsubsidized Loans

William D. Ford Direct Loan Program

Subsidized loans are based on “need”

- Calculated by the school using the EFC vs. their Cost of Attendance (COA)
- Interest paid by the U.S. Department of Education (ED) while the student is in an “in-school” status, i.e., enrolled at least half-time
- Loans with an earliest disbursement date (EDD) on or after July 1, 2013 and on or before June 30, 2014 carry an interest rate of 3.86%

William D. Ford Direct Loan Program

Unsubsidized loans are NOT “need” based and can be awarded to undergraduate as well as graduate and professional students

- Can be used to replace the EFC
- Interest on unsubsidized loans is NOT paid by ED while the student is in school and will be “capitalized” if not paid during that time
- The interest rate for unsubsidized loans with an EDD on or after July 1, 2013 and on or before June 30, 2013
 - ✓3.86% for undergraduate unsubsidized loans
 - ✓5.41% for graduate/professional student unsubsidized loans

William D. Ford Direct Loan Program

Subsidized and unsubsidized award amounts are based on the borrower's grade level (as determined by his or her school), AND his or her dependency status

- Keep in mind that for a transfer student his or her grade level may not “transfer” to the new school
 - ✓The receiving school may or may not accept all hours completed at the prior school

William D. Ford Direct Loan Program

Annual loan limits **for a dependent undergraduate student whose parents can secure a PLUS loan...**

- First academic year or Grade Level 1
 - ✓\$5,500...no more than \$3,500 may be in subsidized funds
- Second academic year or Grade Level 2
 - ✓\$6,500...no more than \$4,500 may be in subsidized funds
- Third academic year and beyond, or Grade Level 3, 4, or 5
 - ✓\$7,500...no more than \$5,500 may be in subsidized funds

William D. Ford Direct Loan Program

Annual loan limit for an **independent undergraduate student OR a dependent undergraduate student whose parents are UNABLE to secure a PLUS loan...**

- First academic year or Grade Level 1
 - ✓\$9,500...no more than \$3,500 may be in subsidized funds
- Second academic year or Grade Level 2
 - ✓\$10,500...no more than \$4,500 may be in subsidized funds
- Third academic year and beyond or Grade Level 3, 4, and 5
 - ✓\$12,500...no more than \$5,500 may be in subsidized funds
- Graduate/professional student or Grade Levels 6 & 7
 - ✓\$20,500

William D. Ford Direct Loan Program

Aggregate loan limits*

- **Dependent undergraduate student**
 - ✓ \$31,000...no more than \$23,000 may be in subsidized funds
- **Independent undergraduate student**
 - ✓ \$57,500...no more than \$23,000 may be in subsidized funds
- **Graduate/Professional Student**
 - ✓ \$137,500...no more than \$65,000 may be in subsidized funds for periods of enrollment prior to July 1, 2012 or previous graduate/professional student study

Includes any funds borrowed under the Federal Family Education Loan Program (FFELP) AND funds borrowed under the William D. Ford Direct Loan Program

William D. Ford Direct Loan Program

A dependent student whose parents refuse to support him or her financially can receive the annual limit for their grade level **IN UNSUBSIDIZED FUNDS**

- Documentation by the school is required to show...
 - ✓ Parents refuse to contribute information to FAFSA and do not, and will not, provide any financial support, including the date any such support ended
 - ✓ Student statement alone is not sufficient...if parents refuse to provide signed documentation the school must obtain 3rd party validation, i.e., a teacher, counselor, cleric, etc.

William D. Ford Direct Loan Program

The annual loan limits for such a student in
UNSUBSIDIZED FUNDS

- First academic year
 - ✓\$5,500
- Second academic year
 - ✓\$6,500
- Third academic year and beyond
 - ✓\$7,500

William D. Ford Direct Loan Program

Generally, and under certain circumstances, a subsidized or unsubsidized loan can be increased, or reduced, upon request of the student or borrower

- The student advances from one grade level to the next
- The student did not receive 100% of his or her loan eligibility and finds later in the loan period it is needed
- The student finds later in the loan period he or she doesn't need as much as they initially thought
 - ✓ If returned to the school within 120 days of disbursement the borrower is NOT assessed any interest or fees
 - ❖ Loans are reduced to \$0 in the system but are NOT deleted

Agenda

PLUS Loans

William D. Ford Direct Loan Program

PLUS loans are NOT need based

- Awarded to a Parent or graduate/professional student
- NOT part of your cohort default rate (CDR) calculation
- The borrower AND dependent student must meet all Title IV eligibility criteria
- The PLUS loan can be used to replace the EFC
- The PLUS loan can be used to replace the “need”
- A parent FAFSA is NOT required
 - ✓ Dependent child MUST have FAFSA on file
- PLUS loans with an EDD on or after July 1, 2013 and on or before June 30, 2014 carry an interest rate of 6.41%

William D. Ford Direct Loan Program

The parent borrowing a PLUS loan must be the biological or adoptive mother or father of the student and can borrow for more than one dependent students

- Can be a stepparent if his or her income is used to calculate EFC
- A unique parent/dependent child “pair” for each PLUS loan a school originates
 - ✓Dad and Jenny
 - ✓Dad and Michael
- Unique Master Promissory Note for each unique loan

William D. Ford Direct Loan Program

A graduate/professional student Direct PLUS loan borrower must meet ALL title IV eligibility criteria

- Must be enrolled at least half-time in an eligible program at an eligible institution
- Graduate/professional student borrowers must be apprised FIRST of the benefits of an unsubsidized before a PLUS loan is offered and originated
 - ✓A graduate/professional student borrower may forego the unsubsidized loan and request a PLUS loan

William D. Ford Direct Loan Program

The school is responsible for determining PLUS loan eligibility for a parent of a dependent student or a graduate/professional student borrower and the loan amount

- PLUS loan amount is limited to the Cost of Attendance (COA) less any estimated financial assistance
 - ✓Grants, scholarships, etc..
- Graduate/professional student borrowers and parent borrowers must undergo a credit check

William D. Ford Direct Loan Program

The credit check can be accomplished by the school or by the borrower

- The origination of a PLUS loan by the school generates a credit check as does an “instant online credit check” run by the school via the COD reporting website
 - ✓Must have written authorization from the PLUS borrower to do so
- The PLUS loan borrower by completing a PLUS Loan Request via FSA’s StudentLoans.gov website
 - ✓The credit check is the 4th of the four steps
 - ✓Immediate result viewable to the borrower

William D. Ford Direct Loan Program

Adverse credit criteria is defined in 34 CFR 685.200

- Absence of a credit history is NOT adverse credit history
- FSA does not look at “credit worthiness” i.e., credit score, income to debt ratio, or loan amount
- Denial of one parent is sufficient to offer additional unsubsidized loan funds to the dependent student
 - ✓ A declination due to adverse credit history is NOT school specific and can be used across schools for the same academic year

William D. Ford Direct Loan Program

The school can determine to forego the Direct PLUS Loan process entirely with knowledge, and documentation, of the inability of the Parent to borrow due to adverse credit or exceptional circumstances

- 34 CFR 685.203
- DCL GEN 11-07
- COD does NOT look for a declined Direct PLUS Loan when the school submits a direct unsubsidized loan for a Dependent undergraduate student

William D. Ford Direct Loan Program

There are alternatives if the borrower is refused a PLUS loan because of adverse credit history

- He or she may refuse to pursue any alternative
 - ✓The school may offer the dependent student additional unsubsidized loan funds
- He or she may appeal the credit decision
 - ✓FSA will contact the borrower with details on what to do next
 - ✓Some initially declined will likely be approved with reconsideration
- He or she may secure an endorser
 - ✓The endorser will undergo a credit check
 - ✓Cannot be the student for whom the PLUS loan is intended

William D. Ford Direct Loan Program

Much like a subsidized or unsubsidized loan, A PLUS loan can be increased, or reduced, upon request of the student or borrower with a few caveats

- A PLUS loan associated with an endorser cannot be increased beyond the endorsed amount
 - ✓New PLUS loan, new PLUS MPN
 - ✓An endorser if the credit result is declined
- A PLUS loan cannot be increased if the school is in possession of a subsequent adverse credit result
 - ✓New PLUS loan, new MPN
 - ✓Endorser

Agenda

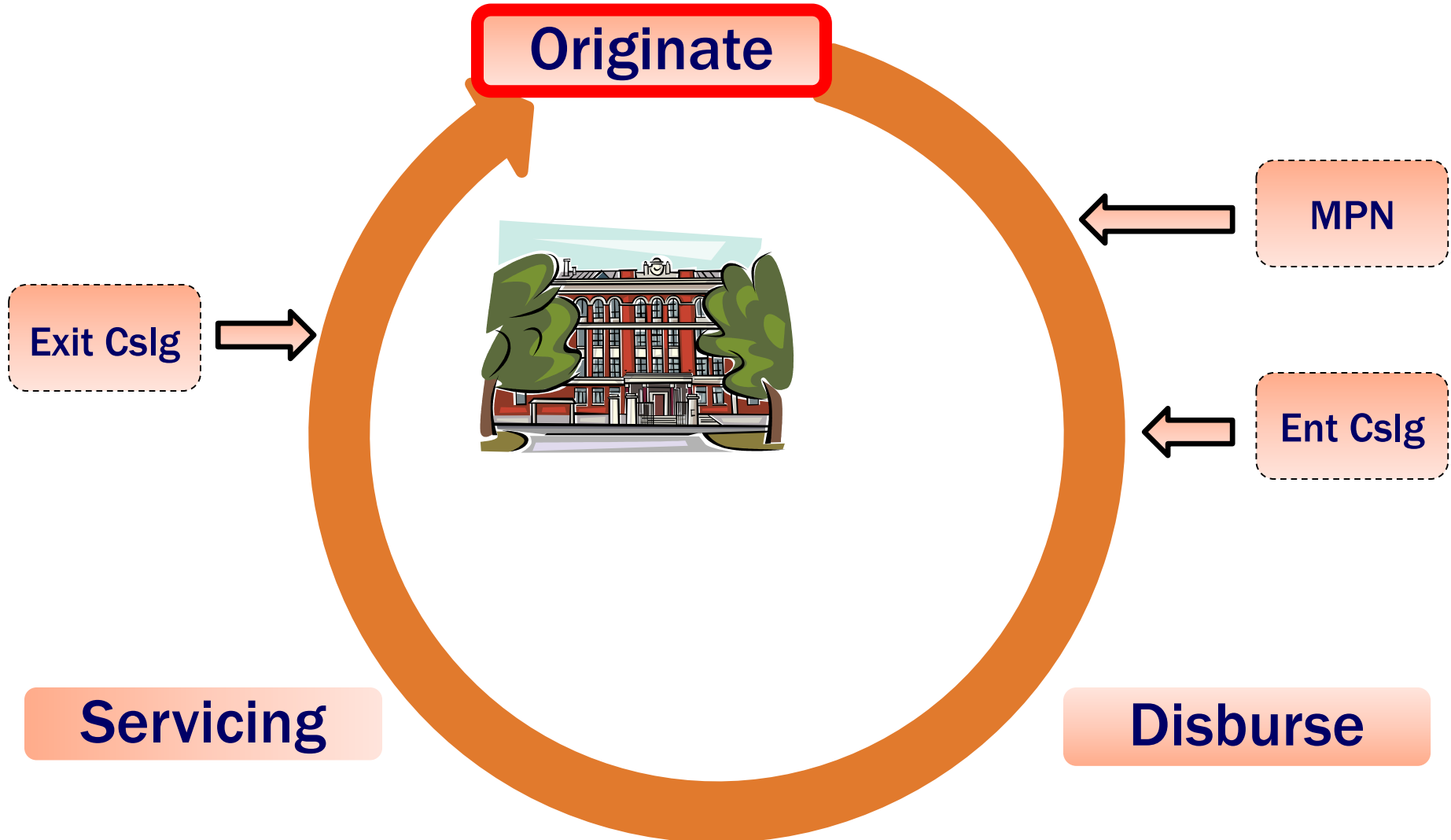
Origination & Disbursement

William D. Ford Direct Loan Program

Direct loans are originated and disbursed much like a Pell Grant but with a few differences

- Anticipated/actual disbursements equal to the loan amount **MUST** accompany the LOR to COD
- You have to deal with the MPN
 - ✓COD will **NOT** accept an actual disbursement unless a valid MPN is linked to that loan
- Counseling

Direct Loan Processing Cycle



William D. Ford Direct Loan Program

Unlike Pell Grant origination data, the LOR generates a loan ID and must include anticipated and/or actual disbursement data equal to the loan amount

- Standard Term school example
 - ✓ Loan amount = \$3,000
 - ✓ Disbursement #1, sequence #1 = \$1,500
 - ✓ Disbursement #2, sequence #1 = \$1,500

Borrower SSN	Loan type award YR	D/L School Code	Sequence number
XXXXXXXXXX	S 14	G999999	001

William D. Ford Direct Loan Program

An accepted Direct Loan award generates a required disclosure statement that must be provided to the borrower on or before the first disbursement

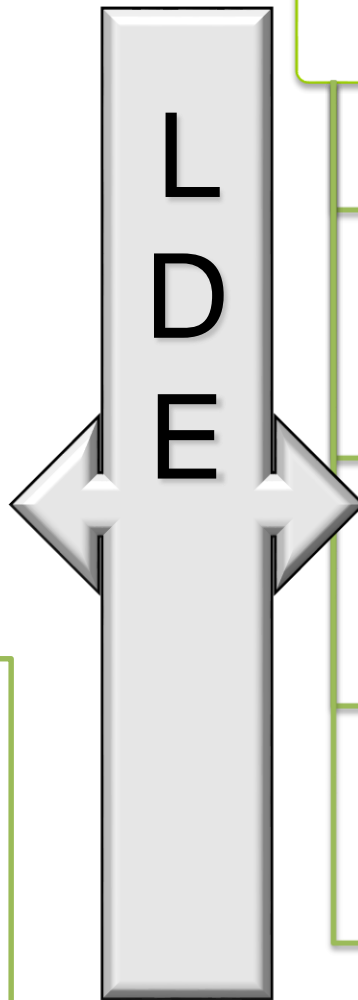
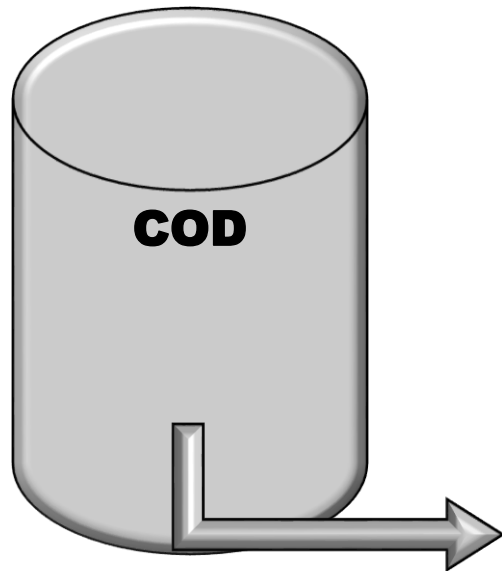
- NOT THE SCHOOL NOTIFICATION OF DISBURSEMENT
- Generated 7-days prior to the EDD on the incoming LOR
 - ✓ Loan and disbursement amounts and dates
- COD default is for COD to generate and provide the document
 - ✓ Electronic delivery via StudentLoans.gov for students that opt in for electronic correspondence

William D. Ford Direct Loan Program

The goal is to “book” the loan with a Servicer at which time the liability for drawn funds moves from the school to FSA.

- The loan books when COD is in receipt of an accepted LOR, an accepted and linked MPN, and an accepted actual disbursement
 - ✓ Generally, disbursement #1, sequence #1 books the loan
 - ✓ Each subsequent disbursement will book as well with the same Servicer

William D. Ford Direct Loan Program



Servicers

FedLoan Servicing (PHEAA)



Great Lakes Educational Loan Services, Inc.



Nelnet



Sallie Mae



LDE : Loan Distribution Engine: interface to assign booked loans to the federal loan servicers.

The federal loan servicer is assigned upon "booking" of the loan

William D. Ford Direct Loan Program

When the student ceases to attend half-time, i.e., graduates or withdraws or ceases attendance, he or she must undergo exit counseling

- Does NOT have to be electronic exit counseling via StudentLoans.gov
 - ✓ StudentLoans.gov counseling meets ALL regulatory and loan type requirements
 - ✓ Delivered in both English and Spanish and contains 150% Subsidized Loan Limitation information
- If not from StudentLoans.gov the school is responsible for determining the counseling meets regulatory requirements

Agenda

Repayment

William D. Ford Direct Loan Program

Borrowers have a choice of several repayment plans that are designed to meet their needs

- Fixed Plans
 - ✓ Standard
 - ✓ Graduated
 - ✓ Extended
- Income dependent plans
 - ✓ Income contingent
 - ✓ Income based
 - ✓ Pay As You Earn (PAYE)

William D. Ford Direct Loan Program

Reconciliation & Program Year Closeout

William D. Ford Direct Loan Program

Direct Loan reconciliation is a required monthly task whereby the financial aid data on FSA systems is reviewed and compared to the financial aid data on the school system

- FSA provides several reports to assist
 - ✓ School Account Statement
 - ❖ School Account Statement Disbursement Detail On Demand Report
 - ✓ 30-Day Warning Report
 - ✓ Actual Disbursement Report

**KNOW WHERE THE
MONEY IS**

William D. Ford Direct Loan Program

Reconciliation is a two-part task

- Internal reconciliation
 - ✓ Identify and resolve discrepancies
 - ✓ Document reasons for any ending cash balance
- External reconciliation
 - ✓ Identify and resolve discrepancies
 - ✓ Document reasons for any ending cash balance
- We are reconciled when
 - ✓ Our internally reconciled data matches exactly the origination and disbursement data that resides on FSA systems

and

- ✓ Net Drawdowns (ND) = Net Accepted and Posted Disbursements (NAPD)

William D. Ford Direct Loan Program

The Program Year Closeout (PYCO) deadline date is the last processing day in July of the year following the end of that award year

- July 31, 2014 for award year 2012-2013
- After the PYCO deadline date COD will
 - ✓ Reduce your funding to net drawdowns
 - ✓ Reject award year specific submissions of awards and/or disbursements
 - ❖ Unless you have secured extended processing
 - ✓ Discontinue award year specific reports
 - ✓ Generate your final SAS and a PYCO letter
- The award year can be re-opened if necessary
- **DO NOT WAIT UNTIL A WEEK BEFORE THE CLOSEOUT DEADLINE TO COMPLETE YOUR PYCO**

William D. Ford Direct Loan Program

There is a Reconciliation Specialist at the COD School Relations Center assigned to your school that is dedicated to assisting you in your monthly reconciliation task as well as helping you closeout your program year

- 800.848.0978 and ask to speak to your assigned Reconciliation Specialist

Thank You For Attending!