Direct Loan Update

2017 IASFAA Conference

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Agenda

• 2018/19 New Award Year Setup at COD
  o Funding
  o COD Options
• Program Length Reporting
• Top Edits
• COD Reports
• Recon Stumbles
• Servicing
2018/19
New Award Year Setup
COD Release 17.0
Implementation March 2018
2018/2019  New Award Year Setup

123456789S19G999999001
2018/19 Direct Loan Funding

- Advance funded schools
- If disbursements traditionally begin prior to June a funding level will be placed in G5 to cover them
- Schools will have ~60% of estimated award year funding needs placed in G5 in June 2018
- Remaining 40% in November 2018 (or that might possibly be split in two and part in February 2019)
Need Additional DL Funds?

• Funding division sets 2018/19 funding needs based on 2017/18 disbursement totals
• If you need a funding level increase before the scheduled increases:
  ○ Contact COD and tell them how much you need
    ✓ They will first check to see if your prior draws have been fully substantiated
    ✓ If near the end of the award year may ask that you first submit the loan originations so they can total up the anticipated disbursements
# G5 Award Numbers for 2018/19

<table>
<thead>
<tr>
<th>Program</th>
<th>G5 Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Loan</td>
<td>P268K19#####</td>
<td>trailing year</td>
</tr>
<tr>
<td>TEACH Grant</td>
<td>P379T19#####</td>
<td>trailing year</td>
</tr>
<tr>
<td>Pell Grant</td>
<td>P063P18#####</td>
<td>leading year</td>
</tr>
<tr>
<td>IASG</td>
<td>P408A18#####</td>
<td>leading year</td>
</tr>
<tr>
<td>Campus-based FWS</td>
<td>P033A18#####</td>
<td>leading year</td>
</tr>
<tr>
<td>Campus-based SEOG</td>
<td>P007A18#####</td>
<td>leading year</td>
</tr>
</tbody>
</table>

##### - Your school’s 4-digit G5 identification number
<table>
<thead>
<tr>
<th>StudentLoans.gov School Options (Non-Award Year Specific)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>eMPN Participation:</strong></td>
</tr>
<tr>
<td><strong>LOR Required to complete eMPN:</strong></td>
</tr>
<tr>
<td><strong>eMPN Message:</strong></td>
</tr>
<tr>
<td><strong>Electronic Entrance Counseling Participant:</strong></td>
</tr>
<tr>
<td><strong>Entrance Counseling Response Frequency:</strong></td>
</tr>
<tr>
<td><strong>Financial Awareness Counseling Response Frequency:</strong></td>
</tr>
<tr>
<td><strong>Exit Counseling Response Frequency:</strong></td>
</tr>
<tr>
<td><strong>School Name:</strong></td>
</tr>
<tr>
<td><em>(Applies to all StudentLoans.gov processes)</em></td>
</tr>
<tr>
<td><strong>Associated States:</strong></td>
</tr>
<tr>
<td><em>(Applies to all StudentLoans.gov processes)</em></td>
</tr>
<tr>
<td>StudentLoans.gov School Options (Award Year Specific)</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Award Range Request 1:</td>
</tr>
<tr>
<td>Award Range Request 2:</td>
</tr>
<tr>
<td>Award Range Request 3:</td>
</tr>
<tr>
<td>Award Range Request 4:</td>
</tr>
<tr>
<td>Display &quot;Other&quot; Option:</td>
</tr>
<tr>
<td>Participate in Electronic Parent PLUS Application:</td>
</tr>
<tr>
<td>Electronic Parent PLUS Application Participation Date Range:</td>
</tr>
<tr>
<td>Parent PLUS Application Response Option:</td>
</tr>
<tr>
<td>Participate in Electronic Grad PLUS Application:</td>
</tr>
<tr>
<td>Electronic Grad PLUS Application Participation Date Range:</td>
</tr>
<tr>
<td>Grad PLUS Application Response Option:</td>
</tr>
<tr>
<td>PLUS Application Message</td>
</tr>
</tbody>
</table>
Program Length & Normal Time

• 34CFR 668.41(a)
• Each school has to establish a normal time for completion of its academic programs
• If school published on web site, catalog or promotional materials the program length in years, months or weeks – it must report the same to COD and NSLDS
• If not published then a bachelor’s degree should be reported as 4 years, an associate’s degree as 2 years; unless academic design of the program makes it longer or shorter
• For all other programs the program length is based on school’s determination of how long in weeks, months or years a fulltime student needs to complete
Program Length Reporting

• COD uses what is reported, combined with the reported “WeeksProgramsAcademicYear” to convert programs into years for subsidized loan eligibility determinations

• NSLDS uses what is reported, combined with the reported “Weeks in Title IV Academic Year” to convert programs into years for eligibility to retain interest subsidy determinations

• These two fields must contain the same number of weeks of instructional time

• 34 CFR 668.3
Misreported Program Length

• A number of term-based schools are reporting associate and bachelor’s degree programs in weeks or months instead of years

• Examples of some of these misreported program lengths:
  A. Published Program Length in Months (PPLM): 24 months
     o Weeks Programs Academic Year (WPAY): 30 weeks
  B. Published Program Length in Months (PPLM): 48 months
     o Weeks Programs Academic Year (WPAY): 30 weeks
  C. Published Program Length in Weeks (PPLW): 208 weeks
     o Weeks Programs Academic Year (WPAY): 30 weeks

• Why are they reporting it this way?
Is this a problem?

- Oh yes
- Here are the conversion formulas COD and NSLDS use:

\[
\text{Length of Program} = \frac{(\text{Weeks in Length of Program} \times 7)}{(\text{Weeks in Program's Title IV Academic Year} \times 7)}
\]

\[
\text{Length of Program} = \frac{(\text{Months in Length of Program} \times 30)}{(\text{Weeks in Program's Title IV Academic Year} \times 7)}
\]

- And the results:
  A. 24-month program ≠ 2 years but 3.4 years
  B. 48-month program ≠ 4 years but 6.9 years
  C. 208-week program ≠ 4 years but 6.9 years
Closed School Loan Processing

• Pending disbursements
  • Is all processing done? Even though the school is closed some closed schools have staff or third party servicer personnel doing clean-up
  • If processing is completed these do not impact annual or aggregate loan limits
  • They can impact SULA usage and we are trying to get these updated behind-the-scenes

• Loan periods and academic years
  • The former we’re trying to get updated but the latter are probably going to remain unchanged once all school/third party servicer clean-up is done
Top Edits
## Some Top Direct Loan Warnings

9/1/16 – 9/1/17

<table>
<thead>
<tr>
<th>Edit #</th>
<th>Direct Loan Warning Edit</th>
<th># of Hits</th>
</tr>
</thead>
<tbody>
<tr>
<td>054</td>
<td>DRI is still False but within timeframe that could be sent as True</td>
<td>16,256,270</td>
</tr>
<tr>
<td>220</td>
<td>$0 disbursement has PPSD inside loan period</td>
<td>2,314,897</td>
</tr>
<tr>
<td>219</td>
<td>Loan amount corrected to sum of disbursements</td>
<td>911,039</td>
</tr>
<tr>
<td>055</td>
<td>Disbursement reported late</td>
<td>813,567</td>
</tr>
<tr>
<td>036</td>
<td>PLUS credit is not (yet) accepted</td>
<td>310,503</td>
</tr>
<tr>
<td>118</td>
<td>Sum of anticipated disbursements does not equal loan amount</td>
<td>145,741</td>
</tr>
</tbody>
</table>

See COD Technical Reference, Volume II, Section IV - Edits
Loan Period not Adjusted

• **Warning edit 220 is a SULA-related edit**  [2.3M hits]
  - Hits when a disbursement was zeroed out
    - Anticipated disbursement was never made
    - Actual disbursement reduced to zero
  - But the loan period wasn’t shortened to remove the term

<table>
<thead>
<tr>
<th>TERM/PAYMENT PERIOD</th>
<th>TERM/PAYMENT PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISB: $1750</td>
<td>DISB: $0</td>
</tr>
<tr>
<td>PPSD: 9/10/2017</td>
<td>PPSD: 1/10/2018</td>
</tr>
</tbody>
</table>

**TERM/PAYMENT PERIOD**

- **LP START:** 9/10/17
- **LP END:** 12/20/17

**TERM/PAYMENT PERIOD**

- **LOAN PERIOD START:** 9/10/17
- **LOAN PERIOD END:** 5/20/18
Loan Amount not Updated

• Warning edit 219 when loan amount was greater than sum of all disbursements and COD corrected it [911K hits]
• When disbursement amounts are adjusted the loan amount should also be adjusted to the sum of the disbursements (actual + anticipated)
• If not COD will make the correction and return the updated loan amount in a response
Late Disbursement Reporting – Warning Edit 055

- Disbursement reporting timeframe missed [814K hits]
- That many hits at 30 days – what would it be if looking at the regulatory 15 days?
- Remember, COD is not your regulatory guide
- Increasingly common audit and program review finding
- When a warning 055 triggers a School Monitoring Report is produced that week

<table>
<thead>
<tr>
<th>No.</th>
<th>Edit Type</th>
<th>Block</th>
<th>Message</th>
</tr>
</thead>
<tbody>
<tr>
<td>055</td>
<td>W</td>
<td>Disbursement</td>
<td>Disbursement Information Received 30 Days after</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Date of Disbursement</td>
</tr>
</tbody>
</table>
School Monitoring Report

• Produced that week when any of these occur:
  • Unsubstantiated cash > 30 days
  • Pell POP
  • Warning edit 55 triggers

• Check your COD Web Reporting Portal weekly

COD School Monitoring

School OPE ID: ___________________________ Run Date: 1/4/2014

Please note that one or more of the following conditions have occurred at your school:
- Unsubstantiated Cash
- Pell Grant Potential Overaward Process (POP) Situations
- 30-Day Disbursement Reporting
PLUS credit decision status is not accepted for the PLUS award [311K hits]

- Remember the new eligibility requirement of PLUS (credit) counseling for any PLUS borrower who was denied credit and pursues PLUS loan by:
  - Obtaining an approved endorser, or
  - Appealing based on extenuating circumstances

- But we recommend you do NOT delay originating the PLUS loan while waiting for credit requirements to be met – less you miss the window of opportunity
Some Top Direct Loan Rejects
9/1/16 – 9/1/17

<table>
<thead>
<tr>
<th>Edit #</th>
<th>Direct Loan Reject Edit</th>
<th># of Hits</th>
</tr>
</thead>
<tbody>
<tr>
<td>140</td>
<td>Incorrect loan origination fee</td>
<td>888,761</td>
</tr>
<tr>
<td>141</td>
<td>Attempted to change fee on an active loan</td>
<td>850,038</td>
</tr>
<tr>
<td>205</td>
<td>Payment Period Start Date outside the loan period</td>
<td>735,125</td>
</tr>
<tr>
<td>167</td>
<td>Exceeded annual subsidized loan limit</td>
<td>335,862</td>
</tr>
<tr>
<td>050</td>
<td>Disbursement date outside allowable window</td>
<td>318,182</td>
</tr>
<tr>
<td>117</td>
<td>Disbursement information incorrect or origination has not yet been accepted</td>
<td>314,984</td>
</tr>
<tr>
<td>046</td>
<td>Academic year dates</td>
<td>311,793</td>
</tr>
</tbody>
</table>

See COD Technical Reference, Volume II, Section IV - Edits
Loan Origination Fees

- Fee for entire loan driven off EDD
- COD rounding/truncation rules unchanged

<table>
<thead>
<tr>
<th>Earliest Disb Date (EDD)</th>
<th>Sub/Unsub Orig Fee</th>
<th>PLUS Origination Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 7/1/2013</td>
<td>1.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>7/1/2013 – 11/30/2013</td>
<td>1.051%</td>
<td>4.204%</td>
</tr>
<tr>
<td>12/1/2013 – 9/30/2014</td>
<td>1.072%</td>
<td>4.288%</td>
</tr>
<tr>
<td>10/1/2014 – 9/30/2015</td>
<td>1.073%</td>
<td>4.292%</td>
</tr>
<tr>
<td>10/1/2015 – 9/30/2016</td>
<td>1.068%</td>
<td>4.272%</td>
</tr>
<tr>
<td>10/1/2016 – 9/30/2017</td>
<td>1.069%</td>
<td>4.276%</td>
</tr>
<tr>
<td>10/1/20167 – 9/30/2018</td>
<td>1.066%</td>
<td>4.264%</td>
</tr>
</tbody>
</table>
Loan Fee Reject 140

- Hits when EDD/fee combination is incorrect [889K hits]
- Usually happens when anticipated EDD is before 10/1 and actual EDD is on/after 10/1
Loan Fee Reject 141

- Attempt was made to correct the loan fee on an active loan [850K hits]
- Once COD has accepted a loan at a certain origination fee the only way to change the fee is to first inactivate the loan
- That means zeroing out the loan amount and all the disbursements (anticipated and actual)
- Won’t be able to bust your way in just by repeatedly sending
Disbursement Date Reporting

• Frequent audit and program review findings
• Disbursement dates in student accounts are different than disbursements dates at COD
• Actual disbursement date is the date a school credits the student’s account or pays the student directly
• Key date for interest rates, loan fees, SULA, borrower cancellation timeframes, etc.
Disbursement Date Error - example

- Loan originated with a first *anticipated* disbursement date of 9/15/2017
- School later determines borrower should not receive the disbursement then because the MPN or entrance counseling wasn’t completed, etc.
- On 11/15 borrower is finally eligible and a $3,000 unsubsidized *actual* disbursement is posted
- School flips the DRI from “F” to “T” and sends to COD
- Warning edit-055 is returned, School Monitoring Report is produced that week, borrower is charged interest from 9/15
Academic Year Reporting

- New reject edit 046 added in October 2016
- New records arriving for 2016/17 and forward
- Reported academic year less than 26-week absolute minimum [312K hits]
- One of the more common reasons is when schools report a one-term academic year (usually to match a one term loan period)
- Always report your school’s defined academic year
- This is the period used to track annual loan limits

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time.
COD Reports
COD Web Reporting Portal

- Implemented 10/15/2017
- Changes also to format, delivery of some reports
- Some low use reports will be discontinued, combined
- More information in 2017-18 COD Technical Reference, Volume VI, Section 8
- No change to how schools receive reports via SAIG
- COD Web Reporting url will change for new reports
- Former url will stay active for prior reports for 1 month
- Portal will have new look and feel
- Some reports will include additional fields and values
COD School Report Format Changes

• Either fixed-length or comma-delimited with headers
• No longer pre-formatted reports
  ✓ Except COD School Monitoring Report
• No longer pipe-delimited
• No longer comma-delimited without headers
• If any of those report formats have been selected they will be defaulted to comma-delimited with headers in October
• Comma-delimited with headers
  ✓ Numeric fields will have equals sign and quotes
    o =“123456789” a sample SSN
  ✓ Date fields added hyphens
    o YYYY-MM-DD
Retired Direct Loan Reports

• Direct Loan Booking Warning Report
• Direct Loan Expired MPN Report*
• Direct Loan Inactive Loans Report
• Direct Loan MPN Discharge Report*
• Direct Loan MPNs Due to Expire Report*
• Direct Loan SSN/Name/Date of Birth Change Report

* Much of the data in these retiring MPN reports will be combined in the new MPN Status Report
Cash Management & Reconciliation Stumbles
Unsubstantiated Cash

- The COD Reconciliation Team will start contacting schools which show an unsubstantiated cash balance too long.
  - They will work with schools to resolve the balance but will tell schools to send a refund to resolve the balance right away, then continue troubleshooting it as they can always re-draw the funds later.
- The length of time a balance remains unsubstantiated matters!
- There are automated escalation points on this timeline.
- Much better to refund the balances soon and then set about reconciling the balance.
Gets you to the Front of the Line

• Respond to their outreach!
• They get very nervous when outreach is ignored and balance is high or old
• They quickly start “climbing the ladder”
• Troubling when e-mails are returned undeliverable
• Keep your COD contacts up-to-date
  o Those that can be updated directly in COD
  o Those that need to be updated in eligcert
• Broken or full voice mail systems are also a problem – how can they alert you to an issue if they can’t contact you?
• Will escalate on quicker timeframes
Not the Road You Want to Take

- An unsubstantiated cash balance at the 8-week mark causes a **Freeze Cash** where no further DL funds can be drawn until balance is *fully* resolved.
- A few weeks after that if balance persists a **Call for Cash** order is issued, demanding the funds be returned.
- Soon after that an **Accounts Receivable** is created which charges back interest on the balance.
School Contacts

We need accurate school contact data

• Alerts from COD, FLSST, etc.
• From E-App in eligcert.ed.gov:
  o Financial Aid Administrator
  o Chief Financial Officer
  o School President
• Update directly on the COD Website:
  o Direct Loan Financial Aid Officer
  o Pell Financial Aid Officer
Staffing Issues

- Key people are out ill or on vacation and no cross-training means certain functions have to await their return
- What if it’s a long-term absence?
- Some departed staff were the only ones with password-access to our systems
Training Problems

- New FAA at a large school with a huge DL funding level informed COD she didn’t know the basic disbursement/drawdown process and needed training first.
- New comptroller, clearly unfamiliar with TIV rules, immediately drew down entire available balance for the year, depositing it in school’s bank account and used the funds for school operating costs.
Procedural Problems

• Too frequently we see inadequate separation of duties
• Spats between financial aid office and business office make progress painfully slow
  o Often this surfaces when the business office refuses to make a refund without more justification than the financial aid office can provide
• One school directed their students to send individual refunds directly to G5
• Some state comptrollers have very complex refund restrictions that cause schools to miss cash management deadlines
• Others have ceilings on the amount each day that can be refunded
  o One state’s ceiling was just $20K/ day – but school had a balance of several hundred thousand to return
Sleight of Hand

• Promising COD when a balance will get resolved, then repeatedly missing it, will get an escalation to ICD
• As will the process when nearing the program year closeout deadline of moving an unreconciled balance to the next award year
• At times a school will claim the loans have been originated and it’s just a matter of reporting the actual disbursements – but COD will check the action queue and sometimes sees the total anticipated disbursements are not nearly at the level of the unsubstantiated balance
Other Causes of Concern

- Multiple unsubstantiated balances in various award years and programs
- Uncashed credit balance checks
- Sending paper refund checks
- Software issues – not upgrading to the most recent vendor software version
  - Can require a school to send records / resolve rejects one at a time on the COD web site
- Strikes
- Hurricanes
- Audits & program reviews
- Schools on HCM2 needing a regional payment analyst to approve each record
Closeout Deadlines

• COD will start pushing much sooner than the 7/31 of the following year absolute deadline
• The Internal Controls Division (ICD) of FSA and the COD Recon Team look at the latest loan period end date and logic says once that date is past schools should be ready to close out
• No reason to delay as it’s easy to re-open an award year
DL Reconciliation Guidance

- Internal vs. external reconciliation
- Frequency
- Types of records needing to be reconciled
- Uncashed credit balances
- SULA updates
- Where to find information
- Reports
- COD web sites
- Resources
Direct Loan Closeout

• Prior to program year closeout make sure you’ve completed the following SULA-related updates:

✓ Unused disbursements are zeroed out
✓ Loan amount reduced to sum of actual disbursements
✓ Loan periods shortened to remove terms/payment periods where no disbursement was made (and retained)
✓ Accurate academic years were reported (errors are most often seen in summer reporting)
New Closeout/SULA Report

- COD will then produce a **SULA Adjustments Needed Report** aimed around the time when the latest loan period end date has arrived.
- Report will identify loans needing updates.
- At a designated time after the year is closed out COD will make updates (since year is closed out no WB response will be sent that could update school’s database).
Servicing Items
Interest Rates

• Direct Loans first disbursed 7/1/2017 – 6/30/2018
• Consolidation loans are still the weighted average of underlying loans, rounded up to the next higher 1/8\textsuperscript{th} of a percent
• Subsidized loans: 4.45\% (from 3.76\%)
• Unsubsidized loans for undergrads: 4.45\% (from 3.76\%)
• Unsubsidized loans for grads: 6.00\% (from 5.31\%)
• PLUS loans (parents and grads): 7.00\% (from 6.31\%)

Note: Rate is fixed for the life of the loan
Old Loan Servicing Number

- Some schools are still advertising the old Direct Loan Servicing Center (ACS) customer support number of 800-848-0979
- That number was acquired by and is being used by a third-party debt relief company
- Some of these companies charge borrowers large up-front or monthly fees for services offered by ED’s federal loan servicers for free
- Correct loan servicing customer service numbers can be found on IFAP / Help / Loan Servicing Centers for students
Late Breaking – Credit Freeze

• Sorry – not in your handouts
• Recent credit bureau data breech
• Many have instituted a credit freeze
• This may cause an error in StudentLoans.gov PLUS App process
• May go through if they didn’t put the freeze in on all credit bureaus
• We are putting additional messaging in SLG
• This error could hit you too if doing a Quick Credit Check on the COD web site
Questions?

THANK YOU!

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