

Direct Loan Update & Reconciliation

**2016 MASFAA Conference
November 7, 2016**

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Agenda

- New Award Year Setup
- Interest Rates
- Warning Edits
- Reject Edits
- Miscellaneous Processing
- Reconciliation and Cash Management
- Processing By The Numbers

COD Release 16.0

- 3/24-26/2017 Implementation
- 2017/18 functionality added
- Funding set for the new award year
- Reports delivery and format carried forward from previous award year
- StudentLoans.gov parameters carried forward from previous award year and are changed on COD web site School Options



2017/2018 New Award Year Setup



123456789S**18**G99999001

2017/18 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 2017
- Remaining 40% in November 2017 (or that might possibly be split in two and part in February 2018)



Need Additional DL Funds?

- Funding division sets 2017/18 funding needs by adding a “growth factor” to 2016/17 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 if not already in, so they can total up the anticipated disbursements



G5 Award Numbers for 2017/18

Program	G5 Award Number	Award Year
Direct Loan	P268K 18 ####	trailing year
TEACH Grant	P379T 18 ####	trailing year
Pell Grant	P063P 17 ####	leading year
IASG	P408A 17 ####	leading year
Campus-based FWS	P033A 17 ####	leading year
Campus-based SEOG	P007A 17 ####	leading year

- Your school's 4-digit G5 identification number

COD Report Options

Report Selection	
Program	DIRECT LOAN ▾
Award Year	'17-'18 ▾
Award Year Specific Reports	
30 Day Warning:	Preformatted ▾
Actual Disbursement List	Comma Delimited ▾
Pending Disbursement List	Preformatted ▾
SAS	Modify SAS Options
Non-Award Year Specific Reports	
Duplicate Student Borrower	Preformatted ▾
Inactive Loans	Preformatted ▾
SSN/Name/Date of Birth Change	Preformatted ▾
MPN Discharge	Fixed Length ▾
Expired MPN	Fixed Length ▾
MPNs Due to Expire	Fixed Length ▾
<input type="button" value="SUBMIT"/>	

School Account Statements

- Check the options to confirm they will be sent to your TG Mailbox in the format you need
- Do you really need so many versions?
 - Monthly, and
 - Year-to-date
 - Disbursement detail, and
 - Loan detail
- If you use them, fine, but if you don't please consider de-selecting some options
- Resource drain for COD



COD SLG

Non-Award Year Specific

StudentLoans.gov School Options (Non-Award Year Specific)	
eMPN Participation:	Y
LOR Required to complete eMPN:	N
eMPN Message:	See the financial aid office if you have any questions
Electronic Entrance Counseling Participant:	Y
Entrance Counseling Response Frequency:	Daily
Financial Awareness Counseling Response Frequency:	On-Demand
Exit Counseling Response Frequency:	Daily
School Name: (Applies to all StudentLoans.gov processes):	State University
Associated States: (Applies to all StudentLoans.gov processes):	ARIZONA

COD



SLG

Award Year Specific

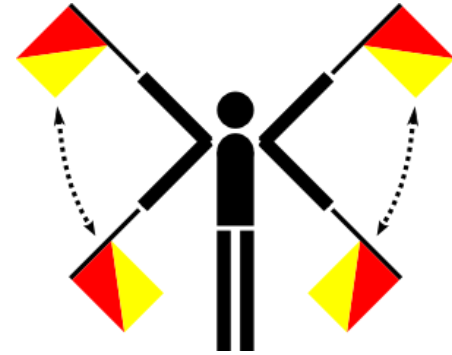
StudentLoans.gov School Options (Award Year Specific)	
Award Range Request 1:	08/2013 to 05/2014
Award Range Request 2:	01/2014 to 05/2014
Award Range Request 3:	05/2014 to 08/2014
Award Range Request 4:	
Display "Other" Option:	Y
Participate in Electronic Parent PLUS Application:	Y
Electronic Parent PLUS Application Participation Date Range:	06/01/2013 to 08/01/2014
Parent PLUS Application Response Option:	Daily
Participate in Electronic Grad PLUS Application:	Y
Electronic Grad PLUS Application Participation Date Range:	07/26/2013 to 08/01/2014
Grad PLUS Application Response Option:	Daily
PLUS Application Message	An Endorser will need to complete the Endorser Addendum.

Interest Rates



- Direct Loans first disbursed 7/1/2016 – 6/30/2017
- Consolidation loans are still the weighted average of underlying loans, rounded up to the next higher $1/8^{\text{th}}$ of a percent
- Subsidized loans: 3.76%
- Unsubsidized loans for undergrads: 3.76%
- Unsubsidized loans for grads: 5.31%
- PLUS loans (parents and grads): 6.31%

Rejects and Warnings



- Warnings
 - FYI about processing/timing
 - Record was processed (built) into the system
- Rejects
 - Not built nor found in Person/Award Search
 - Treated as if it was never sent in the first place
 - Import Edit Report will tell you why
 - Can also look under COD Batch Search
 - Rejected disbursements = unsubstantiated cash



Some Top DL Warnings in FY16

Edit #	Direct Loan Warning Edit	# of Hits
54	DRI is still False but within timeframe that could be sent as True	95,676,162 *
55	Disbursement reported late	14,442,236 *
36	PLUS credit is not (yet) accepted	3,237,923
119	COD inactivated loan after school zeroed out loan amount	2,125,601

* Count includes all programs

See COD Technical Reference, Volume II, Section IV - Edits

Disbursement Reporting – Edit 55

- Regulatory 15-day reporting requirement
- 14 million hits at 30 days – what’s going to happen when we finally update the edit to 15 days?
- Remember, COD is not your regulatory guide
- Increasingly common audit and program review finding
- When a warning 55 triggers a School Monitoring Report is produced that week

No.	Edit Type	Block	Message
055	W	Disbursement	Disbursement Information Received 30 Days after Date of Disbursement

School Monitoring Report

- Produced that week when any of these occur:
 - Unsubstantiated cash > 30 days
 - Pell POP
 - Warning edit 55 triggers
- Check your Newsbox weekly

COD School Monitoring	
School OPE ID:	Run Date: 1/4/2014
<hr/>	
Please note that one or more of the following conditions have occurred at your school:	
<ul style="list-style-type: none">- Unsubstantiated Cash- Pell Grant Potential Oversight Process (POP) Situations- 30-Day Disbursement Reporting	

COD Newsbox



The screenshot shows the COD Newsbox website interface. At the top, there is a yellow header bar containing the U.S. Department of Education logo on the left, the text "U.S. DEPARTMENT OF EDUCATION" and "COMMON ORIGATION & DISBURSEMENT" in the center, and the FSA Federal Student Aid logo on the right. A blue arrow points to the FSA logo. Below the header is a dark blue navigation bar with white text links: "Person", "School", "Batch", "Award", "Services" (highlighted in orange), and "User".

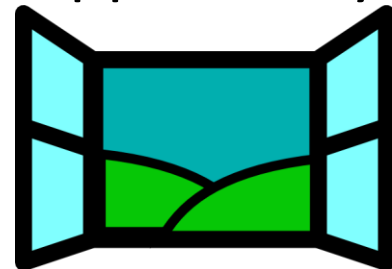
Below the navigation bar, the "COD Reports" section is visible. On the left, there is a sidebar with a "COD Reports" header and two sub-links: "Servicer Information" and "Downloads". The main content area has a "COD Reports" heading followed by a paragraph: "Selecting the link will open a separate browser window. You will be automatically logged into the COD Reports with the username you provided to the COD Website. Pop-Up blockers may prevent the window from opening, please be sure to turn off all Pop-Up blockers. If you are not automatically logged into COD Reports website, please contact the COD Customer Service Call Center". Below this paragraph, the URL <https://codreports.cod.ed.gov> is displayed and circled in red.

At the bottom of the page, there is a dark grey footer bar containing the date and time "Apr 06 2015 17:53 EDT" on the left, and a series of links: "Home", "Privacy Act", "Links", "Contact Us", "COD Resources", "Help", "Glossary", and "Log Off" on the right.

PLUS Credit - Edit 36

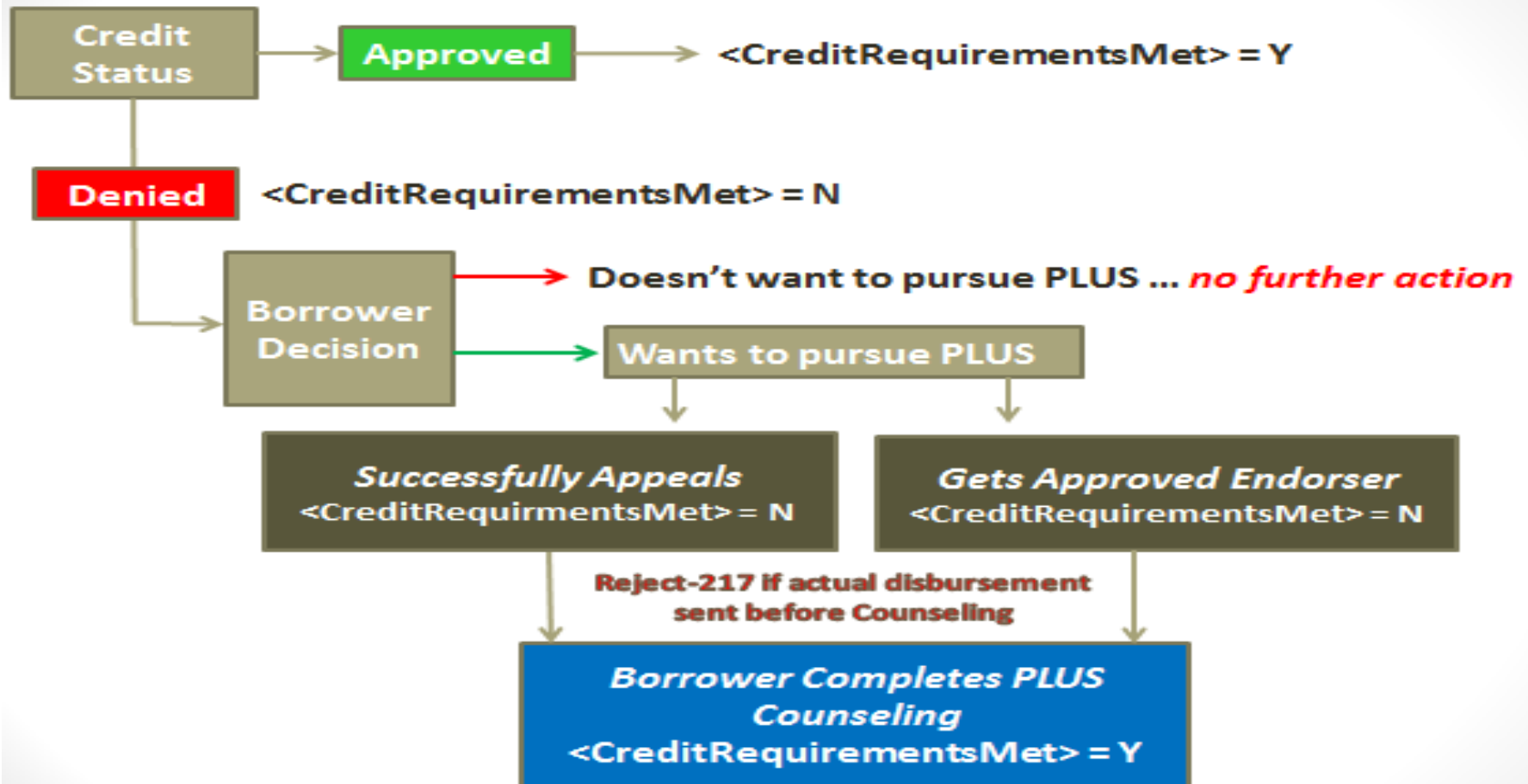
PLUS credit decision status is not accepted for the PLUS award

- 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



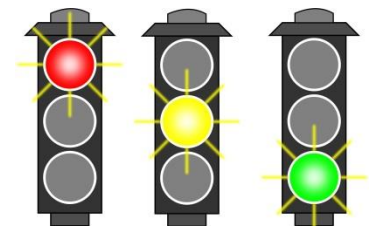
PLUS Credit and the CRM

Keying on the <CreditRequirementsMet> tag



PLUS Credit and Early FAFSA

- If credit check is run when the 2017/18 FAFSA first becomes available, on 10/1/2016
- COD Release 16.0 will be adding the 2017/18 award year – scheduled for 3/25/2017
- Credit approved – good for 180 days and will expire on 3/30/2017
- Need to originate/send that PLUS record to COD promptly in this case
- Will your software be ready to go?



A Final Word on PLUS Loans

- COD Release 15.2 – implementation 10/30/2016
- Parent PLUS and Grad PLUS borrowers now have a loan default check made in NSLDS during the StudentLoans.gov PLUS application process
- Results sent in SP Response files (Y,N,E)



Some Top DL Rejects in FY16

Edit #	Direct Loan Reject Edit	# of Hits
205	Payment Period Start Date is outside the loan period	10,655,879
140	Incorrect loan origination fee	9,890,186
141	Attempted to change fee on an active loan	9,305,364
67	Incorrect disbursement amount	5,275,438
50	Disbursement date outside allowable window	4,465,462
167	Exceeded annual subsidized loan limit	2,404,925
117	Disbursement information incorrect or origination has not yet been accepted	1,417,899
81	Disbursement sent but no MPN on file	1,283,467

See COD Technical Reference, Volume II, Section IV - Edits

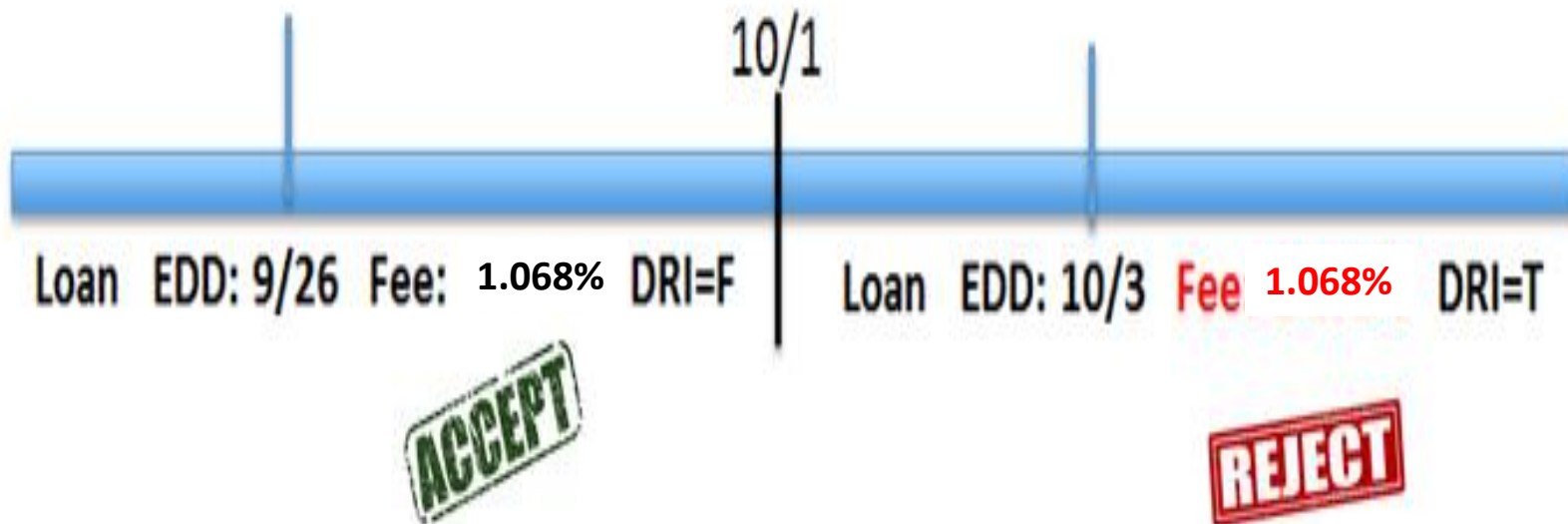
Loan Origination Fees

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

Earliest Disb Date (EDD)	Sub/Unsub Orig Fee	PLUS Origination Fee
Before 7/1/2013	1.0%	4.0%
7/1/2013 – 11/30/2013	1.051%	4.204%
12/1/2013 – 9/30/2014	1.072%	4.288%
10/1/2014 – 9/30/2015	1.073%	4.292%
10/1/2015 – 9/30/2016	1.068%	4.272%
10/1/2016 – 9/30/2017	1.069%	4.276%

Loan Fee Reject 140

- Hits when EDD/fee combination is incorrect
- Usually happens when anticipated EDD is before 10/1 and actual EDD is on/after 10/1



Loan Fee Reject 141

- Triggers when attempt was made to correct the loan fee on an active loan
- 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)

Disbursement Reject Edits

- Edit-67 Incorrect disbursement amount
 - Did you reduce the loan amount but not a disbursement amount?
 - Did you remove a disbursement but aren't exempt from the multiple disbursement rule?
- Edit-50 Disbursement date outside window
 - 10 days before to 180 days after loan period
- **Edit-117** Disbursement information incorrect or origination not yet accepted
- **Edit-81** No MPN on file

Remember, for an actual disbursement to be accepted the origination record has to be accepted and an MPN must be linked



Disbursement Date Reporting

- This is increasingly coming up on audit and program review findings
- Some are when the disbursement dates in student accounts are different than the disbursements dates at COD
- The 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*

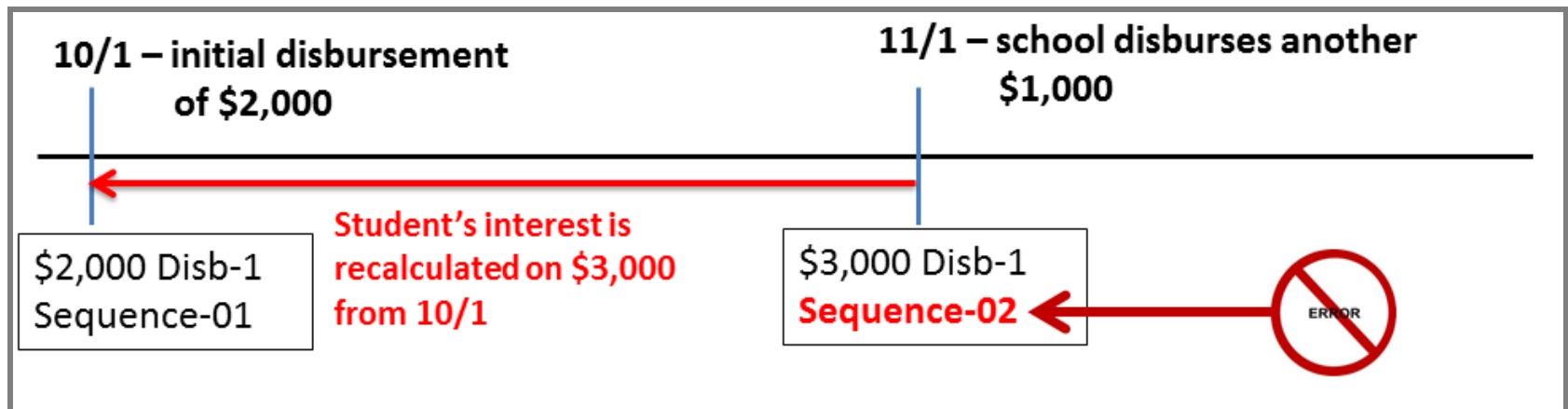
- Loan originated with a first anticipated disbursement date of 9/15/2016
- School later determines borrower should not receive the disbursement then because the MPN or entrance counseling wasn't completed, or any of a myriad of reasons
- On 11/15 borrower is finally eligible and a \$3,000 unsubsidized actual disbursement is posted
- School flips the DRI from "F" to "T" and sends to COD
- Warning edit-55 is returned, School Monitoring Report is produced that week, borrower is charged interest from 9/15

Where was the mistake made?



Usual Admonishment About Upward Disbursement Adjustments

- Should only be made to correct an erroneously reported disbursement amount
- Interest is always calculated from the sequence-01 date
- If you disburse additional funds report it in a new disbursement number



Miscellaneous Processing



New XML Schema

- Version 4.0c
- Implemented Spring 2017
- New tags for Gainful Employment
- Full schema validation
 - Reject edit-210 if batch sent in 4.0c fails validation
 - Warning edit-211 if batch sent in 3.0d, 3.0e, 4.0a, 40.b containing invalid XML but can still be processed
 - Intended to alert schools and software vendors that the data was processed but the XML needs to get fixed



Records First Processing

- Even if a school is not forced into records-first because of processing issues – you can always take this route voluntarily as a control measure
- You report actual disbursements and then draw the funds
- Actual disbursements can be reported up to seven days into the future so you wouldn't actually be using your own funds



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 done 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



Closed School Borrower Information



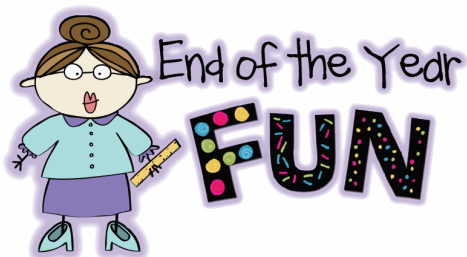
- StudentAid.ed.gov
- [Home](#) » [About Us](#) » Announcements
 - Closed schools
 - Closed School Loan Discharge procedures
 - Teach-outs
 - State Tuition Recovery Fund refunds

Reconciliation & Cash Management



Program Year Closeout

- 2015/2016 is the next award year to be closed out
- You should closeout the year soon after your final disbursements
- But before the 7/31/2017 deadline



Third Party Servicers

- Funds Management is seeing too many schools which use a third party servicer taking no interest in or oversight of cash management, reconciliation or program year closeout requirements
- Should not assume it's being done correctly, or at all
- There are some sharp third party servicers out there, others less so
- They work *for you*
- FSA holds the school responsible
- We recommend at least view-only G5 and COD web site access



Cash Management

- Earlier deadlines supersede later deadlines
- Program year closeout deadline of 7/31/2017 does not take precedence over:
 - Cash management “immediate need” timeframes
 - Disbursement reporting deadlines
 - Monthly reconciliation requirements

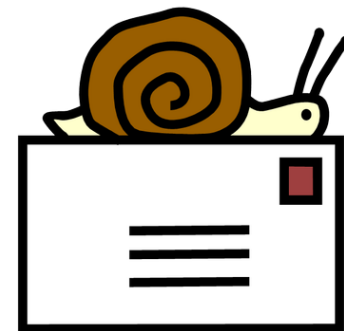


Immediate Need

- Funds drawdown must be disbursed or returned by the end of the third business day
- This requirement has been around for a *long* time
- But three times in the past few months we've had schools draw their entire "available balance" which is their full funding level for the year – without taking into account the dates of upcoming disbursements and many being several months into the future!
- The schools were placed on records-first

Refunds to G5

- Still getting some paper checks mailed to COD
- COD is directed by Funds Management in DC to mail them back and instruct the school to use the electronic refund process to G5
- This is a Treasury directive



Negative Cash Balances

- Should this bother us?
- It appears that you've disbursed more than you've drawdown so why are we concerned?
- Well ... are you sure that's what caused the negative balance?
- We're seeing some schools determining that a number of borrower refunds must be processed so they return the net amount but don't get around to adjusting down the disbursements

Extended Processing Requests

- Are increasing
- One reason is unclaimed credit balances that schools either discover late or from an audit finding
- Remember these credit balances, if not returned to the borrower, must be returned to the program with corresponding downward adjustments to the loan



Extended Processing Requests

- We're also seeing a big increase from schools needing to make SULA updates
- Each extended processing request generates a letter to the school president
- Save yourself a headache and try to get these updates done *before* you closeout the year:
 - Zero out unused pending disbursements
 - Reduce the loan amount to the amount disbursed
 - Shorten the loan period to remove terms/payment periods where no disbursement was made/retained
 - If you included a summer header or trailer in the scheduled academic year anticipating a summer disbursement, but none was made, remember to remove that summer term

Processing By the Numbers

- FSA processing
 - Pell recipients
 - Direct Loan recipients
- COD processing records
 - Batches
 - Originations
 - Actual disbursements



Award Year 2015/16 Recipients

- 6.4 million Pell grant recipients
- 4.8 million subsidized loan recipients
- 5.8 million unsubsidized loan recipients
- 968 thousand PLUS loan recipients



COD Batch Processing

- The month of October 2015 had the top 5 batch processing days of all time
- On 10/15/2015 alone 50,022 batches were processed – the highest all time single day
 - 11,263 were school batches
 - 38,735 were web batches
 - 24 were DLOT batches



COD Origination Processing

- 7/1/2013 was the highest all time single day of origination records processed
- 8/15/2016 was #4
 - 405,142 origination records
 - Total award amount was \$2,241,767,713
 - \$861 million Pell
 - \$1.4 billion DL
 - Awards originated by 3,679 different schools for 327,032 students

COD Disbursement Processing

- 1/5/2015 was the highest all time single day of both # disbursement records processed and total disbursed dollar amount
- 1/4/2016
 - 1,439,066 disbursement records (#5)
 - \$4,856,716,271 total disbursed (#2)
 - \$682 million Pell
 - \$4.2 billion DL
 - Disbursements made by 4,094 different schools

That concludes this session



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