

Making the Transition to the William D. Ford Federal Direct Loan Program

LOAN FEATURE	FFEL PROGRAM	DIRECT LOAN PROGRAM	INSTITUTIONAL CONSIDERATIONS
<p>System Requirements</p>	<p>Most schools that participate in the Federal Family Education Loan (FFEL) Program utilize Financial Aid Management (FAM) systems that are compliant with the CommonLine file record layouts.</p>	<p>Most schools that participate in the Direct Loan (DL) Program have FAM systems that have compliant record layouts for Common Origination and Disbursement (COD) processing. EDEExpress, another United States Department of Education (ED) application, may be used to exchange files with COD.</p>	<p>The institution may continue to use its FAM as its system of choice. Steps to consider:</p> <ul style="list-style-type: none"> ▪ Determine if the FAM system has import/export capabilities for Direct lending or ▪ Use COD or EDEExpress to test uploading and downloading files from FAM for all aid files. ▪ If using import/export features of FAM, Information Technology (IT) support and testing may be necessary as COD file layouts are updated annually.
<p>Loan Processing Products and Support</p>	<p>Schools have relied on lenders and guarantors to provide loan processing products and processes through a standard electronic data format called CommonLine. FFEL partners also offer:</p> <ul style="list-style-type: none"> • electronic award letters, • electronic forms and • loan processing training. 	<p>Schools use the Common Record format to report person, award, and disbursement information (for all award types) to the COD System.</p> <p>Schools can create and update these records:</p> <ul style="list-style-type: none"> • in their own FAM, • using EDEExpress or custom software, or • contracting with a third-party servicer to perform these functions. <p>Using one of these methods, the school then sends records electronically to the COD System via the Student Aid Internet Gateway (SAIG).</p>	<p>Steps to consider:</p> <ul style="list-style-type: none"> ▪ Review entire loan process to determine if supporting products can/should be retained in DL environment. ▪ Select one of two process flows within COD. Students can complete an MPN prior to being packaged or after. ▪ If possible, set up FAM system to send records electronically to the COD System.
<p>Cash Flow</p>	<p>Disbursements are not scheduled until the borrower has signed a valid master promissory note (MPN). The lenders have the responsibility to track the completion of the borrower's MPN.</p> <p>Most schools may participate in electronic funds transfer (EFT), automating the disbursement process on campus.</p>	<p>Funds are originated by the school and are drawn down to post to the student's account.</p> <p>Currently, there are two primary methods under which a school receives funds from ED:</p> <ul style="list-style-type: none"> • Advance Funding (school requests funds), and • Pushed Cash (ED transmits funds automatically to cover the school's reported disbursements). <p>The school has the responsibility to track the completion of the borrower's MPN.</p>	<p>Steps to consider:</p> <ul style="list-style-type: none"> ▪ Determine which funding method will be used. ▪ Have borrowers complete their MPNs electronically on the DL Electronic MPN Web site, or ▪ Develop internal method to monitor MPN completion and collection.

Direct Loan Program Set-Up Guide

STEPS 1-3 (must be performed sequentially)		
1	Program Participation Agreement (PPA) (Online document referred to as the E-APP) <i>Note: Process could take up to 30 days</i>	Schools must update the PPA to participate in DL Program. Updates should be made at www.eligcert.ed.gov .
2	Common Origination Disbursement (COD) (Complete after PPA approval)	Send e-mail requesting COD participation to: CODSupport@acs-inc.com . The e-mail subject line should be: "Request to Participate in the Direct Loan Program," and the body should include: School name, address, phone number, requestor's name, e-mail, phone number, award year, COD ID (eight-digit number), Data Universal Numbering System (DUNS) number, OPE ID (eight-digit number). <i>Note: Grad schools may not have a COD ID (eight-digit number). ED will send approval to participate after review (allow approximately seven business days).</i>
3	Receipt of Confirmation	Upon receipt of notification that school is participating in the DL Program, proceed with the set-up process (steps 4-9).
STEPS 4-9 (remaining steps may be performed concurrently)		
4	Student Aid Internet Gateway (SAIG)	Complete or update SAIG to include DL processing by contacting customer service at 800.330.5947 or www.fsawebenroll.ed.gov/PMEnroll/index.jsp .
5	G5 Account – ED's Awards Payment System EFT Account	Schools may set up a separate bank account (optional) for DL monies by calling the G5 Hotline at 888.336.8930 for instructions or online at www.g5.gov . Schools can also submit a new direct deposit form, Form SF1199A (available at your bank), to receive Direct loan funds (even if you will use the same bank account as your other Title IV funds). Schools should also set up a G5 user ID and password by contacting edcaps.user@ed.gov . <i>Note: If the school already has a valid G5 user ID and password, you do not need to request a separate one for Direct loans.</i>
6	COD Contact Representative	Update DL contact information, select DL report options, and establish your promissory note process (paper or electronic). Contact COD School Relations at 800.848.0978 or codsupport@acs-inc.com to reach your primary customer service representative.
7	E-MPN Web site	Set up a security administrator on the E-MPN Web site for non-paper MPN processing. Fax the following information printed on the school's letterhead: School's name, OPE ID, third-party servicer (if applicable), name, title, work phone number, e-mail address, job title, work address, fax number of individual making the request, and a keyword for security purposes. Information is available at https://dlenote.ed.gov/empn/index.jsp and the fax number is 877.623.5082.
8	COD Web site	Set up a security administrator on the COD Web site. Submit a request by mail that includes: School's name, COD ID, security administrator's name, keyword (for security purposes), work phone number, e-mail, job title, work address, fax number and signature. Also, the approving authority's name, title, work phone number, e-mail and signature (must be different and higher ranking school official). Mail to: U.S. Department of Education Attn: COD Web Access COD School Relations Center PO Box 9003, Niagara Falls, NY 14302 For more information: www.ifap.ed.gov/cod/0318Schoolaccess.html
9	Unique DUNS Number (if applicable)	If the school has branch campuses and would like to originate loans separately from the main campus, the school can obtain additional DUNS number by calling Dun & Bradstreet, Inc. at 800.333.0505 and providing the school requestor's name, phone number, and e-mail address (person must be listed on the PPA).

Computer-based training information may be accessed at www.ifap.ed.gov/eannouncements/1007CODUpdatedCBTDoc.html
Sign up for Direct Loan Bulletins and DL Listserv at dlops@ed.gov

Note: Time frames listed may vary based on circumstances of individual schools, federal changes and consideration of resources.

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<p>Reconciliation</p>	<p>Reconciliation is completed by the lenders.</p>	<p>Reconciliation takes place on a monthly basis, with a final reconciliation that is conducted after the award year ends on June 30.</p> <p>The school needs to take into account any differences in the way that the three systems—the business office, loan processing, and the COD systems—account for:</p> <ul style="list-style-type: none"> • cash receipts, • excess cash, and • disbursement transactions. 	<p>Steps to consider:</p> <ul style="list-style-type: none"> ▪ Check FAM system for a reconciliation module or dedicate resources to develop an external reconciliation method. ▪ Allocate resources for monthly and annual reconciliation of funds.
<p>Return of Undeliverable Funds</p>	<p>Schools notify lenders of undeliverable funds by sending transactions through the FAM or school-based software. Schools then return the funds to the lender. These systems reconcile the returned funds with the lender and provide the school with audit reports. Schools are required to match this activity with their own internal accounts.</p>	<p>Schools utilize the netting process (keeping an amount of money on hand versus returning and requesting funds for each individual student) and have the responsibility to account for positive or negative balances at the end of each month, and apply the difference to next month's drawdown. Excess funds are returned to ED at the end of the year. Schools have the responsibility to reconcile these funds.</p>	<p>Steps to consider:</p> <ul style="list-style-type: none"> ▪ Update procedures on what to do with undeliverable funds. ▪ Train staff on new processes. ▪ Take advantage of "netting."
<p>Record Retention</p>	<p>Schools must retain all records related to a borrower's eligibility for a minimum of three years from the end of the award year in which the student last attended the school.</p> <p>It is the lender's or guarantor's responsibility to hold the MPN.</p>	<p>Schools must retain all records related to a borrower's loan eligibility for a minimum of three years from the end of the award year in which the student last attended the school.</p>	<p>Steps to consider:</p> <ul style="list-style-type: none"> ▪ Move to electronic processing, if possible. This makes it easier on the school, as all MPN records could be stored with ED.
<p>Training and Consultative Services</p>	<p>A variety of aid administrator training forums, from one-on-one to formalized workshops, are offered by FFEL partners.</p> <p>All lenders and guarantors provide additional resources for aid administrators, such as:</p> <ul style="list-style-type: none"> • customer service centers, • Web site resources, • regulatory updates, and • conference support. <p>Additionally, some partners offer in-person consultative services.</p>	<p>ED provides a variety of training opportunities and methods for DL schools:</p> <ul style="list-style-type: none"> • COD computer-based Training • EExpress basics Web training • Interactive online training • Classroom training <p>Federal Student Aid Training for Financial Aid Professionals (TFAP) Web site contains information on current and future training activities and learning resources.</p> <p>www.ed.gov/offices/OSFAP/training/index.html</p> <p>ED provides a COD School Relations call center that can assist schools by phone at 1.800.848.0978.</p>	<p>Staff training will be necessary for the institution.</p> <ul style="list-style-type: none"> ▪ Financial Aid and Bursar's Office staff will need to be fully trained on the DL Program's financial processes. ▪ Financial aid office staff will need training on the FAM system Direct loan module (if available). ▪ Check with industry partners for more advanced training and consulting assistance.

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<p>Student Education and Default Prevention</p>	<p>Industry partners provide a variety of student education publications, tools and workshops.</p> <p>All partners (lenders, guarantors, and schools) share in default prevention activities by contacting students and providing assistance. Through this combined effort, many schools are doing more than the statutory requirements. Some schools take advantage of partner-provided systems to manage their delinquent borrowers.</p> <p>Many FFEL partners offer default prevention consulting services.</p>	<p>ED provides default prevention efforts through a contracted loan servicer.</p> <p>Additionally, ED offers school software for campus management of default prevention. Online training for this product is provided.</p> <p>Federal Student Aid also offers a Default Prevention Team that can assist schools with creating a default prevention plan and/or evaluating their efforts.</p>	<p>Steps to consider:</p> <ul style="list-style-type: none"> ▪ Identify industry resources for default prevention and college access publications. ▪ Rely on internal staff to conduct loan counseling or utilize an online system. ▪ Increase efforts internally to contact delinquent borrowers in order to keep the Cohort Default Rate (CDR) down.
<p>Lender During Life of Loan</p>	<p>Borrowers can choose any lender based on borrower benefits and repayment options. Many lenders offer “life of loan” servicing options, while others sell to secondary markets.</p>	<p>ED acts as the lender for the “life of the loan” and does not sell loans. ED utilizes third-party servicer(s) for origination and repayment servicing.</p>	<p>In the DL Program, all new borrowers will have a single lender. Steps to consider:</p> <ul style="list-style-type: none"> ▪ Ensure that all borrowers must complete a new MPN with ED. ▪ Provide contact information for ED to all borrowers. ▪ Be prepared to provide advice to borrowers who’ll have a FFEL lender and ED as a lender. ▪ Inform serial borrowers of their loan servicer, as it may change.

Resources

The preceding information provided is simply an overview of things to consider when making a transition to DL. The school should refer to ED resources and documentation for full program disclosure and requirements. Additional ED resources are listed below.

- Direct Loan Web site: www.ed.gov/directloan
- Direct Loans School Guide: www.ed.gov/offices/OSFAP/DirectLoan/pubs/schoolguide.html
- Direct Loan Program Questions and Answers: www.ed.gov/offices/OSFAP/DirectLoan/qanda.pdf
- Information for Financial Aid Professionals (IFAP) Web site: www.ifap.ed.gov
- Common Origination and Disbursement Web site: www.cod.ed.gov
- Direct Loan Servicing Online Web site: www.dl.ed.gov
- Direct Loan Consolidation Web site: www.loanconsolidation.ed.gov
- Direct Loan Software and Reference Material: www.fsadownload.ed.gov
- Department of Education: www.ed.gov
- FAA Access on the Web: www.fafsa.ed.gov/FOTWWebApp/faa/faa.jsp

For additional information or resources, contact:

EdFund
SchoolServices@edfund.org
1.866.222.2680



Direct Loan Transition Checklist

<input checked="" type="checkbox"/>	RESEARCH (6-8 months prior to implementation)
	Consider an appropriate time to begin the transition to meet processing deadlines
	Review the Direct loan Web site for set-up/update information to process Direct loans
	Examine your Financial Aid Management (FAM) system to analyze the DL capabilities or set-up necessary to process
	Evaluate IT and financial aid resources to determine if consultants are necessary to assist with the software transition
	Analyze your staff's level of knowledge of the DL program and its processes
	Assess whether the campus has ever processed Direct loans (set-up will be different)
	Determine if the school is currently using COD
<input checked="" type="checkbox"/>	PLANNING (5-6 months prior to implementation)
	Determine a time frame for the school's transition to the DL Program
	Designate a DL transition manager to oversee the transition process
	Establish a plan to hire additional staffing (IT, FA or consultants) if needed
	Plan a target date to begin testing the FAM system
	Notify other campus offices of the upcoming transition and the potential impact
	Locate literature and Web site information that will need to be updated
<input checked="" type="checkbox"/>	SET-UP (3-5 months prior to implementation)
	Complete the necessary steps to participate in the DL Program (PPA, G5, COD)
	Designate staff responsibilities during the transition period
	Determine the process flow the school will be using (school-initiated or borrower-initiated)
	Choose the method of delivery for master promissory notes (E-MPN or paper)
	Establish a process for students applying for private alternative loans
	Decide how loan changes will be processed
	Determine how funds will be returned and by whom, and train that office on "netting"
	Update the Policy and Procedure Manual to ensure compliance
	Work with the Business Office to establish reconciliation procedures
	Set up a communication plan stating how and when students/parents will be notified
	Alter financial aid literature to reflect the new process requirements
<input checked="" type="checkbox"/>	IMPLEMENTATION (0-1 month prior to implementation)
	Test FAM system or COD with DL records prior to bulk processing dates
	Ensure record retention policies are in place
	Publish the new information on school's Web site and print literature
	Communicate with student/parent borrowers regarding the new process
	Notify FFEL partners of implementation date and desire to remove school from products
	Train other offices on the new process and literature available
<input checked="" type="checkbox"/>	POST-IMPLEMENTATION (0-2 months after implementation)
	Determine what adjustments are necessary to streamline the internal and student process
	Complete additional training of Financial Aid, Admissions and Business Offices staff, if needed

Note: Time frames listed may vary based on circumstances of individual schools, federal changes and consideration of resources.