

## Direct Loan Funding Process Overview

Direct Loan Funding is the process through which your school will draw down William D. Ford Federal Direct Loan (Direct Loan) Program funds via G5, the U.S. Department of Education's (the Department's) payment management system. Your school will draw down funds via G5 after it has submitted origination and actual disbursement information for a Direct Loan Program loan to the Department's Common Origination and Disbursement (COD) System. Direct Loan funds will be made available electronically to your school via [G5](#) for disbursement to the student or parent; the Department will send no checks to your school, students, or parents.

Through the Direct Loan funding process, your school must complete the following actions:

- Complete funding setup actions to ensure that your school, bank account, and authorized user information is identified in G5. Note: All funding, including drawdowns and returns, must be made in U.S. Dollars (whole dollars; no pennies are used in the Direct Loan Program).
- After confirming student or parent eligibility, submit actual disbursement information to the COD System no earlier than seven (7) business days before the actual disbursement date
- Once actual disbursements have been accepted and funding information is transmitted to G5, an authorized user can draw down funds via G5
- Disburse funds to the student's school account or pay the student or parent directly
- Return unused funds per cash management regulations

In this document, we provide a high-level overview of the Direct Loan funding process. It is one in a series of high-level overviews developed for the Foreign School Direct Loan Processing area of the Foreign School Information page.

## **Section 1 – Direct Loan Funding Initiation**

As explained in the document titled “Disbursement Process Overview” in the Foreign School Direct Loan Processing area of the Foreign School Information page (the same area in which the document you are reading is posted), once your school has confirmed student or parent eligibility for a Direct Loan it has originated, it will electronically communicate actual disbursement information to the Department via the COD System. Through the disbursement process, your school informs us of the actual amount your school will disburse and the date on which it will do so in preparation for drawing down the necessary funds. Think of the funding process as drawing down or obtaining the actual Direct Loan funds your school identified that it will disburse. Your school will draw down these funds via G5.

An actual disbursement occurs on the date when one of the following actions has been completed:

- Your school credits Direct Loan funds to a student’s school account
- Your school pays the student or parent directly by check or other authorized means

Once your school has verified student or parent eligibility, but no earlier than seven (7) calendar days before the actual disbursement date, it will inform the COD System of the actual disbursement date and amount.

**Note:** Depending on the number of loans your school will process, it will use one of several software product options that are available to assist schools in disbursing Direct Loan awards and communicating with the COD System. We explained the Direct Loan Origination Tool, EDEExpress for Windows Software, Commercial Vendor Software, School-Developed System, and Third-Party Servicer software product options in the document titled “Origination Process Overview”. Refer to that document for explanations of these options.

Once G5 accepts the disbursement information from the COD System, the Direct Loan Funding process is initiated, and your school will be able to draw down the funds from G5.

## **Section 2 – G5**

G5 is a web-based system that keeps track of the availability, drawdown, and refund of your school’s Direct Loan funds each award year. G5 is not a student-level system. It does not track individual Direct Loans, and it does not track the funds each student or parent receives as is done by the COD System. Authorized G5 users at your school will go directly to G5 to draw down funds and complete other payment-related activities. Your school will need to obtain or confirm funding-related identification numbers and register those numbers before it can complete and submit the necessary SF 1199A Direct Deposit Sign-Up Form and obtain access to G5.

In addition to ensuring that your school has all necessary identification numbers before requesting G5 access, your school must consider and determine how it will sustain the separation of duties. More specifically, individuals who will be responsible for awarding and reporting Direct Loans for your school should have at least view-only access to G5. Different individuals will need to be responsible for managing the funding aspects of your school’s Direct Loans and will have full access to G5. Generally, it is your school’s business office that will be responsible for funds management.

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In G5, the availability of your school's Direct Loan funds is referred to as an "authorization." This authorization will be increased automatically in the COD System when Net Accepted and Posted Disbursements (NAPD) exceed the Current Funding Level (CFL). Once your school's authorization has been increased, an authorized G5 user on your school's staff will be able to log in to G5 and request the funds your school will need to make disbursements.

**Note:** There is a difference in terminology between G5 and the COD System. While G5 identifies your school's available Direct Loan funds (authorization) as the "Authorization", the [COD website](#) identifies your school's authorization as the CFL. In both cases, the school's CCA or CFL/Authorization amount equals the net amount of all accepted actual disbursement records.

The Department identifies your school's available Direct Loan funds (authorization) for each award year by an "award number." Your school will see the award number on G5. The award number for your school's Direct Loans will be **P268Kyyxxxx**.

The components of your school's Direct Loan award number are as follows:

- **P:** Catalog of Federal Domestic Assistance (CFDA) principal office designator
- **268:** CFDA numeric suffix for Direct Loan Program
- **K:** Alphabetic subprogram identifier
- **Yy:** Last two digits of the second year of the award year
- **Xxxx:** Your school's unique identifier (four-digit School ID assigned by COD System)

**Note:** We provide this explanation of the award number components for informational purposes only. We will automatically assign this award number each award year for which your school participates in the Direct Loan Program.

## Section 3 – Funding Direct Loans: Setup Actions

Your school must complete certain funding setup actions in preparation for obtaining access to G5 and completing its SF 1199A Direct Deposit Sign-Up Form using U.S. banks (<https://G5.gov/G5HELP/PdfForms/SF1199a.pdf>) and Direct Deposit Sign-up Form for International Schools using Foreign banks (<https://G5.gov/G5HELP/InternationalBanking.pdf>). We provide instructions on these funding setup actions in the document titled "[Instructions for Funding Setup](#)".

In short, your school must complete the following funding setup actions:

1. Read the instructions and information in the "Instructions for Funding Setup" document.
2. Obtain or confirm Grantee and Payee Unique Entity Identifier for your school.
3. Obtain or confirm NATO Commercial and Government Entity (NCAGE) Codes for your school.
4. Register or confirm registration of your school's UEI and NCAGE Codes with the [System for Award Management \(SAM\) website](#).

5. Complete the SF 1199A Direct Deposit Sign-Up Form for U.S. banks or Direct Deposit Sign-up Form for Foreign banks and prepare a cover letter to accompany your school's form.
6. As soon as possible, submit your school's cover letter and SF 1199A Direct Deposit Sign-Up Form for U.S. banks or Direct Deposit Sign-up Form for Foreign banks by email ([stephanie.barnes@ed.gov](mailto:stephanie.barnes@ed.gov)) or mail to the Department at the following address:

U.S. Department of Education  
Office of Financial Management  
Attn: Stephanie Barnes – Room 5B107  
400 Maryland Avenue, SW  
Washington, DC 20202

**Note:** If your school is required to provide a local phone number to send the package, it may use 202-453-7827.

As outlined above, after your school has registered its UEI and NCAGE Codes with the SAM website, it must complete the SF 1199A Direct Deposit Sign-Up Form for U. S. banks or the Direct Deposit Sign-up Form for Foreign banks. In addition to these identification numbers, your school will need to provide bank account information. This must be a foreign or U.S. bank account that meets the Department's regulatory requirements at 34 CFR 668.163.

If your school will use a foreign bank account, the Department in conjunction with the U.S. Department of Treasury will make payments directly to your school's foreign bank account using the SWIFT payment system and IBAN. An IBAN, or international bank account number, is a standard international numbering system developed to identify an overseas bank account. The number starts with a two-digit country code, then two numbers, followed by several more alphanumeric characters. The Department will rely on the SWIFT Bank Identification Code (BIC) and IBAN that your school provides on the Direct Deposit Sign-up Form for Foreign banks to issue these payments. All your school needs to do is enter its IBAN and your bank's SWIFT BIC in the designated sections of the Direct Deposit Sign-Up Form for Foreign banks.

If your school will use a U.S. bank account, the Department in conjunction with the U.S. Department of Treasury will make payments directly to your school's U.S. bank account.

After we receive your school's SF 1199A Direct Deposit Sign-Up Form for U.S. banks or Direct Deposit Sign-up Form for Foreign banks and cover letter, we will process the request and email the individual your school asks us to notify once the account is set up in G5.

#### **Section 4 – Funding Direct Loans: COD System and G5 Processing Schedules**

Once your school has verified student or parent eligibility, but no earlier than seven (7) calendar days before the actual disbursement date, it will inform the COD System of the actual disbursement date and amount. Actual disbursement date and amount information may be submitted to the COD System through the Direct Loan Origination Tool, through the school's system/software, the student's record on the COD website, or through the COD Action Queue. After the COD System processes the actual disbursements, it electronically transmits the information to G5, the Department's system through which funds are drawn down and managed. Once G5 accepts the

disbursement information from the COD System, the Direct Loan Funding process is initiated, and your school will be able to draw down the funds from G5.

**The availability of funding in G5 is determined by when information is processed by the COD System and updated in G5 as shown in table below.**

If actual disbursement is processed by the COD System by...	Generally, funds will be ready for drawdown in G5 by...
10 a.m. Eastern time (ET) on a business day	2 p.m. ET on the same business day
10 p.m. ET on a business day	7:30 a.m. ET on the next business day

**Note:** Funds for disbursements sent to G5 on a non-business day will be available on the next business day.

For an overview of the disbursement process, refer to the document titled “Disbursement Process Overview”.

In addition to being aware of the COD System’s scheduled transmissions to G5 and when the funding will be available in G5 for your school to draw down, your school must also consider the schedule for when Direct Loan funds will be electronically transferred to your school’s bank account. This is a set schedule; however, the timing will differ depending on whether your school has a foreign bank account or a U.S. bank account.

- **Foreign Bank Account** – If your school requests Direct Loan funds via G5 by 1 p.m. ET on a business day, the funds will be in your school’s foreign bank account by close of business on the third business day.
- **U.S. Bank Account** – If your school requests Direct Loan funds via G5 by 1 p.m. ET on a business day, the funds will be in your school’s U.S. bank account by close of business on the second business day.

**Notes:**

1. When planning for the arrival of funds in your school’s bank account, keep in mind that requests made by 1 p.m. ET on a business day count as the first day of the processing window. If your school’s request is made after 1 p.m. ET on a business day, the next business day will be the first business day of the processing window. Sections 5 and 6 include processing window examples.
2. Federal holidays in the U.S. or the country in which your school’s bank is located that fall within the processing window may cause the window to be extended.

**Section 5 – Funding Direct Loans: Using Foreign Bank Account**

If your school uses a foreign bank account for its Direct Loan funds, its funding process can be summarized as follows:

- Individual on your school’s financial aid staff submits actual disbursements records (DRI = True) to the COD System no earlier than seven (7) calendar days before disbursement date.
- The COD System processes disbursements and electronically transmits funding information to G5.
- Authorized G5 user on your school’s business office staff logs in to the G5 and requests funds. **Note:** If funds are requested by 1 p.m. ET on a business day, funds will be in your school’s foreign bank account by close of business on the third business day (see examples below).
- Your school’s business office disburses funds to students and/or parents on the disbursement date reported to COD or reimburses itself for funds already disbursed.

**Examples of the three-business day processing window your school must allow when it requests that Direct Loan funds be sent to its foreign bank account are outlined in the table below.**

If your school requests funds via G5 by...	Funds will be in your school’s foreign bank account by...
1 p.m. ET on Monday	Close of business on Wednesday  In this case, Monday is business day 1, Tuesday is business day 2, and Wednesday is business day 3
1 p.m. ET on Friday	Close of business on Tuesday  In this case, Friday is business day 1, Monday is business day 2, and Tuesday is business day 3

## **Section 6 – Funding Direct Loans: Using U.S. Bank Account**

If your school uses a U.S. bank account for its Direct Loan funds, its funding process can be summarized as follows:

- Individual on your school’s financial aid staff submits actual disbursements records (DRI = True) to the COD System no earlier than seven (7) calendar days before disbursement date.
- The COD System processes disbursements and electronically transmits funding information to G5.
- Authorized G5 user on your school’s business office staff logs in to G5 and requests funds. **Note:** If funds are requested by 1 p.m. ET on a business day, funds will be in your school’s bank account by close of business on the second business day (see examples below).

- Your school’s business office disburses funds to students and/or parents on the disbursement date reported to COD or reimburses itself for funds already disbursed.

**Examples of the two-business day processing window your school must allow when it requests that Direct Loan funds be sent to its U.S. bank account are outlined in the table below.**

If your school requests funds via G5 by...	Funds will be in your school’s U.S. bank account by...
1 p.m. ET on Monday	Close of business on Tuesday  In this case, Monday is business day 1, and Tuesday is business day 2
1 p.m. ET on Friday	Close of business on Monday  In this case, Friday is business day 1, and Monday is business day 2

## **Section 7 – Funding Direct Loans: Refunding Unused Funds**

After your school submits actual disbursement information to the COD System and draws down funds from G5, it may be necessary to return some of the funds to the Department (Examples of this are provided below.). The return of Direct Loan funds is referred to as a “refund” on both the COD website and G5. Your school will determine whether it must refund Direct Loan funds to the Department in compliance with the Return of Title IV Aid (R2T4) regulations at 34 CFR 668.22 and the cash management regulations in Subpart K of 34 CFR Part 668.

**Note:** The R2T4 regulations do not dictate an institutional refund policy. Instead, a school is required to determine the earned and unearned Title IV aid a student has earned as of the date the student ceased attendance based on the amount of time the student spent in attendance or, in the case of a clock-hour program, was scheduled to be in attendance. Your school can use [R2T4 on the Web](#) or [Return of Title IV Aid Worksheets](#) to determine the amount, if any, of a Direct Loan that must be refunded to the Department.

As a reminder, Direct Loan funds are not student-specific, but are school, program, and award year-specific. This means that when one student will not use the funds or returns them to the school, the funds can be disbursed to other eligible students who will be receiving Direct Loans for the same award year at the same school. If the funds cannot be disbursed within the regulatory timeframes, they must be returned to the Department for the same school, program, and award year. Below are examples of how this works and what your school will need to do.

**Example 1** – Your school originally reported that it would disburse to Student A but determined prior to disbursement that Student A is not eligible to receive Direct Loan funds. Student B, however, is eligible to receive Direct Loan funds. In this case, your school may disburse the funds originally intended for Student A to Student B and will need to complete the following actions:

- Make a downward disbursement adjustment for Student A in the COD System. This must be submitted to and accepted by the COD System within 15 calendar days of making the determination that Student A was ineligible to receive the funds.
- Report the actual disbursement for Student B to the COD System. This must be submitted to and accepted by the COD System within 15 calendar days from the date you disburse the funds to Student B.

**Example 2** – Your school completes the R2T4 calculation for student C and determines that it owes Direct Loan funds to the Department as a result. Student D, however, is eligible to receive Direct Loan funds. In this case, your school may disburse the funds to Student D and will need to complete the following actions:

- Make a downward disbursement adjustment for Student C in the COD System. This must be submitted to and accepted by the COD System within 15 calendar days of making the determination that it owed Direct Loan funds to the Department because of Student C's R2T4 calculation.
- Report the actual disbursement for Student D to the COD System. This must be submitted to and accepted by the COD System within 15 calendar days from the date you disburse the funds to Student D.

**Note:** Your school's funds available in G5 are a "net" of upward and downward disbursement reporting. To ensure that your school does not end up in a situation in which funds are not available in G5 when your school is ready to disburse, it is important to understand and follow the examples above.

There will be times when, to comply with the cash management regulations, your school must refund Direct Loan funds to the Department. The way in which your school does this will differ depending on whether your school has a U.S. bank account or a foreign bank account.

- **U.S. Bank Account** – If your school has a U.S. Bank Account, your school's authorized user will log in to G5 and use the G5 e-Refunds process. The first time your school's authorized user accesses the e-Refunds page, he or she will need to designate a U.S. bank account from which the refunded Direct Loan funds will be taken.
- **Foreign Bank Account** – If your school has a foreign bank account, your school will have to "wire" refunds of cash back to G5.
  - The school will initiate the refund in G5 by going to "Payments", then "Refunds", and then "Refunds Creation." Note: Instructions for international refunds are provided on the next page. Banks submitting the refund on behalf of the school must follow instructions received from G5 exactly as they are written.
  - The school will then see a list of all its Direct Loan awards.
  - The school will select the award it wants to refund, and then click "Continue."



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- A form will be displayed. The school needs to print the form, take it to its bank and instruct the bank on the amount to be refunded to G5.
- The form has all the information the foreign bank will need to “wire” the funds to G5. If the foreign bank follows this process, there should not be fees assessed with this transaction. As a reminder, a school should always validate prior to the transaction if any fees will be assessed.

**Note:** For any questions regarding this process, contact the G5 help desk at 1-888-336-8930 or 202-401-6238.

## INSTRUCTIONS FOR FOREIGN SCHOOLS TO SEND REFUNDS VIA INTERNATIONAL ELECTRONIC FUNDS TRANSFERS

All payments will be sent in U.S. Dollars (USD); provide the following instructions to your financial institution. Your financial institution will use the information to send a SWIFT message to its US Correspondent bank to complete the transaction.

Account with Institution (Line 57D): //FW021030004

TREAS NYC/FUNDS TRANSFER DIVISION

Beneficiary (Line 59): 91020001

Payment Details (Line 70): 91020001, Dept of Education

Payee UEI (12 Characters), Award Number (ex. P123K111234)

Detail of Charges (line 71a): OUR

### Notes:

Account with Institution (Line 57D) **MUST** be exactly as shown //FW021030004 or payment will be returned

Beneficiary (Line 59) **MUST** be exactly as shown **91020001** or payment will be returned

The payment sender **MUST** include **91020001** along with **Dept of Education** on the first line in the Payment Details (Line 70) section of the SWIFT message as shown above. The second line in the Payment Details (Line 70) must include your **Payee UEI** and **Award Number**. This information must be in this section of the payment instructions or ITS will not be able to identify for which Agency the payment is intended. Without this identifying information, ITS will be required to return the payment as unidentified or un-postable.

Additionally, in Line 71A (Detail of Charges) include "OUR" as shown above. This will charge any processing fees back to the sender and prevent them from being debited from the payment.