



Technical Update GA-2012-01

February 14, 2012

Special Direct Consolidation Loan NSLDS Reporting

This information is intended for the person in your organization who is responsible for working with the National Student Loan Data System (NSLDS). Please ensure the appropriate person receives this update.

Through a series of previously posted communications, we have informed the financial aid community about the availability of the Special Direct Consolidation Loan opportunity that the Department of Education (the Department) is offering through the William D. Ford Federal Direct Loan (Direct Loan) Program. This short-term consolidation opportunity began on January 17, 2012 and will be available to eligible borrowers through June 30, 2012. As explained in the previous communications, this initiative will allow certain borrowers who have at least one Direct Loan Program loan or Department-held Federal Family Education Loan (FFEL) Program loan and at least one commercially-held FFEL Program loan to consolidate their eligible commercially-held FFEL Program loans into a Special Direct Consolidation Loan.

In a February 14, 2012 Electronic Announcement on the [Information for Financial Aid Professionals \(IFAP\) Web site](#), we explain the flow of information and funds during the Special Direct Consolidation Loan payoff process. The Special Direct Consolidation Loan payoff process will occur after the FFEL lender or lender servicer verifies that the commercially-held FFEL loans a borrower wishes to consolidate are eligible for consolidation by returning the completed Loan Verification Certificate that will be used for the Special Direct Consolidation Loan opportunity to the federal loan servicer. National Student Loan Data System (NSLDS) reporting will occur following the payoff process.

In this communication, we provide guaranty agencies (GAs) with the NSLDS reporting guidance that applies to commercially-held FFEL loans that are paid in full through the Special Direct Consolidation Loan opportunity.

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Special Direct Consolidation Loan NSLDS Reporting

After a FFEL lender receives the federal payment for a commercially-held FFEL loan and ensures proper posting of the payoff, the loan must be reported to the NSLDS as paid through consolidation. The NSLDS reporting will occur through the existing FFEL Program data flow process – lender or lender servicer to GA to the NSLDS.

When reporting a commercially-held FFEL loan that has been paid off through the Special Direct Consolidation Loan opportunity, the loan must be reported as having a zero (\$0) balance with a loan status code of “PN – Paid in Full Through Consolidation Loan.” This is the same NSLDS reporting guidance that FFEL lenders, lender servicers, and GAs follow in the case of a loan that has been paid in full through a traditional Direct Consolidation Loan, as reflected in guidance posted on the [NSLDS Guaranty Agency \(GA\) Data Provider Instructions page of the IFAP Web site](#).

Each federal loan servicer will report the new Special Direct Consolidation Loan information to the NSLDS after the payoff process has been completed. In some cases, reporting of the new loan information may precede reporting of the loans that were paid off.

When a borrower consolidates eligible commercially-held FFEL loans into a Special Direct Consolidation Loan, the borrower’s consolidation loan will be composed of individual parts corresponding to each loan that the borrower consolidates. This approach allows each part of the consolidation loan to retain some of the terms of the original loan. The same loan type codes and data elements that are used to report traditional Direct Consolidation Loans will be used by the federal loan servicers to report the parts of the borrower’s Special Direct Consolidation Loan.

Generally, for each commercially-held FFEL loan that is consolidated through the Special Direct Consolidation Loan opportunity, one of the following three NSLDS consolidation loan type codes will be used to identify that part of the consolidation loan:

- D5 – Direct Consolidation Unsubsidized
- D6 – Direct Consolidation Subsidized
- D7 – Direct PLUS Consolidation

As an example, if a borrower consolidates two commercially-held subsidized Federal Stafford Loans and two commercially-held unsubsidized Federal Stafford Loans through the Special Direct Consolidation Loan opportunity, the borrower’s consolidation loan will have four parts and four new NSLDS consolidation loan type codes will be used to identify those parts. There will be two D6 – Direct Consolidation Subsidized entries (one corresponding to each subsidized loan that was consolidated) and two D5 – Direct Consolidation Unsubsidized entries (one corresponding to each unsubsidized loan that was consolidated).

Note: For each commercially-held Federal Consolidation Loan that is consolidated through the Special Direct Consolidation Loan opportunity, there may be up to three parts and corresponding consolidation loan type codes that appear in the NSLDS (instead of one code per loan, as stated above) to reflect the fact that the Federal Consolidation Loan may have included subsidized, unsubsidized, and/or PLUS portions.

Regardless of the number of commercially-held FFEL loans that a borrower consolidates through the Special Direct Consolidation Loan opportunity, all parts of the consolidation loan will be serviced together, along with the borrower's other Department-held loans by one federal loan servicer. The borrower's new bill and payment after consolidation will reflect the loans that were consolidated through the Special Direct Consolidation Loan opportunity as well as the borrower's Direct Loans or Department-held FFEL loans that were already owned and serviced by the Department.

Contact Information

We thank GAs for the support they are providing as we offer the Special Direct Consolidation Loan opportunity to eligible borrowers.

If you have questions about Special Direct Consolidation Loan NSLDS reporting, contact the NSLDS Customer Support Center at 800/999-8219. You can also contact Customer Support by e-mail at nslds@ed.gov.