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Student Financial Assistance

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# *Session 50*

# *Master Promissory Note*



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## *What is an MPN?*

- Promissory note used to make one or more loans for one or more academic years (AYs)--
  - Dollar amount not tied to note
  - Covers up to allowable maximum amounts
  - Amounts may be adjusted upward within same AY without new MPN
  - Single-year and multi-year use for originating new loans





## *Current MPN*

- For sub/unsub loans only
- For 00-01 and 01-02 use MPN with--
  - OMB #1845-0007
  - OMB Expiration Date 8/31/2002



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# *Related MPN Documents*

- **Disclosure Statement**
  - Provided at or before first disbursement of each loan under MPN
- **Borrower's Rights and Responsibilities**
  - Provided with each MPN
- **Plain Language Disclosure**
  - Provided with Disclosure Statement for subsequent loans under MPN





# ***MPN Brochure***

- “The Inside Scoop for Borrowers”
  - Answers questions about the MPN for DL borrowers
  - Revised in Summer 2000
  - DLB 00-36 provides ordering information



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## *Single Year Use*

- One or more loans for same AY made under one MPN--
  - All schools eligible
  - Need new MPN each AY
  - Need new MPN for all transfer students



## *Multi-Year Use*

- Loans for more than one AY made under one MPN--
  - 4-YR and graduate/professional schools currently eligible
  - Do not need new MPN each AY
  - Need new MPN for transfer students without Direct Loan MPN
  - Must have confirmation process for loans in subsequent AYs



# *Expiration of Multi-Year Use*

M-Y Use

- Loans for multiple AYs may no longer be made under an MPN after earliest of--
  - Date DLSC or school receives borrower's written cancellation of authorization
  - 1 year after date of 1st anticipated disbursement if none made during period
  - 10 years after date of 1st anticipated disbursement



# *Eligible Schools*

M-Y Use

- “Highest Educational Program Offered” on page A-2 of ECAR is--
  - Master’s Degree or Doctor’s Degree
  - First Professional Degree
  - Professional Certification
  - Bachelor’s Degree
- Not subject to emergency or LS&T action



# Confirmation: Development

M-Y Use

## ■ Confirmation process--

- Replaces signing MPN for loan in new AY
- Ensures borrower control and increases borrower understanding of loan debt
- Is determined by school
- May be part of--or can supplement--existing required notices/disclosures
- May be active or passive



# ***Confirmation: Active Process***

M-Y Use

- Borrower must take action to accept/confirm loan
- School may not disburse until borrower responds

## ***Examples:***

- Signed award letter
- Electronic acceptance through PIN





# ***Confirmation: Passive Process***

M-Y Use

- Borrower takes action only to reject or change loan
- School may disburse after notifying

## ***Examples:***

- Award letter with no signature required
- Disclosure Statement



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# Confirmation: Multiple Processes

M-Y Use

## ■ General--

- School should use same process for all students

## ■ In some cases--

- Administrative procedures and/or school's best judgement on informing students of loan obligation may require more than one process





# Confirmation: Multiple Processes

M-Y Use

## Example:

- Undergraduates required to attend individual counseling before receiving aid
- Graduate students not required to attend counseling
- School may have two processes--
  - Counseling for undergraduates
  - Different process for graduate students



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# ***Confirmation: Documentation***

M-Y Use

- School must keep description of process(es) in effect for each AY in which it makes subsequent loans under MPNs



Describe process(es) in student handbook or other financial aid publication each AY



# *Confirmation: Documentation*

M-Y Use

## ■ Description--

- May be kept in paper or electronic format
- Need not be kept in borrower files
- Must be kept indefinitely
- Must be submitted to ED upon request if borrower challenges loan enforceability





# ***Confirmation: Documentation***

M-Y Use

## ***Example:***

- School uses active process of collecting signed award letters in 00-01 AY
- School includes description of process in 00-01 student handbook
- School may do one of two things--
  - Keep paper or electronic copy of handbook
  - Keep some other paper or electronic record of process



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# *Canceling Authorization for Multi-Year Use*

- Borrower must provide written cancellation notice to DLSC or school
  - Explained in MPN, PLD, & brochure
  - If school receives, it forwards to LOC
- If borrower cancels--
  - Remaining disbursements on existing loans accepted
  - Additional loans require new MPN



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# ***New MPN Initiatives***

- Electronic Signature
- PLUS MPN



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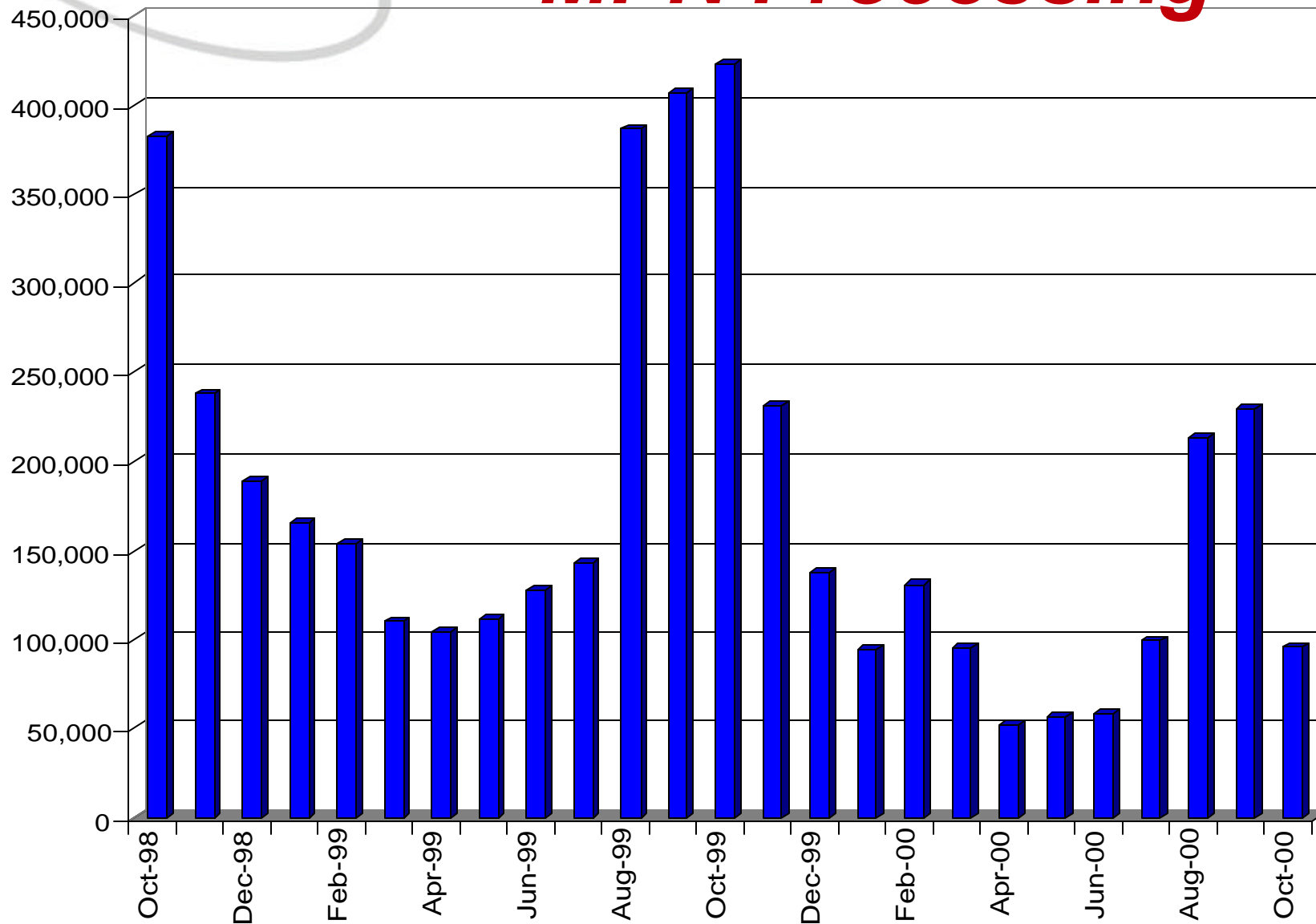
## *Ways to know if LOC has a valid MPN*

- For 1999-2000 and 2000-2001
  - NSLDS
  - LOC sends an origination record back with the MPN ID
- For 2001-2002
  - There will be a flag on the ISIR record





# MPN Processing





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# MPN Changes for 2001-2002



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## ***MPN ID Eliminated***

- The 21-character MPN ID has been replaced with a 1-character YES/NO flag on the LOR Acknowledgement
- “Y” if the LOR is linked to an MPN at the LOC
- “N” if the LOR is not linked to an MPN at the LOC
- MPN acknowledgement will retain the MPN ID



# *Single Year*

- Must collect a new MPN for each academic year
- The LOC will analyze the LOR to determine if a new MPN is needed
  - compare the academic year on new LOR to first LOR



## ***MPN Multi-Year Use Expiration***

- The MPN will be analyzed to determine its availability for multi-year use
- The expiration date:
  - 12 months after receipt if no LOR is received at LOC
  - 12 months after first anticipated disbursement if no actual disbursement activity has occurred
  - 10 years after first anticipated disbursement



## ***MPN Multi-Year Use Expiration***

- The LOC will link LORs to MPNs if the loan period start date is before the MPN expiration date
- The LOC will return a “No MPN on file” status if the loan period start date is after the MPN expiration
- MPN expiration date will be displayed on the WEB



## ***Change Notification***

- When a borrower requests that the LOC close his/her MPN, the LOC will notify Direct Loan Servicing with a status of “C”
- If an MPN is closed by mistake and the LOC will re-open the MPN and notify the DLSC with a status of “A”
- Information reported to NSLDS by Servicing will be made available to schools via the ISIR or NSLDS website





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# ***Loan Origination Contacts***

- **E-Mail Address:**

- loan\_origination@mail.eds.com

- **School Relations at the LOC:**

- 1-800-848-0978

- **School Relations Fax:**

- 1-800-557-7396

- **School Relations at the Servicing Center:**

- 1-888-877-7658





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# Thank You

Don't forget to complete your evaluations either on paper or electronically in the Cyber Cafe



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