

Direct Loans



A Presentation on the Direct Loan Architecture
to the
National Association of Student Financial
Aid Administrators

**Direct
Loans**
William D. Ford Federal Direct Loan Program

July, 1998



Presenters



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U.S. Department of Education
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Director, National Student Loan Data Systems Division
U.S. Department of Education

Purpose and Objectives



- Our purpose is to provide a high level representation of the Direct Loan System architecture without “technical jargon”
- Our objectives include:
 - Understand which components are “Direct Loans”
 - Understand the general timing of events
 - Understand the “ownership” of each process component

BUT FIRST....

“General” Direct Loan Functions



CPS/EDE/TIVWAN	Loan Origination	Central Data System	Loan Servicing	NSLDS
<ol style="list-style-type: none"> 1. CPS: <ul style="list-style-type: none"> - Receive and edit FAFSA data - Perform SSA, INS, and DCS checks - Generate and forward ISIR & SAR 2. EDE <ul style="list-style-type: none"> - Packaging - Create LO record - Create disbursement and other transactions - Application processing - Receipt of ISIRs - ISIR corrections - Pell Processing - FISAP 3. TIVWAN <ul style="list-style-type: none"> - Telecom network - Distribute software and documentation - Store files - Billing schools 	<ol style="list-style-type: none"> 1. Gather school inputs 2. QA of loan data <ul style="list-style-type: none"> - Origination record - Prom Note - Disbursements - Adjustments 3. Perform drawdowns for Levels 2&3 4. GFM fulfillment 5. Image Prom Note 6. Credit checks 7. School reconciliation 8. School interface <p>Loan Consolidation</p> <ol style="list-style-type: none"> 1. Lender for Cons Loans 2. Perform Credit Checks 3. Process Certifications 4. Pay underlying loans 5. Counsel Repayment Plans 6. Fund and pass loans to CDS 	<ol style="list-style-type: none"> 1. Accounting 2. Data consistency and accuracy 3. Data routing and “Traffic Cop” 4. MIS reporting 5. Provides standard Computer Interface Standards: <ul style="list-style-type: none"> - IRS - DCS - Lock Box - EDA Vendor - PAS/EDCAPS - LO - Consolidation - Servicing 6. School File 7. Transfers to DCS 	<ol style="list-style-type: none"> 1. Maintain loans 2. Borrower interface 3. Prepare and send reports, bills, statements, etc. 4. Collections 5. Skiptracing 6. Payment Plans: <ul style="list-style-type: none"> - Standard - Extended - ICR - Alternate 7. Compute and apply interest 8. NSLDS Reporting 9. Operational reports 10. Process Payments 11. Enrollment Status 12. Deferments 13. Forbearances 	<ol style="list-style-type: none"> 1. Direct Loan data reporting 2. FAFSA matches for aid eligibility and Prescreening 3. Financial Aid Transcript 4. SSCR reporting 5. Borrower tracking 6. Aggregated data for Budget planning 7. On-line conflict resolution assistance 8. Cohort Default Rate calculations 9. Standard, generated reports 10. On-line SSCRs 11. Aid Overpayment 12. Pell Payment Data 13. Post Screening

This shaded portion is what we call Direct Loans!

The Direct Loan Design



Now, about that architecture....

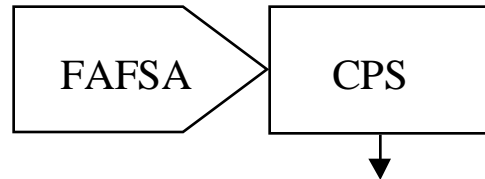
The Direct Loan Design

-- Central Processing System --



■ CPS

– Receive FAFSA:



» From FAFSA Express,

FAFSA on the Web, MDEs, Schools, 3rd Party Servicers, etc.

– FAFSA data is edited and matched to:

» INS, SSA, DOJ, Selective Service, NSLDS and DCS

– FAFSA serves as the Direct Loan Application (No Separate Application)

– Information from FAFSA yields “EFC” (Expected Family Contribution)

– $EFC + \text{cost of attendance} + \text{enrollment status} = \text{Eligibility for student aid}$

– ISIR gives “Institution” eligibility data

– SAR gives “Student” eligibility data

» Eligibility data can be modified at later date (marriage, etc.)

– Contractor: CPS is a mainframe-based system, operated by NCS under contract with ED through September, 2002.

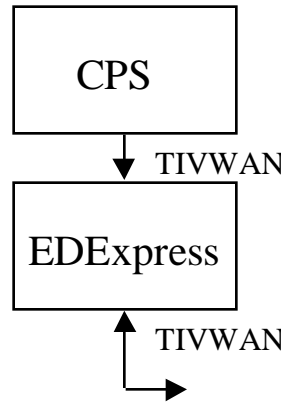
The Direct Loan Design

-- TIVWAN and EDE --



■ TIVWAN

- Telecommunications network carries and stores data
 - » 6 months file storage
 - » Free for DL Schools



(No more than 72 hours from FAFSA to ISIR)

■ EDEExpress (soon, 586 PC)

- Builds origination record from ISIR
- ISIR (Institutional Student Information Record) initiates Packaging Process
 - » “Total Cost of Attendance” + EFC = award (Pell, Scholarships, Campus-based, loans)
- Determine “unofficial” EFC
- Used for Renewal Application

- Contractor: NCS for TIVWAN and EDEExpress through Sept, 2001.
NCS for Technical Reference and EDEExpress software.

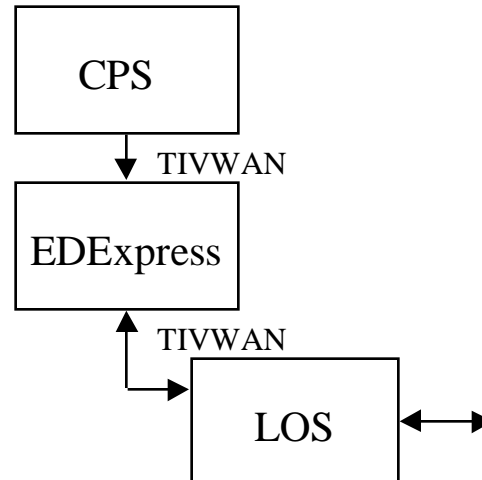
The Direct Loan Design

-- Loan Origination --



■ Loan Origination

- Regular Origination
 - » Origination Record
 - » Promissory Note
 - » Disbursement
- Plus Loan Origination
 - » Credit checks

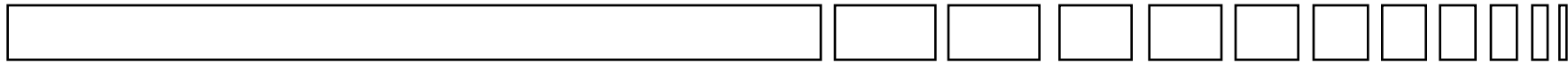


- TIVWAN mailboxes swept nightly
- Acknowledgments returned next morning
- Disbursements, etc. sent to CDS nightly

- Contractor: EDS performs all loan originations. The EDS contract runs through 2002.

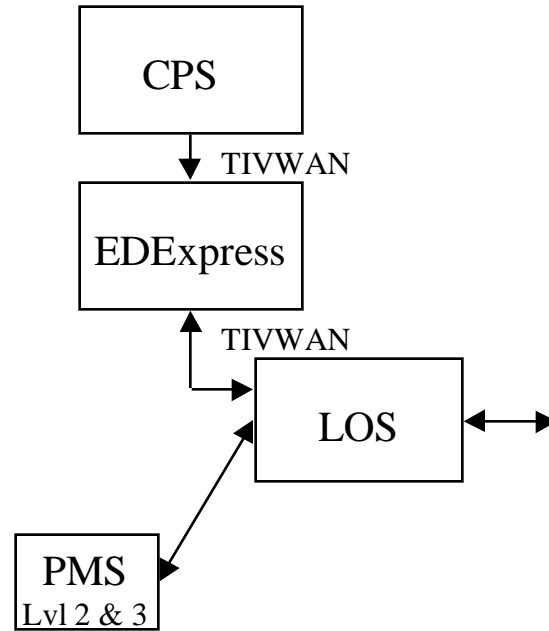
The Direct Loan Design

-- Loan Origination (Drawdown) --



■ Payment Management System

- Supports drawdowns
- Level 1, school draws
- Level 2 & 3, LO draws
- Funds deposited to school



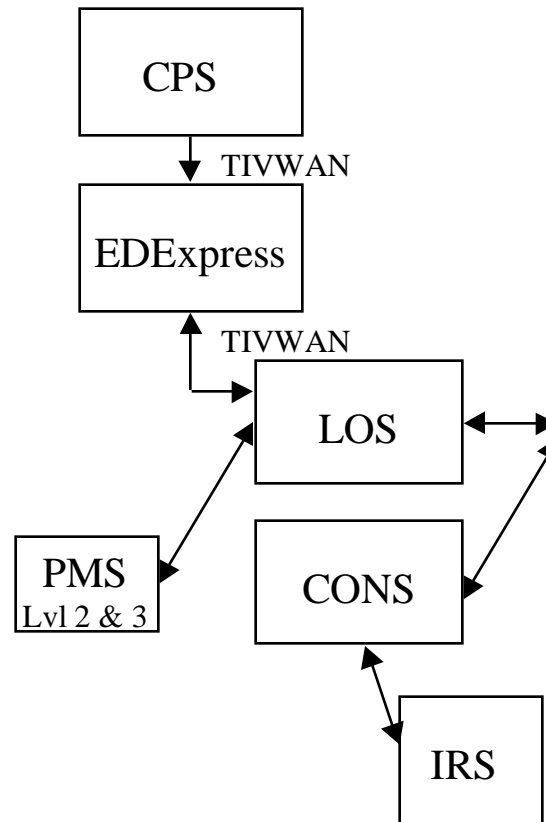
The Direct Loan Design

-- Loan Consolidation --



■ Consolidation

- Process Applications, credit checks, P-Notes
- Prepare, send and receive Verification Certificates for underlying loans
- Determine Payment Schedule
 - » ICR (Income Contingent Repayment)
 - Verify Income (IRS)
- Fund loans



The Direct Loan Design

-- Central Data System (CDS) --



■ Central Data System

– Data Routing

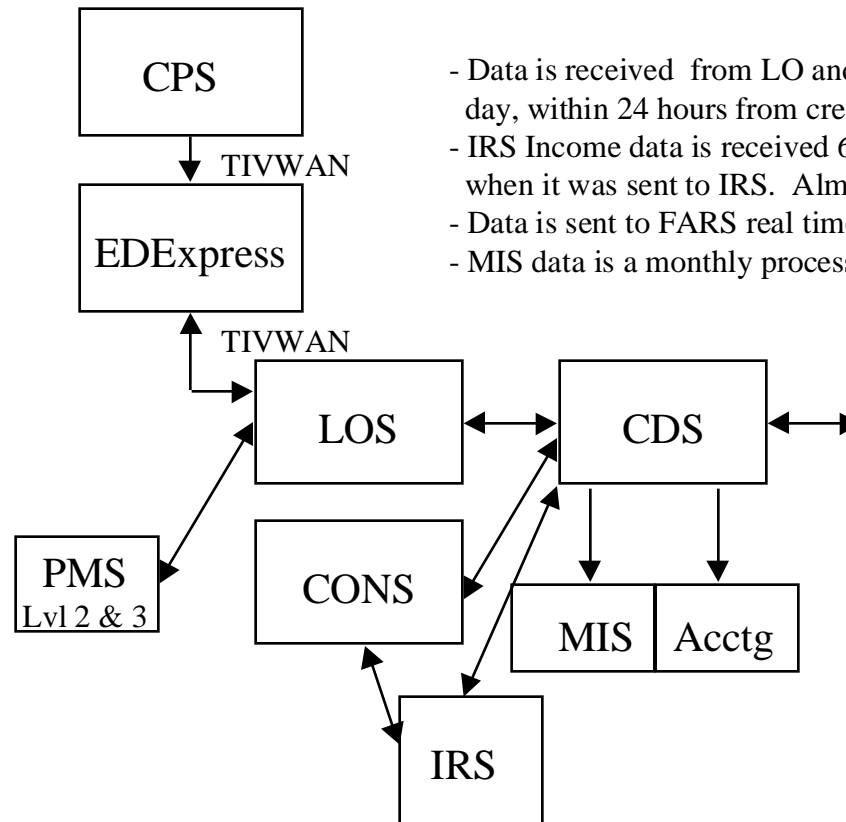
- » Booked loans, EDA transactions, payments, ICR data, adjustments, etc.

– MIS Reporting

- » Program specific
- » Delinquency

– Accounting

- » DL subsidiary ledger
- » Reports to EDCAPS

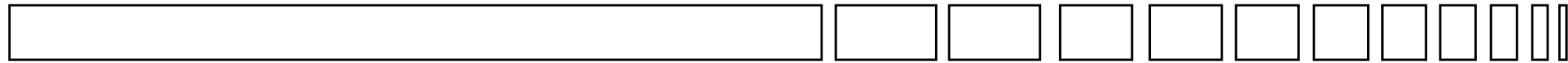


- Data is received from LO and Cons every day, within 24 hours from creation date.
- IRS Income data is received 60 days from when it was sent to IRS. Almost daily.
- Data is sent to FARS real time.
- MIS data is a monthly process.

- Contractor: CDSI developed and operates CDS under their original contract. The CDSI contract runs through September, 2000.

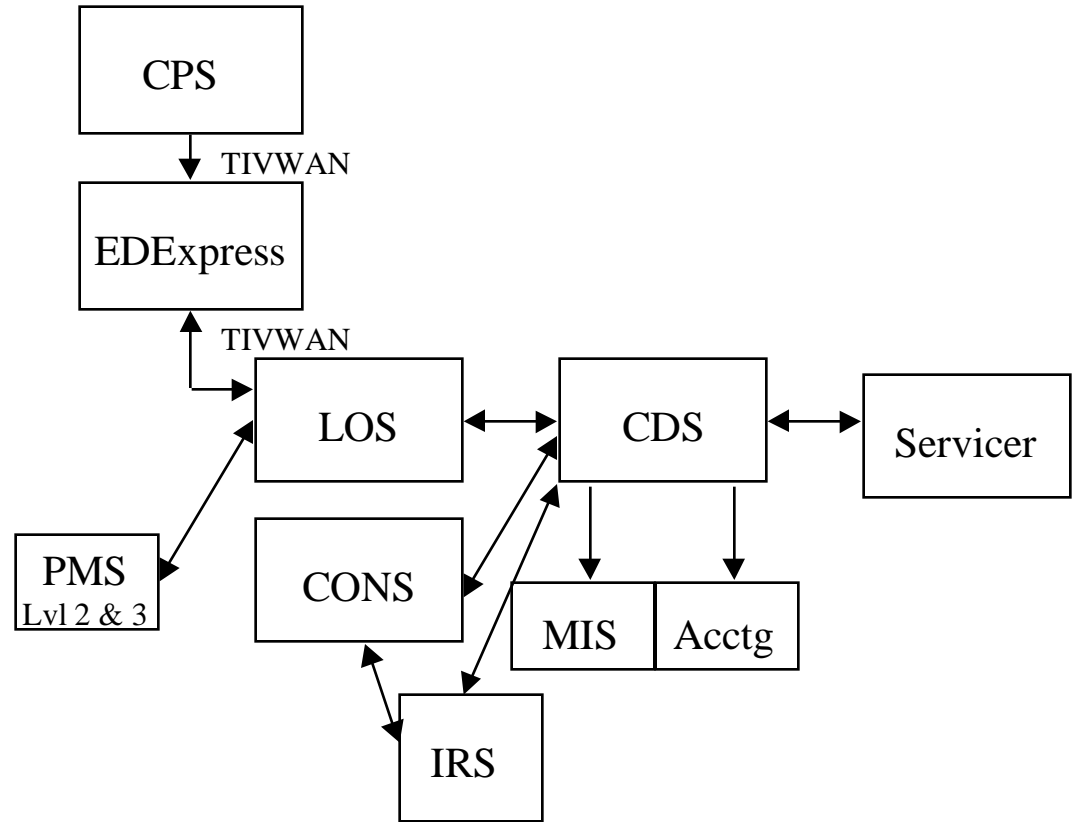
The Direct Loan Design

-- Loan Servicer --



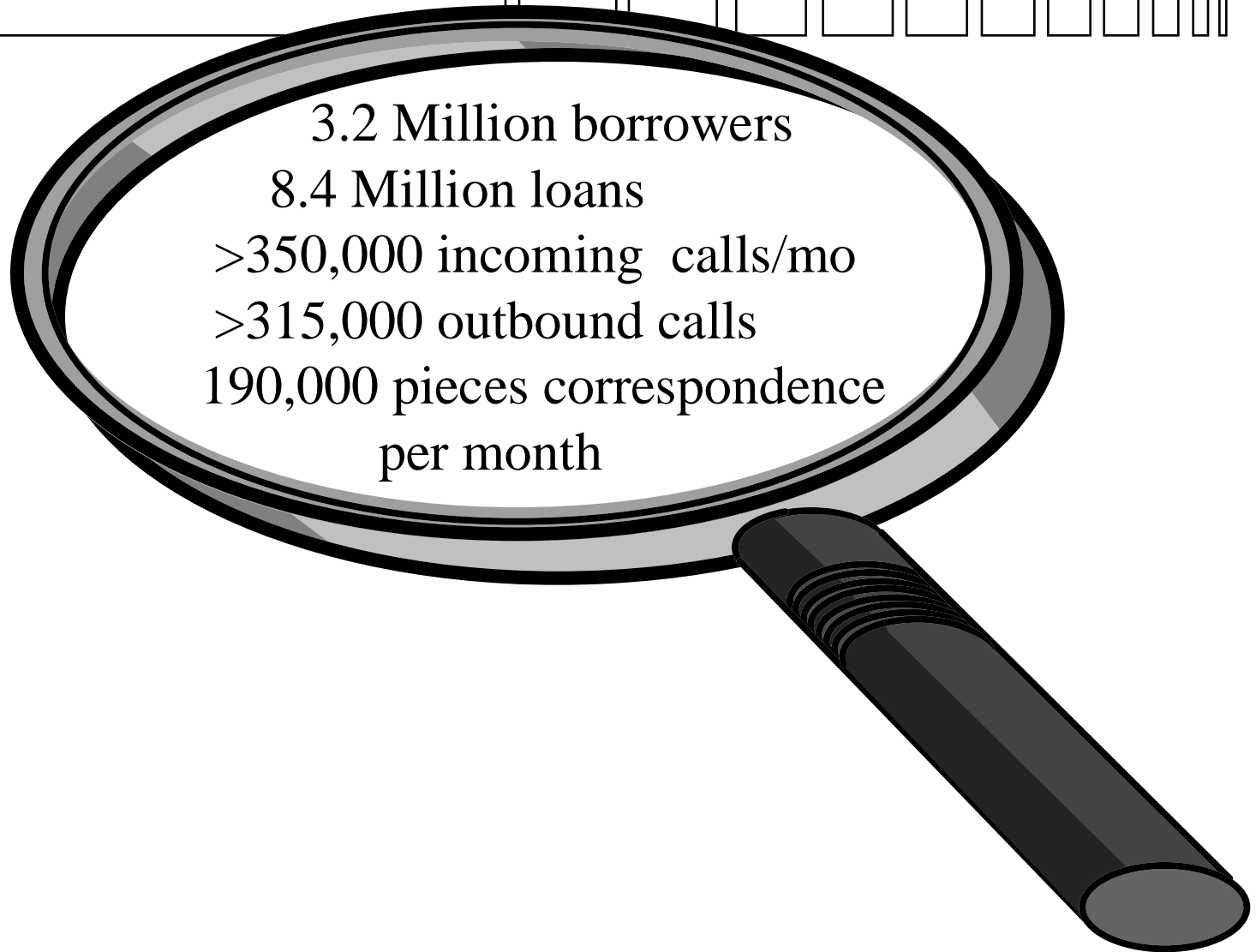
■ Loan Servicing

- “Books” loans from CDS, prepare Welcome Letters, provide repayment plan counseling, collections, skip tracing, payment processing, deferments and forbearances, billing and collections,
- Due Diligence is at least equal to FFEL



- Contractor: CDSI/AFSA in Utica, NY. This contract runs through 2003.

Factoid



3.2 Million borrowers

8.4 Million loans

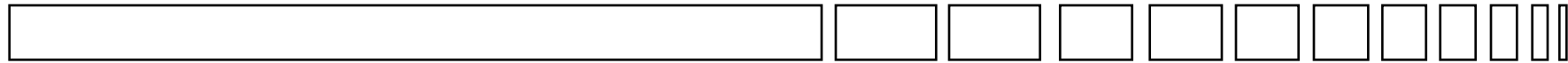
>350,000 incoming calls/mo

>315,000 outbound calls

190,000 pieces correspondence
per month

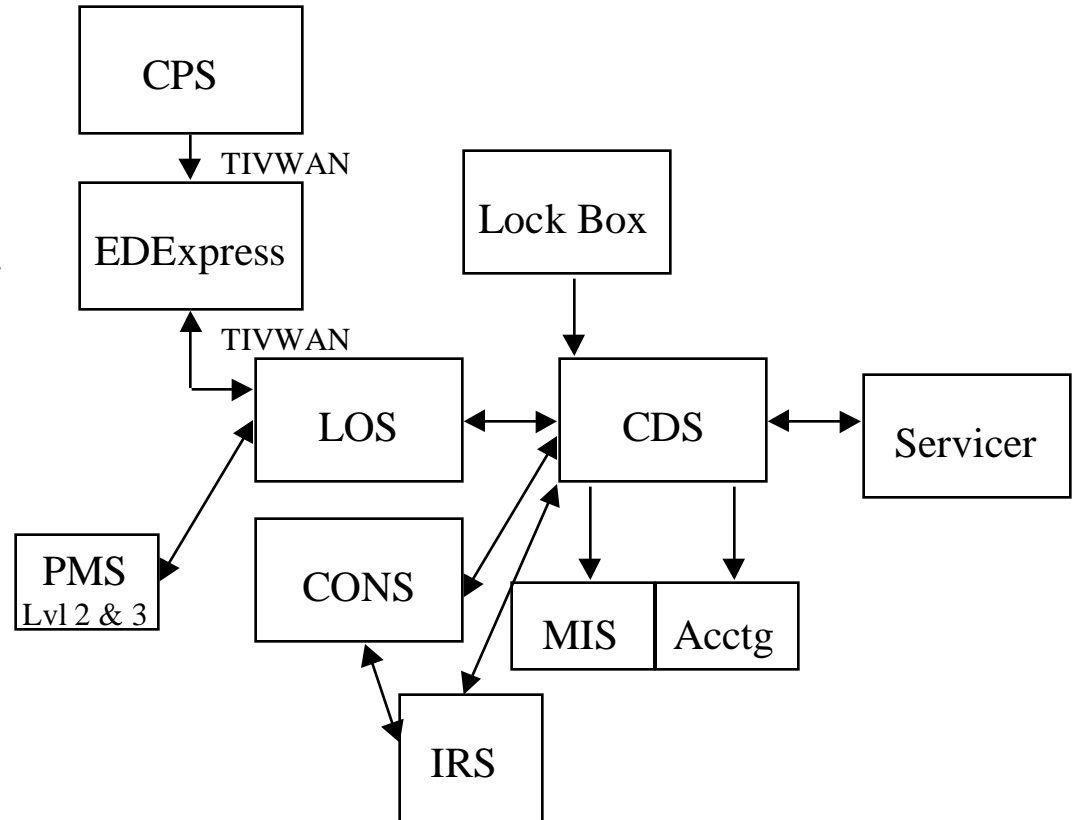
The Direct Loan Design

-- Central Lock Box --



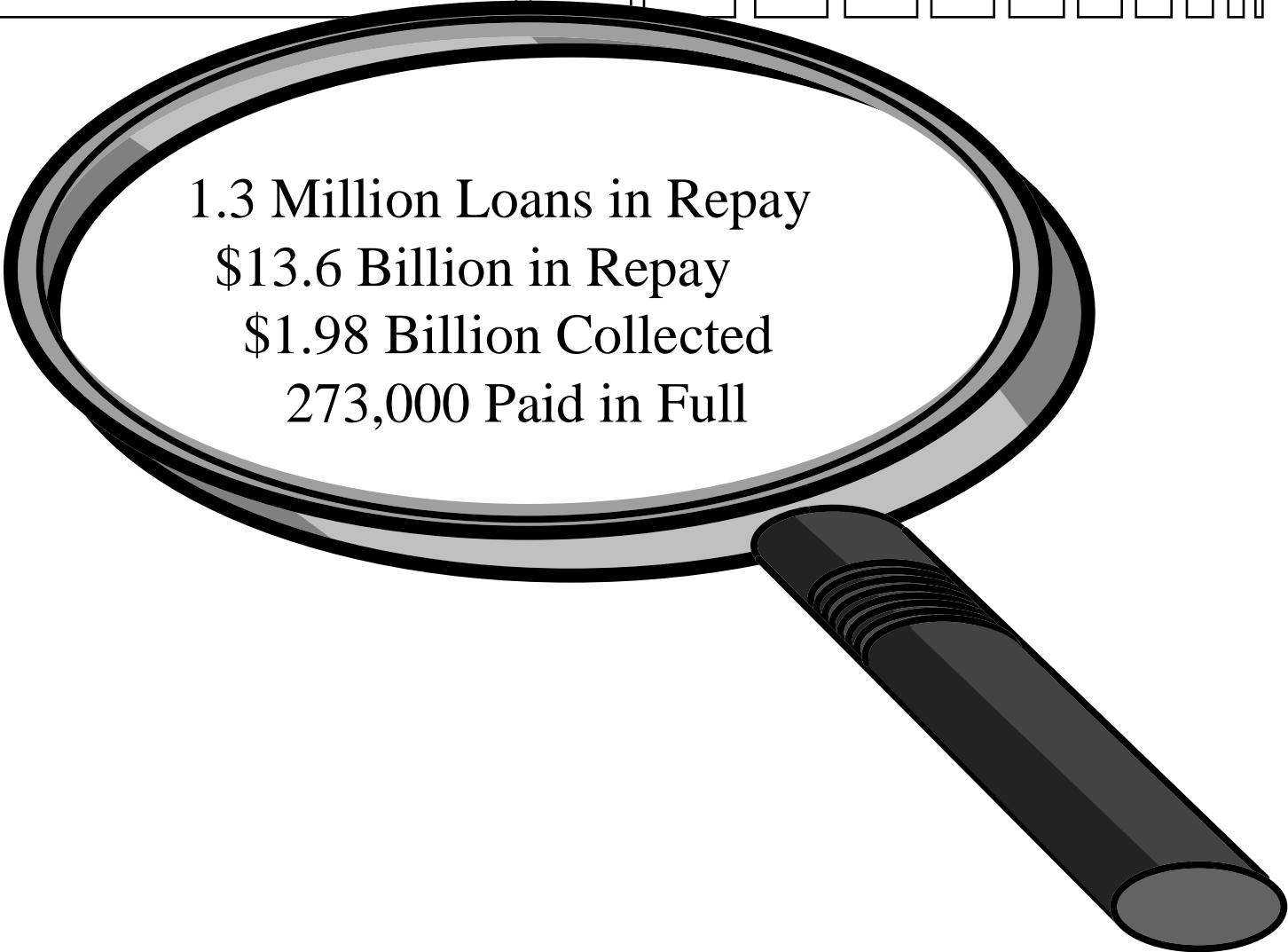
■ Lock Box

- Bills prepared by servicer. Mailed to borrowers. Return envelope provided.
- Payments returned to Lockbox in Atlanta. Opened, inspected, recorded to transmission file, transmitted to CDS, check deposited to Federal Reserve Bank.



- Contractor: Lock Box is operated by NationsBank as a Treasury contract.

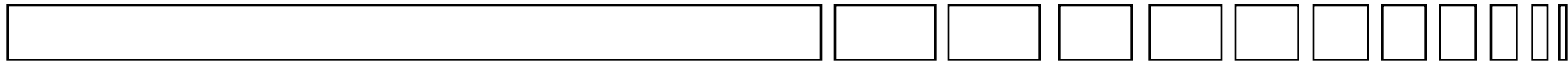
Factoid



1.3 Million Loans in Repay
\$13.6 Billion in Repay
\$1.98 Billion Collected
273,000 Paid in Full

The Direct Loan Design

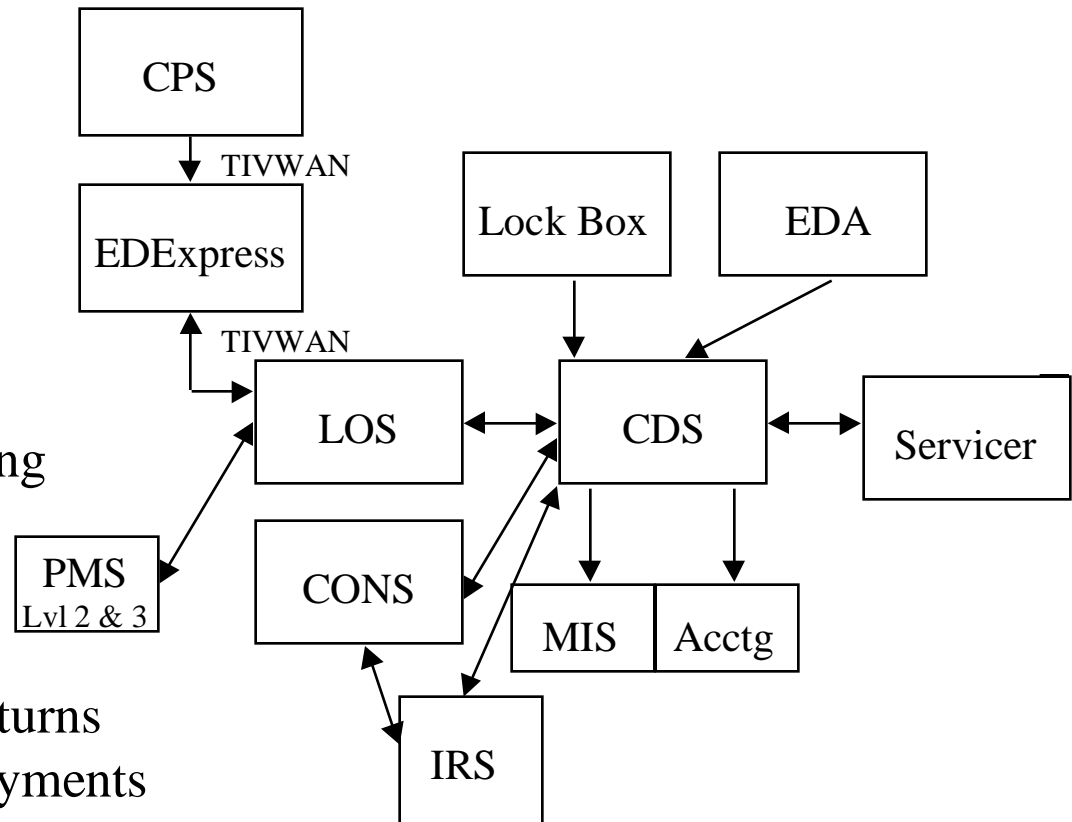
-- EDA Vendor --



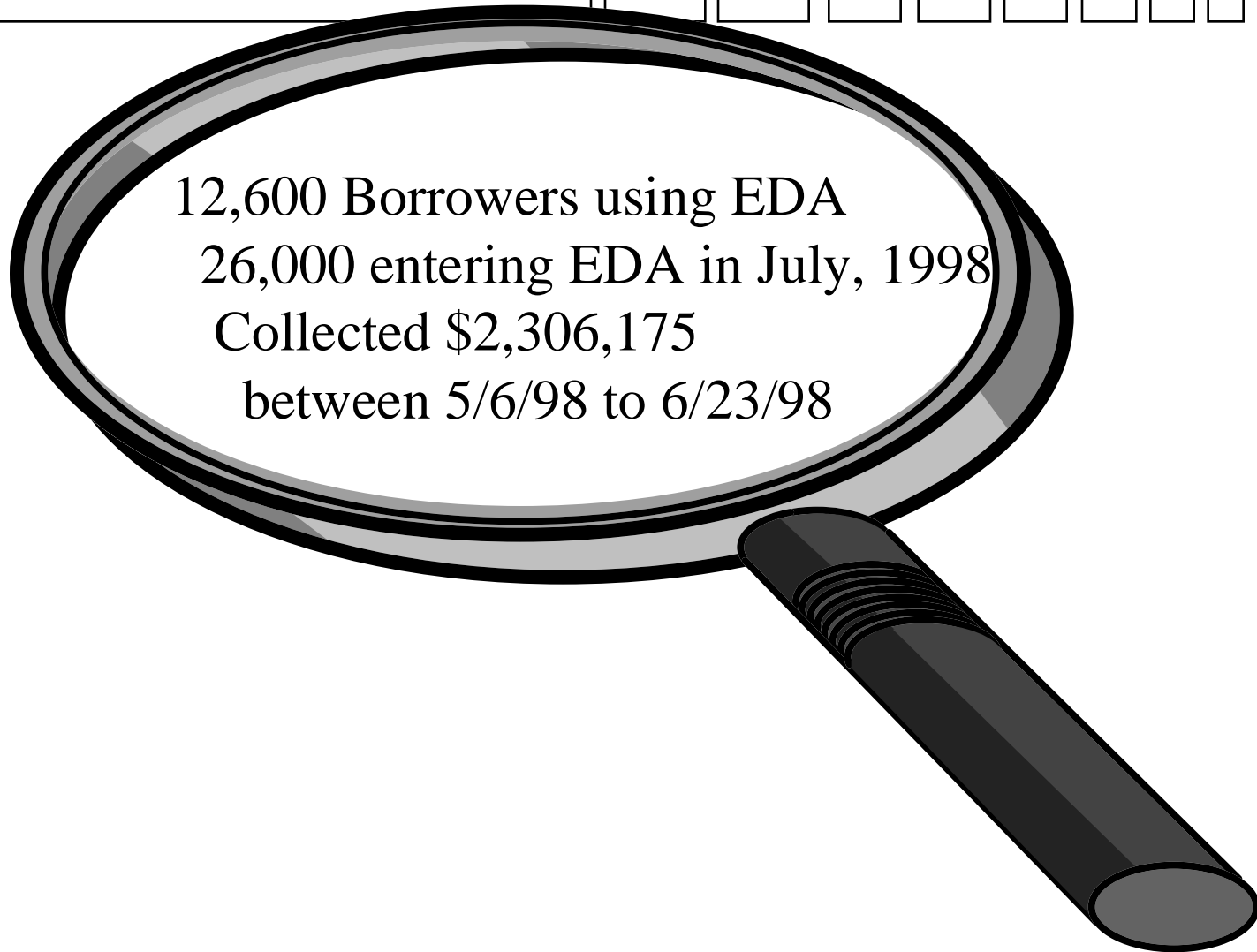
■ EDA

(Electronic Debit Account)

- Borrowers can have payments withheld from their checking accounts, automatically.
- Each month, Loan Servicing sends amount to debit. CDS generates file to EDA which actually withdraws funds. EDA returns an electronic file of the payments to CDS which applies them to the Loan Servicing system.
- Contractor: EDA is provided by the Federal Reserve in Kansas.



Direct Loan Factoids



12,600 Borrowers using EDA
26,000 entering EDA in July, 1998
Collected \$2,306,175
between 5/6/98 to 6/23/98

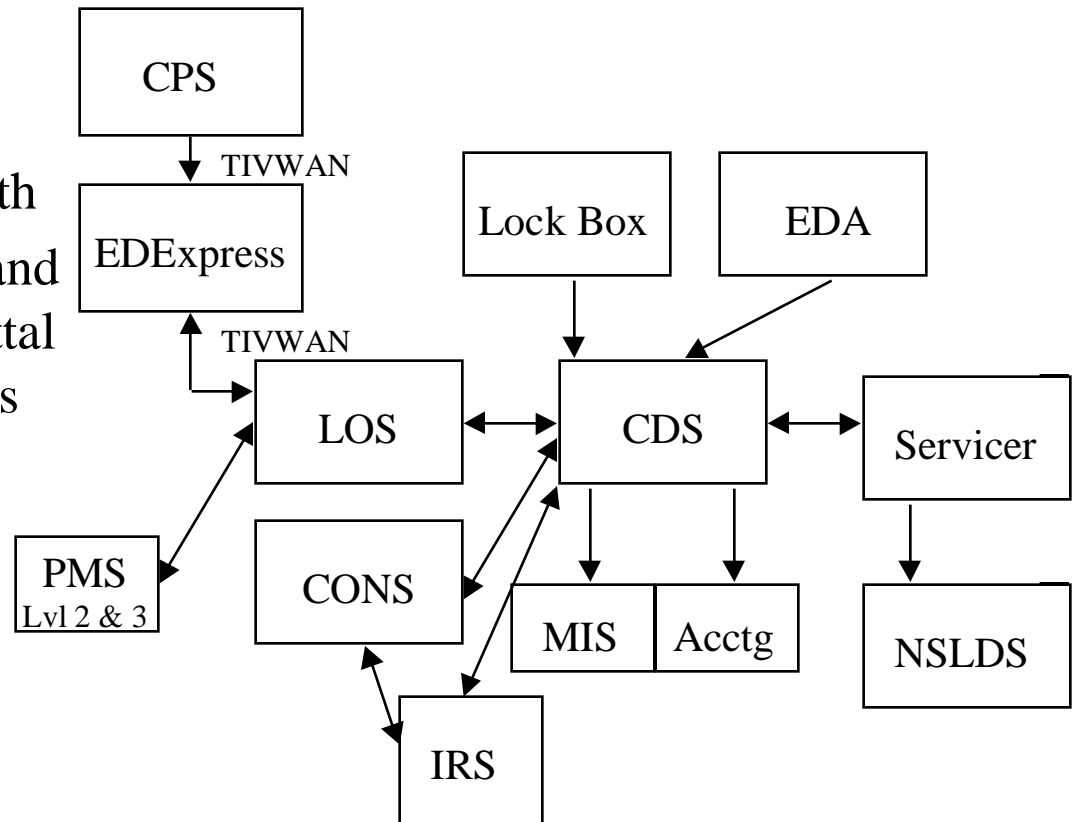
The Direct Loan Design

-- DL to NSLDS Reporting --



■ DL to NSLDS Reporting:

- DL reports updated loan data to NSLDS each month
- NSLDS updates DL data and returns an “Error Transmittal File” for all “error” records
- Servicing researches errors and resubmits during the next submission



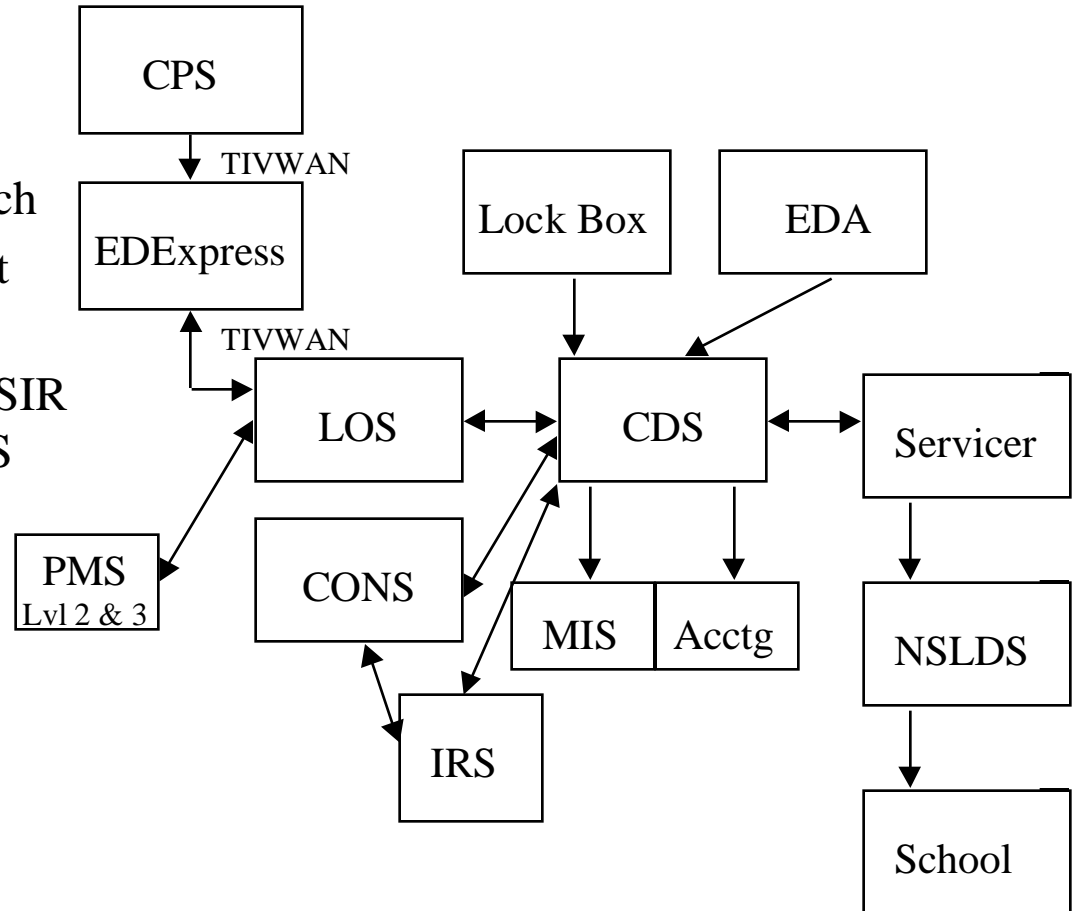
- Contractor: NSLDS contractors are Raytheon for development and Customer Service (through Dec, 1998), and CSC for computer operations (through October, 2000).

The Direct Loan Design

-- NSLDS to School Reporting --

■ NSLDS to School Reporting:

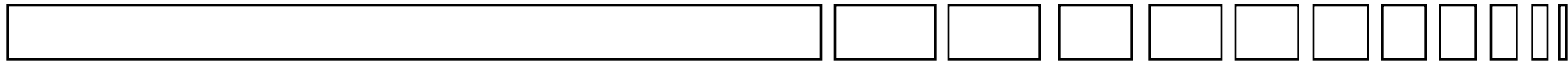
- Eligibility Data
 - » Resulting from CPS match
 - » Sent with SAR to student and ISIR to schools
 - » Every time a new SAR/ISIR is produced, and NSLDS data is refreshed
- Eligibility Changes via Post Screening



Continued on Next Slide

The Direct Loan Design

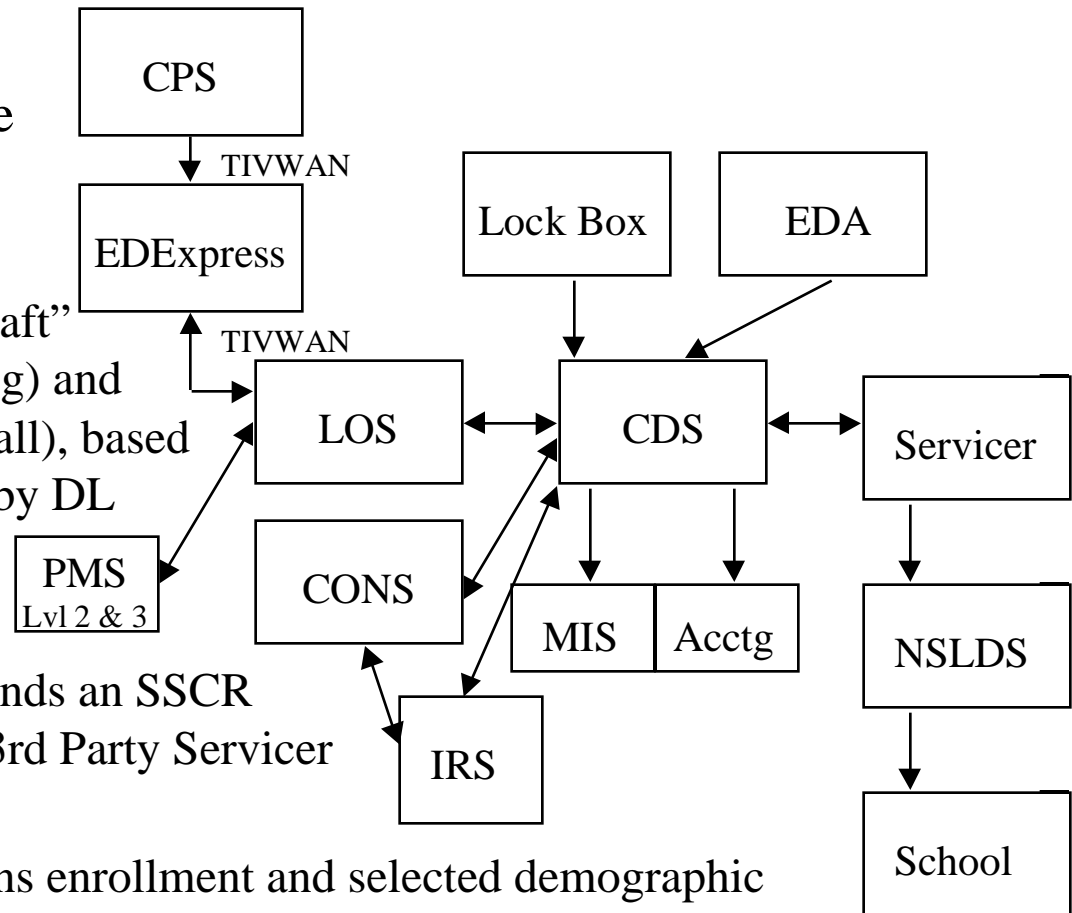
-- NSLDS to School Reporting --



■ NSLDS to School Reporting: Continued from Previous Slide

- Cohort Default Rates

- » NSLDS calculates and distributes to schools “draft” default rates (in the spring) and “final” default rates (in fall), based on loan data as reported by DL Servicing
- » Enrollment Data
- » NSLDS generates and sends an SSCR Roster File to school or 3rd Party Servicer up to 6 times per year.
- » SSCR Roster File contains enrollment and selected demographic data as reported by the DL Servicer and Schools
- » Transmitted over TIVWAN or other means



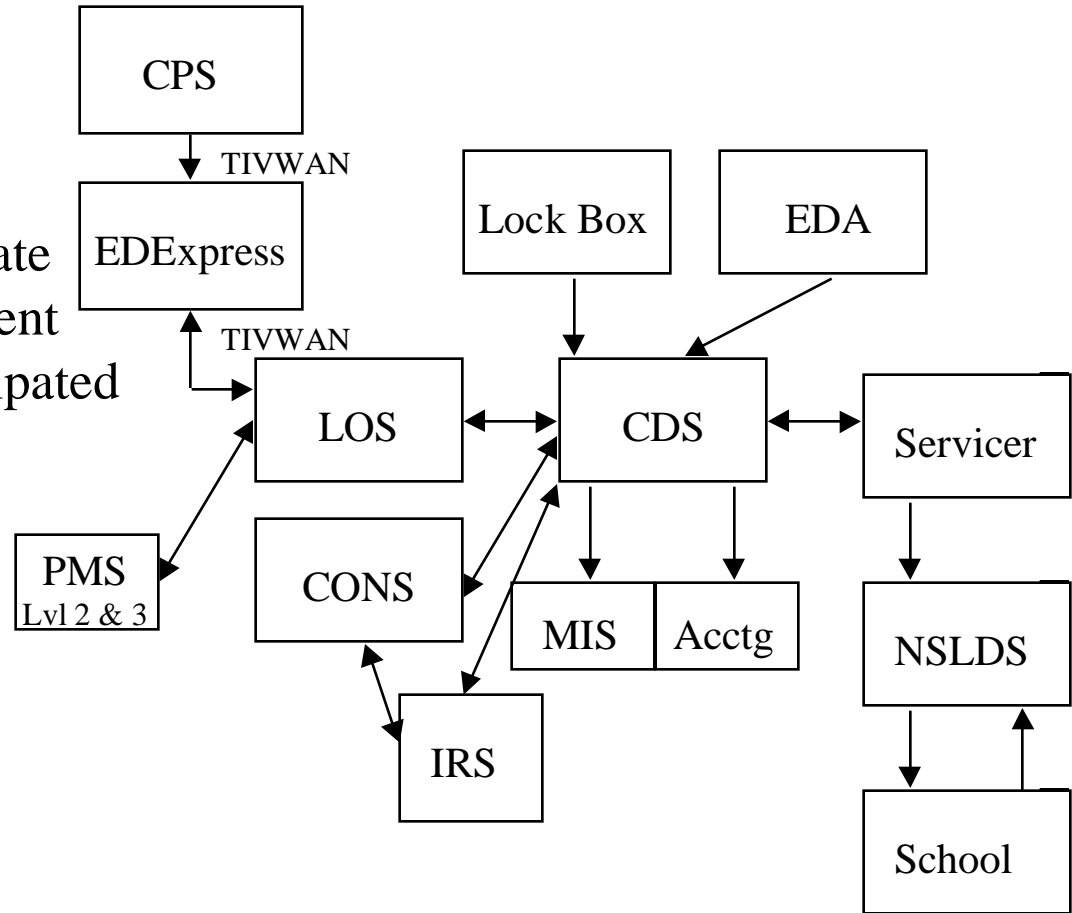
The Direct Loan Design

-- School to NSLDS Reporting --



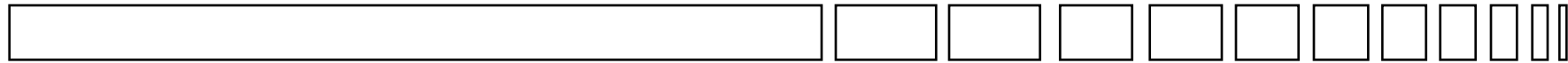
■ School to NSLDS Reporting

- Within 30 days, Schools match SSCRs against registrar files, update enrollment status, enrollment status effective date, anticipated completion data, etc.
- Return updated Roster File, NSLDS updates their database with this enrollment information.

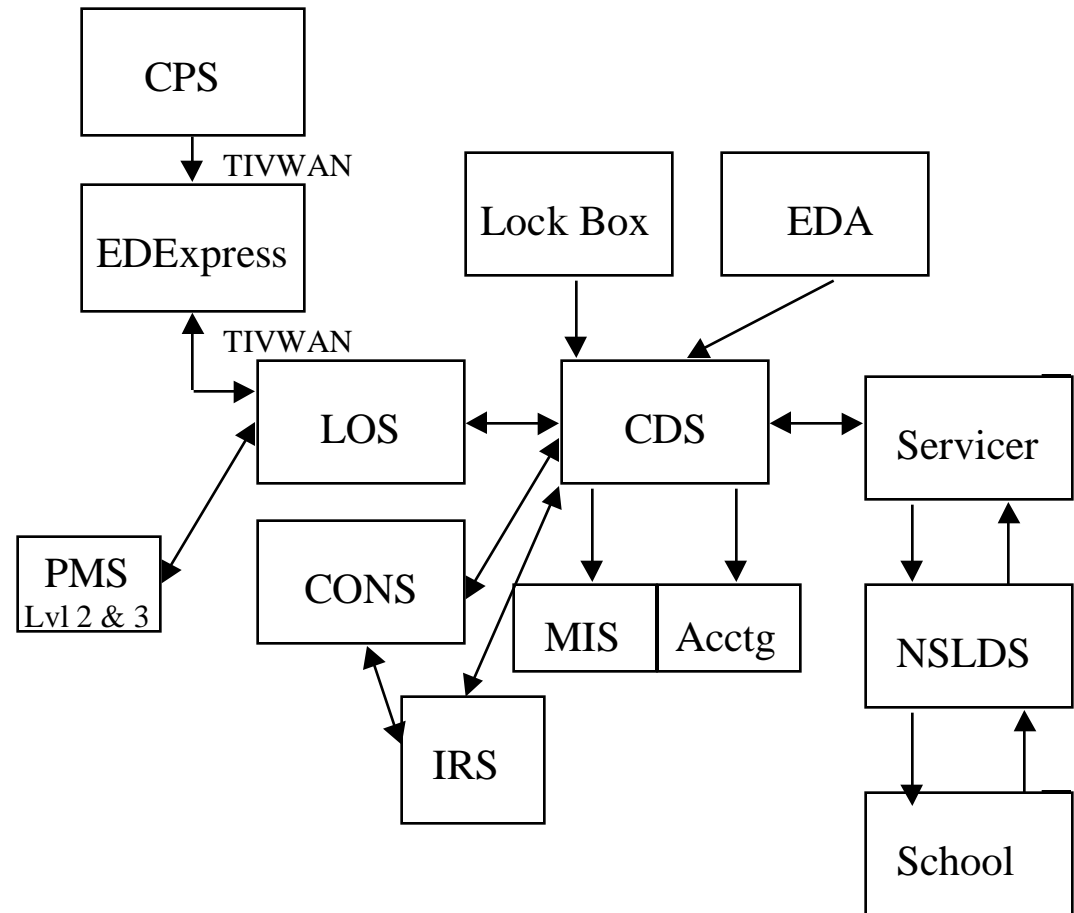


The Direct Loan Design

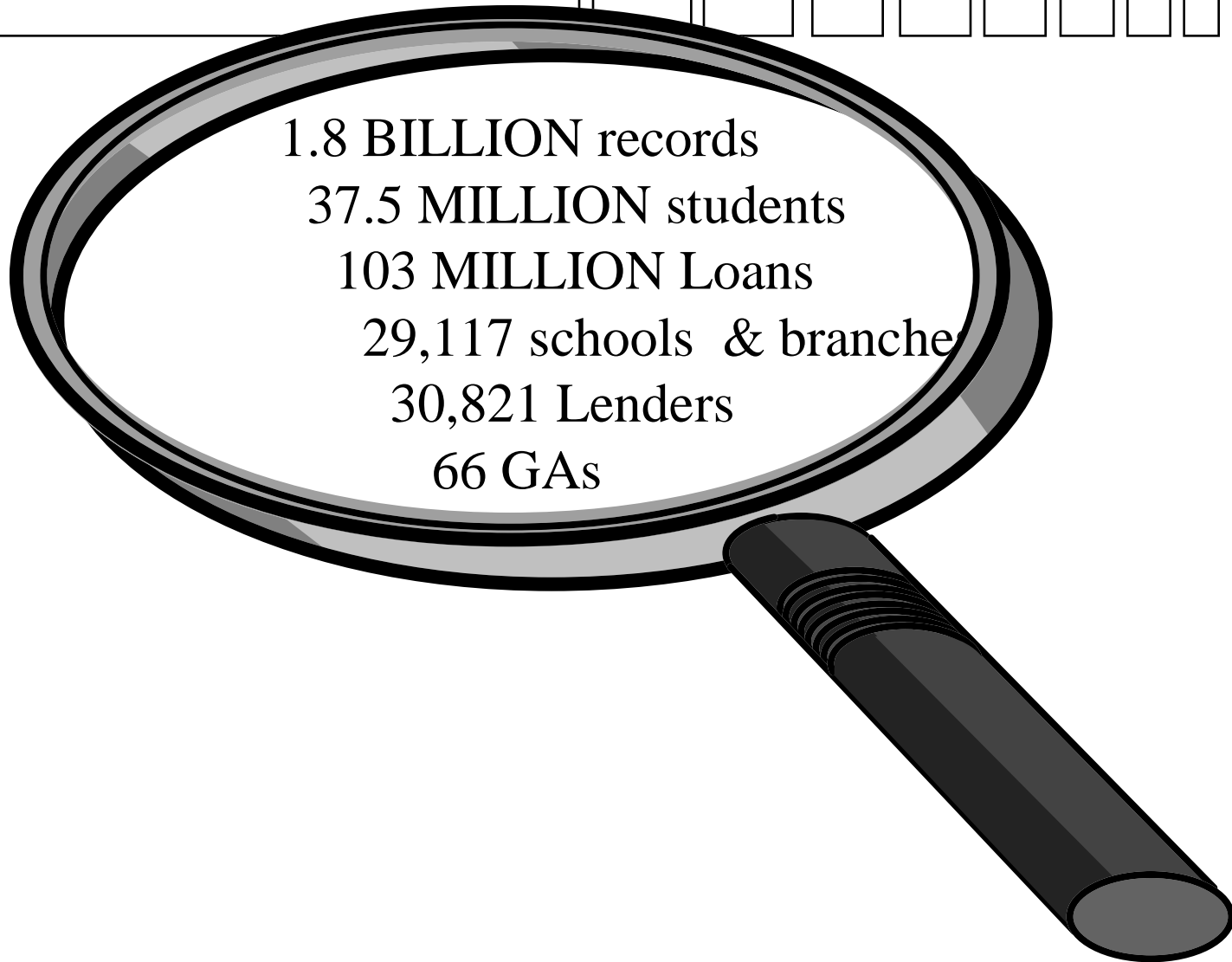
-- NSLDS to DL Reporting --



- NSLDS to DL Reporting:
 - NSLDS generates SSCR updates to the Direct Loan Servicer weekly.
 - Direct Loan Servicing applies SSCR updates to their database on an ongoing basis.



NSLDS Factoids



1.8 BILLION records
37.5 MILLION students
103 MILLION Loans
29,117 schools & branches
30,821 Lenders
66 GAs

So, what does this mean to:



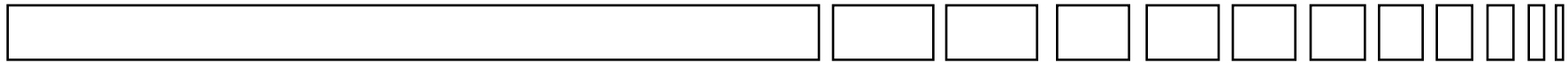
■ Schools?

- An electronic, near paperless process
- Quicker, more flexible access to funds
- Superior Customer Service (Account Managers, School Relations, FSAIC, etc)
- Borrower-specific Exit Counseling materials (SEPX & SEPY)
- School-specific, electronic Delinquency Reports (Since March, 98)

■ Borrowers? A Better Way to Borrow!

- A single lender for all Direct Loans: Single phone numbers, addresses, etc.
- Quicker access to financial aid
- A variety of improved repayment options (including ICR)
- Web access to Direct Loan account information
- Better ways to pay (EDA, monthly statements, Coupon Books in '99, etc.)

Who Should You Call?



- CPS 1 (800) 330-5947
- TIVWAN 1 (800) 615-1189
- EDExpress (see CPS) 1 (800) 330-5947
- LO School Relations 1 (800) 848-0978
- Loan Consolidation 1 (800) 557-7392
- DLSS School Relations 1 (888) 877-7658
- NSLDS 1 (800) 999-8219

--- or call ---

- The Federal Student Aid Information Center at
1 (800) 4FEDAID



Thank You!