Direct Consolidation Loans

Partnering a Process for the Student

Presented By

Peggy Berger and Denise Leifeste

U.S. Department of Education

Consolidation is about debt management

It is about the best solution for individual borrowers to manage debt

It is about lenders and the U.S. Department of Education working together to assist our student customers

The Consolidation Process

Our part of the partnership

ö Receiving and expeditiously handling an application from a borrower

ö Contacting loan holders for payoff amounts

ö Paying off loan holders accurately

ö Consolidating the underlying loans into a consolidation loan with one monthly payment.

The Consolidation Process
(continued)

Your part of the partnership

ö Completing a verification certification form

ö Applying timely payoffs to borrower loans

ö Adjusting promptly for over and underpayments

Loan Verification Certification
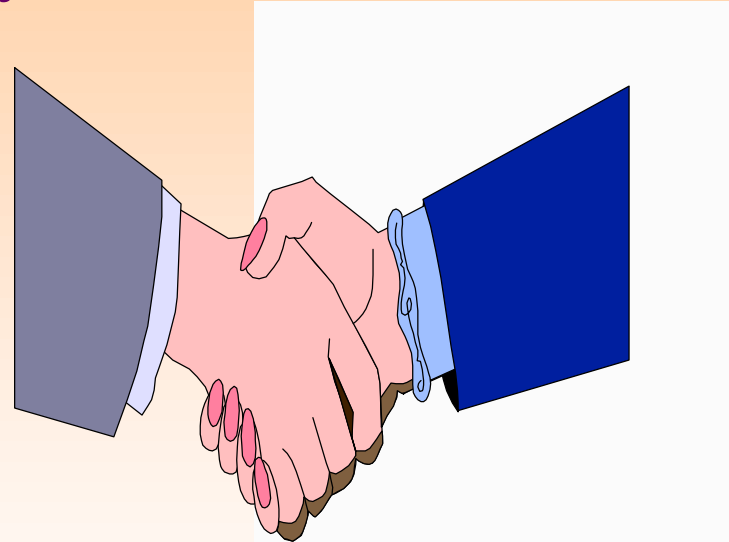
Partnership in Accuracy:

Holder and payoff address

Account number

Loan type

Interest rates

Collection costs

Total payoff

Some Simple Changes to the Certification

Borrower Information

Name	John Dough
Social Security Number	999887777
Street	100 Farm Street
City, State, Zip	Corn City, IA 52402
Phone Number	202-260-1750

Program	DCS Type	DL Code
FISL	FISL	C
NDSL	E	N
NDSL	I	M
NDSL	P	F
GSL	STAF	A
GSL	PLUS	T
GSL	CONS	O
GSL	SLS	H
FDSL	Sub	D
FDSL	Unsub	L
FDSL	PLUS	U

Account Information (Up to 6 Loans each form)

Debt ID	Loan Type	Interest Rate	Principal	Interest	Disbursement Date	School ID	Withdrawal Date	Defaulted
	Code Above				G/D Date	SID	W/D Date	
G1990123432140123	P	8.00	10,000.00	10,000.00	12/28/98	012342	12/28/98	Y
N1989002134523134	M	3.00	900.00	100.00	1/20/83	012345	6/22/96	N
N1989002134523134	M	3.00	900.00	100.00	1/20/83	012345	6/22/96	N
N1989002134523134	M	3.00	900.00	100.00	1/20/83	012345	6/22/96	N
N1989002134523134	M	3.00	900.00	100.00	1/20/83	012345	6/22/96	N

Agency Information (Input this once, then save the file)

Name	Friendly Collectors
Street	PO Box 1
City, State, Zip	Scaggsville, MD 20715
Phone Number	202-260-1750
Fax Number	202-260-4567
Contact's Name & Title	Jean Deau, Collection Manager
Fast-Track Number	13

**We are now asking the date of certification**

We no longer ask for per diem information

Using a Tolerance Policy

You May:
- Write off underpayments of $< \$25.00$
- Retain overpayments $< \$10.00$
- Calculate tolerance on total balance
    (GAs can calculate collection costs
        separately from principal/interest)
- Net Calculations by Program
    Stafford Subsidized
    Stafford Unsubsidized
    Plus Loans

A thanks to our partners
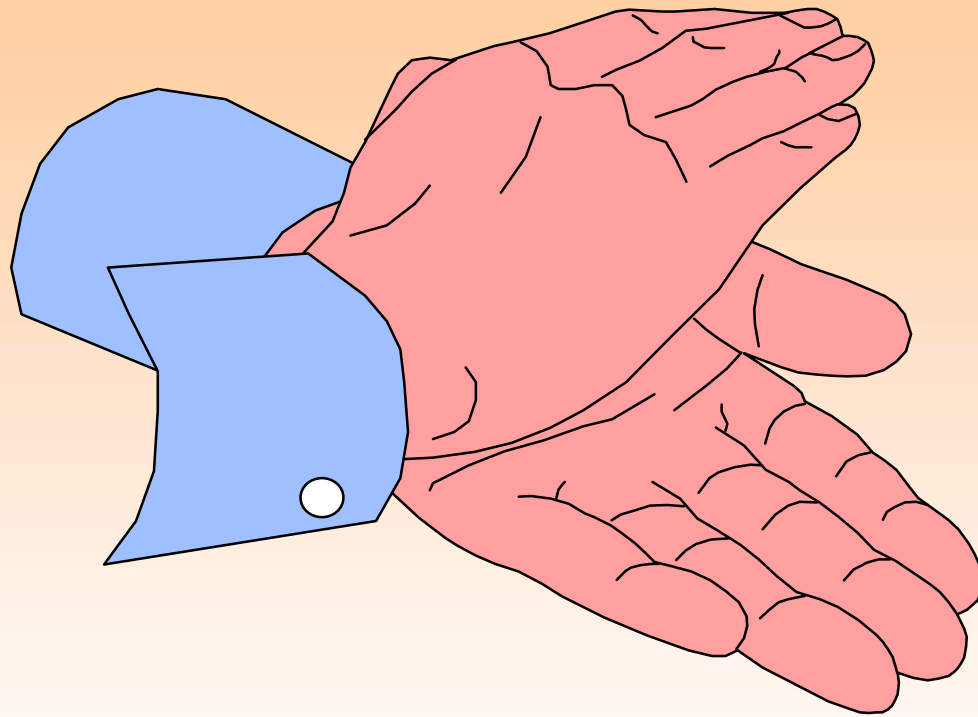
For helping us help borrowers manage their loan debt

Partnering in Payoffs

Your part of the partnership is to:

Bill the LOC promptly for underpayments.

Not bill borrower for underpayments

　　　See 34 CFR 685.215(f) (2) and (5).

Refund overpayments to LOC promptly.

Forward all borrower payments to LOC.

Calculation of Underpayments and Overpayments
(some simple examples)

- Stafford subsidized loans are overpaid
- Collection Costs overpaid

	Loan Balance	Amount Paid	Difference		Collection Cost Due	Collection Cost Paid	Difference	
Example #1								
Stafford Sub Loan A	5000	5070	70	overpaid	925	935	10	
Stafford Sub Loan B	4000	3090	-10	underpaid	740	746.4	6.4	
Stafford Sub Loan C	2000	1880	-20	underpaid	370	361	-9	
	11000	10040	40	**Overpayment**	2035	2042.4	7.4	**Overpayment**
			Refund to Education				**May be Retained**	

Calculation of Underpayments and Overpayments

- **3 Stafford subsidized loans are correctly paid**
- **Collection Costs overpaid**

		Loan Balance	Amount Paid	Difference		Collection Cost Due	Collection Cost Paid	Difference	
Example #2									
Stafford Sub Loan A		5000	5000	0		925	931	6	
Stafford Sub Loan B		4000	4000	0		740	742	2	
Stafford Sub Loan C		2000	2000	0		370	374	4	
		11000	0	0		2035	2047	12	Overpayment
				No Action Necessary				Refund to Education	

Calculation of Underpayments and Overpayments

- Loans from two programs are correctly paid
- Collection Costs overpaid for each program

		Loan Balance	Amount Paid	Difference		Collection Cost Due	Collection Cost Paid	Difference	
Example #3									
Stafford Sub Loan A		5000	5000	0		925	931	6	
Stafford Sub Loan B		4000	4000	0		740	742	2	
		9000	9000	0		1665	1673	8	Overpayment
Stafford Unsub Loan C		2000	2000	0		370	374	4	Overpayment
				No Action Necessary				May be Retained	

Calculation of Underpayments and Overpayments

- Stafford unsubsidized loans are overpaid
- Stafford subsidized loans are underpaid
- Collection Costs - underpaid subsidized
- Collection Costs - overpaid unsubsidized

	Loan Balance	Amount Paid	Difference		Collection Cost Due	Collection Cost Paid	Difference	
Example #4								
Stafford Sub Loan A	5000	4980	-20	underpaid	925	921.3	3.7	
Stafford Sub Loan B	3000	2998	-2	underpaid	555	554.63	0.37	
	8000	7978	-22	**Underpayment**	1480	1475.93	4.07	**Underpayment**
Stafford Unsub Loan A	6000	6100	100	overpaid	1110	1128.5	-18.5	
Stafford Unsub Loan B	6500	6550	50	overpaid	1202.5	1211.75	-9.25	
	12500	12650	150	**Overpayment**	2312.5	2340.25	-27.75	**Overpayment**
				Refund to Education $150		**Refund to Education $27.72**		
				Request Underpayment $22		**Do Not Request Underpayment 4.07**		

Partnering for the Future

A Performance Based Organization that:

ö Is customer driven

ö Works closely with our partners; and

ö Provides better, more responsive service to our customers

Partnering for the Future

Partnering Vision

ö ACH for payments of private lenders and Guaranty Agency collection costs

ö Electronic postings of SF1081s for payments to Guaranty Agencies

ö Loan holders may return overpayment refunds and underpayment requests either electronically or through the current process

      - Pilot next quarter

      - Full implementation by year end

Partnering for the future

The Department is developing functionality for electronic payments to loan holders

Benefits:

Processing efficiencies

Loan holders will receive single net payments for multiple borrowers

Facilitates electronic posting of payments

Electronic Payments

continued

- Eliminates delayed delivery
- Eliminates checks lost in the mail
- Reduces overpayments

    eliminates the calculation of mail time in calculating payoffs, reducing potential overpayments

    reduces borrower payments from the time of certification and receipt of funds

Electronic Payments

continued

Complies with Debt Collection Improvement Act of 1996 which requires electronic payment of all Federal obligations

Partnering in solutions

**Your Questions --
Our Answers**