

## **XIV. FEDERAL DIRECT LOAN PROGRAM PROCESSING**

### **A. REGULATORY OVERVIEW**

A school must be certified by the U.S. Department of Education (ED) to participate in any Federal Student Aid program, including the Federal Direct Loan (FDL) Program. A school must submit an Electronic Application for Approval to Participate in the Federal Student Aid Programs (E-App) to ED to apply for participation in the FDL Program.

The E-App collects information that allows ED to examine three major factors about the school: institutional eligibility, administrative capability, and financial responsibility. For schools that have participated in FSA programs, ED will examine a school's compliance audits, financial statements and program reviews, and will check to insure that the school has submitted all required financial statements and compliance audits. The Department may request additional materials such as the school's Satisfactory Academic Progress policy, admissions policies and refund policies.

### **B. PROCESSING OVERVIEW**

1. The student completes the Free Application for Federal Student Aid (FAFSA). The application is submitted to Central Processing System (CPS) for processing. The CPS performs need analysis and database matches.
  - a) The school receives Institutional Student Information Report (ISIR).
  - b) The student receives Student Acknowledgement Report (SAR).
2. The student completes the Master Promissory Note (MPN). The MPN may be serial or annual.
  - a) The Electronic MPN may be completed at online.
  - b) The Paper MPNs may be generated by COD or the school.
3. The student completes entrance counseling; counseling may be completed online.
4. The school determines individual student awards.
  - a) The school confirms FDL program eligibility.
  - b) The school determines the loan period which may not exceed 12 months. Depending on program type, the loan period may be a Scheduled Academic Year (SAY) or Borrower-Based Academic Year (BBAY).
  - c) The school calculates the award, taking into account annual and aggregate loan limits.
5. The school creates the origination/disbursement file which contains student records. The file is submitted to COD in batch file or directly into COD.
  - a) The record contains student and school identifying information, award type, award year, loan period start and end dates, and award amounts.
6. COD generates a response file.
  - a) The response file contains accepted and/or rejected records. Rejected records will have an edit code linked to the reject reason to enable reject resolution.
  - b) The response file includes status and expiration date of MPN.
  - c) If the record type is a PLUS Loan, the response file will include the outcome of the credit check.
  - d) Booked loans are serviced by Direct Loan Servicing System.
  - e) Booked loans are reported to NSLDS.
7. Accepted records are funded to G5 based upon the school's funding method.
  - a) Advanced Pay: school-initiated drawdown, school determines amount.
  - b) Pushed Cash: COD-initiated drawdown, COD determines amount.
8. The school draws down FDL funds and disburses the funds to individual student accounts.
9. Reconciliation is performed; discrepancies are resolved.
  - a) Monthly
  - b) Annually
10. COD Reports  
Various reports are available to assist schools in administering the FDL program:
  - a) *30-Day Warning*: identify and resolve un-booked loans in COD
  - b) *Inactive Loans*: identify inactive loans
  - c) *Funded Disbursement Listing*: identify disbursements used in funding calculation for that day
  - d) *Pending Disbursement Listing*: identify disbursement to be used in funding calculation for a particular day

- e) *School Account Summary*: summary and detail of cash and loan data; used to reconcile with school data
  - f) *Duplicate Student Borrower*: lists borrowers at school with awards at another school; used to identify potential overawards
  - g) *SSN/Name/Date of Birth Change*: lists borrowers with changes in identifying information; used to monitor changes and prevent rejects.
  - h) *MPN Discharge Report*: lists MPNs that are inactive due to discharge and no longer available for linking
  - i) *Expired MPN Report*: lists MPNs that are expired and no longer available for linking
  - j) *MPNs Due to Expire Report*: lists MPNs that will expire within the next 60 days
  - k) *Direct Loan Rebuild*: details origination and disbursement data on COD; used to rebuild lost data
11. Direct Loan Servicing Reports
- a) Entrance Counseling
  - b) Exit Counseling
  - c) Delinquency

### **C. POLICY & PROCEDURES STATEMENT**

Heritage University participates in the Federal Direct Loan Program. Federal Direct Loans are processed utilizing the federal software program EdConnect and PowerFails. The Financial Aid Office is responsible for determining student loan eligibility and awarding Federal Direct Loans according to the federal student aid eligibility requirements. The Business Office is responsible for disbursing the loans to student accounts and for drawing down funds through the Federal Government's G5 system.

Students who enroll in courses for credit or audit but have not been formally admitted or matriculated into a Heritage University eligible degree or certificate program are ineligible for Federal Title IV financial aid.

#### **1. Award Process**

To obtain a Federal Direct Loan, a FAFSA must be completed and submitted. The Federal Expected Family Contribution (EFC) obtained from the FAFSA data is used to determine loan eligibility including loan type (subsidized or unsubsidized). Prior to determining Federal Direct Loan eligibility, the student's FAFSA data is verified, corrected and any conflicts (reject codes) are resolved as required by the federal processor by the Financial Aid Office. Heritage University verifies only those files selected by the federal processor.

Once eligibility has been determined, the student is notified of his/her Federal Direct Loan eligibility via a financial aid award letter issued by the Financial Aid Office.

#### **2. Origination/Disbursement**

After the student has completed the FDL MPN and entrance counseling, and has returned the signed financial aid award letter indicating the amount of the FDL he/she would like to borrow, an origination/disbursement file is submitted to COD using PowerFails. COD then generates a response file that contains accepted and/or rejected records. Rejected records will have an edit code linked to the reject reason to enable reject resolution. The response file includes status and expiration date of MPN.

#### **3. Draw Down of Funds**

Once ED approves the Federal Direct Loan disbursements, the dollar amount for each FDL disbursement batch is placed in the University's G5 account. The Business Office has access to the total amount ED has approved for disbursement within G5. The business office draws down the net total of approved disbursements and is reimbursed for disbursements of the Federal Direct Loans it has made to student accounts through the transmittal process.

#### **4. Reconciliation**

The Financial Aid Office and the Business Office reconciles student level award detail for Federal Direct Loans upon receipt of loan proceeds no less than every month.

#### **5. Internal Controls**

- a) Federal Direct Loans are awarded according to the federal guidelines in terms of annual eligibility amounts.
- b) Students complete entrance counseling online at the time of completing the MPN.
- c) The College reconciled FDL records upon receipt from COD prior to posting disbursements to student accounts.
- d) 30 Day Delay for First Time Borrowers - POLICY: Heritage Universities 3 YR Cohort Default Rate (CDR) is above 15% and therefore must delay delivery of Direct Stafford Loans. The delay of delivery will be for first year, first time borrowers. The delays will extend 30 calendar days into the semester regardless of which semester the students begins their enrollment. The 30 day rule will remain in effect until the CDR is below 15% for the 3 most recent fiscal years.

PROCEDURES: Heritage Universities Financial Aid Office will follow the following procedures when disbursing student loans to first year first-time Direct loan borrowers:

Student will be identified with the use of a report (1st Time-30 day hold) in PowerFails. The report will determine if the student has borrowed in the past or has attended before by capturing the combined NSLDS Loan totals and the students Year-In-School. Both of these items come directly from the students ISIR. The report also looks at the Lifetime Credits Earned which come in to PowerFails from the Registrars records in EX.

After students are identified with this report they will be marked as First-time Borrowers in PowerFails under Direct Loan Data. This field is set to delay the first scheduled disbursement for 30 calendar days from the start of the term.

## **XV. FEDERAL GRADUATE PLUS LOANS**

### **A. REGULATORY OVERVIEW**

Students may opt to access additional funding to cover educational costs through the Federal Graduate PLUS Loan Program. All student PLUS Loan borrowers must complete a FAFSA. The funds borrowed must be repaid and are for educational purposes only. Students must be enrolled at least half-time. Graduate or professional students may borrow under the Federal Family Education Loan (FFEL) PLUS Loan Program or the Federal Direct PLUS Loan Program.

The school must determine the student's eligibility for a Federal Direct Loan prior to certifying a Federal Graduate PLUS Loan. If the student is eligible for a Federal Direct Loan but has not requested the maximum amount, the school must notify the student and provide the student the opportunity to request the maximum amount. A graduate or professional student is not required to accept a Federal Direct Loan as a condition for receiving a Federal Graduate PLUS Loan, nor can a school require that.

#### **1. Loan Period**

The loan period generally is equal to the period of enrollment. It may not exceed 12 months. There are two ways to define the period of enrollment or academic year. A Scheduled Academic Year (SAY) follows a school's published academic calendar (e.g., fall-spring semester dates); it has a fixed beginning and ending each year. A Borrower-Based Academic Year (BBAY) is not fixed; it "floats" with an individual student or cohort of students' academic progression. Most schools with traditional standard term, credit hour programs use SAY.

#### **2. Application Process**

The borrower must complete a Master Promissory Note (MPN). The MPN may be completed and signed with an ink signature on paper or with an e-signature on an electronic application. The MPN may be serial (multi-year, maximum 10 years) or annual.

Borrowers are required to receive the following consumer information:

- Borrower's Rights and Responsibilities Statement, provided with the MPN
- Loan disclosure with loan detail, at or prior to first disbursement
- Plain Language Disclosure, provided for any subsequent loans on an existing MPN

If a school opts to use a serial MPN, it must clearly indicate whether the confirmation process is active or passive. In an active confirmation, a student must request or accept the loan amount before funds can be disbursed. A passive confirmation allows requires no affirmative student response, but the school must notify the student and allow time for the student to decline all or a portion of the loan awarded. A school may have different confirmation processes for different cohorts of students.

The Federal Graduate PLUS borrower must specify the amount he/she wishes to borrow; this must be documented. Even if the borrower has a serial MPN, there must be a documented request for each loan.

#### **Valuable Links**

Loans 2018-19 Handbook

<https://ifap.ed.gov/fsahandbook/attachments/1819V3C5FinalDec.pdf>

### **B. POLICY & PROCEDURES STATEMENT**

Heritage University implements and follows all of the above stated regulatory requirements.

Students who enroll in courses for credit or audit but have not been formally admitted or matriculated into a Heritage University eligible degree or certificate program are ineligible for Federal Title IV financial aid.

## **XV. OUTSIDE SCHOLARSHIPS & GRANTS**

### **C. POLICY & PROCEDURES STATEMENT**

Students are required to notify the Financial Aid Office of any grants and/or scholarships they receive from private sources outside of Heritage University. A student may never receive financial aid in excess of the Total Cost of Attendance, especially if the student is receiving Federal Title IV funds. All sources of financial aid must be included in the financial aid package.

Heritage University encourages students to apply for outside scholarships and grants. When the Financial Aid Office is notified by the student or the awarding organization or agency of a pending outside scholarship or grant, the student's financial aid award is reviewed and adjusted according to the following sequence: 1) to meet any demonstrated unmet financial need; 2) to reduce or replace self-help according to the student's preference (e.g., loan or work-study); and 3) to reduce or replace an institutional scholarship or grant a student has been awarded on a dollar for dollar basis.

If the scholarship or grant is disbursed directly to the University through Electronic Funds Transfer (EFT) or paper check, the Business Office will apply the amount of the scholarship or grant directly to the student's account.

## **XVI. ALTERNATIVE LOAN PROGRAMS**

### **D. POLICY & PROCEDURES STATEMENT**

Students who need to borrow funds to help off-set their educational expenses are encouraged to first consider the Federal Student Loan Programs. However, if students choose not to borrow or are unable to borrow from the federal program, they may be eligible to borrow through educational alternative loan programs.

There are various loan programs that students may consider. The application process, eligibility criteria, minimum and maximum loan amounts, interest rate, fees, repayment options and loan benefits vary. Heritage University publishes a Lender List which includes *Alternative Loan Options*. Students are not required to select one of the loans from this list but may use it to compare the different loan programs.

The student must follow the specific loan program's application process, including certification of the alternative loan by the Financial Aid Office. The University will only certify an alternative loan for a student who is enrolled as a matriculated student at Heritage University. Funds are usually disbursed directly to the University through Electronic Funds Transfer (EFT) or paper check. The Business Office will apply the net amount of the loan directly to the student's account.

A student may never receive financial aid in excess of the Total Cost of Attendance, especially if the student is receiving Federal Title IV funds. All sources of financial aid, including alternative loans, must be included in the financial aid package.