NASFAA

ANNUAL STATE & REGIONAL

TRAINING MATERIALS

Direct Loans, The Rest of the Story

Instructor's Guide

NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

The 2012–13 NASFAA Training has been developed by the NASFAA Training and Professional Development Committee. Special thanks is given to the NASFAA Staff for their input on this very important topic, especially compliance review of the content.

September 2012

Direct Loans, The Rest of the Story

TIME: 3 hours

OBJECTIVES BY SECTION: Participants will be able to:

- Understand the topics presented and have opportunities to exchange best practice tips with colleagues;
- Ensure compliance with Direct Loan regulations at your institution;
- Assist with reconciliation and cash management;
- Understand cohort default rates and appeals to the default rates;
- Understand loan servicing; and
- Identify strategies to guide your students when it comes time for repayment of their Direct Loans.

SECTIONS:

I – Introduction

II – Overview of Direct Loans

III – Reconciliation

IV – Cohort Default Rate

V – Loan Servicing

VI – Loan Repayment

VII – Conclusion

Because of the volume of information and conversation on Direct Loans, it would be very easy for this workshop to exceed the three hour time recommendation. Instructors will need to plan effectively regarding the proper use of participants' time.

Each section has been developed with outstanding content, but also with opportunities for dialog and conversation. The matrix below carries an overview of the training materials with time recommendations to assist the instructor in effective time management for this workshop:

Section	Slides	Suggested Time
I. Introduction	3	3 Minutes
II. Overview of Direct Loans	16	15 Minutes
III. Reconciliation	30	75 Minutes
IV. Cohort Default Rates	17	45 Minutes
V. Loan Servicing	10	15 Minutes
VI. Repayment	13	15 Minutes
VII. Conclusion	2	5 Minutes

MATERIALS:

PowerPoint Presentation
Participant's Handout

RESOURCES:

The Higher Education Act of 1965, as amended:
- Part B – Federal Family Education Loan Program
- Part D – Federal Direct Student Loan Program

34 CFR 668 – Student Assistance General Provisions

34 CFR 682 – Federal Family Education Loan Program

34 CFR 685 – William D. Ford Federal Direct Loan Program

NASFAA CORE In Service Training, Modules 10A (Federal Direct Loans: Reviewing Program Requirements) and 10C (Federal Direct Loans and FFEL: Repayment Features and Counseling Requirements)

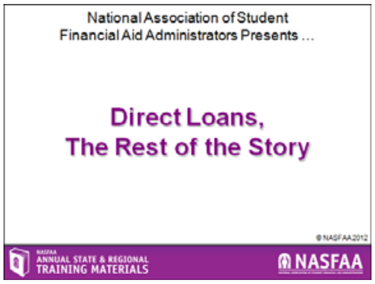
Loan Servicing Update, U.S. Department of Education, 2012 NASFAA Conference Presentation

Federal Student Loan Servicing website, https://www.myedaccount.com/

Direct Loan Servicing Online school website, https://www.myedaccount.com/schools/

Federal Student Aid website, http://studentaid.ed.gov/repay-loans/understand/servicers

SLIDE 1

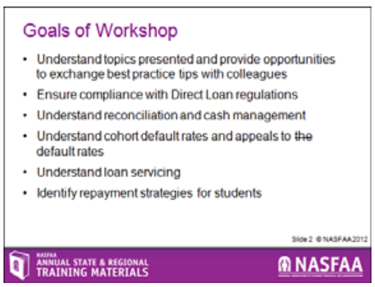


I. Introduction

Note to Instructor: *A comprehensive training and discussion on Direct Loans: The Rest of the Story.*

Most financial aid administrators would agree that, of the Title IV programs, the Federal Direct Student Loan, or Direct Loan, Program, is the most complicated to administer. In this workshop, we will focus on assisting financial aid administrators with the processing of Direct Loans after the awarding and disbursing of loans has already occurred. Training and discussion will include:

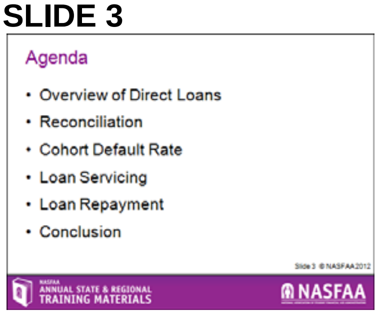
SLIDE 2



- Understanding the topics presented and providing opportunities to exchange best practice tips with colleagues;
- Ensuring compliance with Direct Loan regulations at your institution;
- Understanding with reconciliation and cash management;
- Understanding cohort default rates and appeals to the default rates;
- Understanding loan servicing; and
- Identifying avenues to guide your students when it is time for Direct Loan repayment.

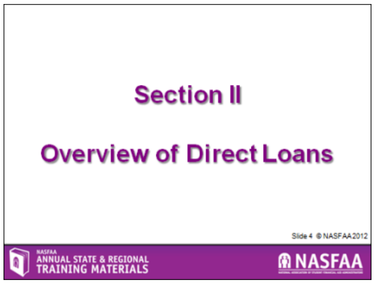
These five topics will keep us very busy:

SLIDE 3



- Overview of Direct Loans;
- Reconciliation;
- Cohort Default Rate;
- Loan Servicing; and
- Repayment.

SLIDE 4



II. Overview of Direct Loans

Note to Instructor: *This training material has many topics with specialized sections, so please state each subsection topic to help prepare the participants during the transition from each section.*

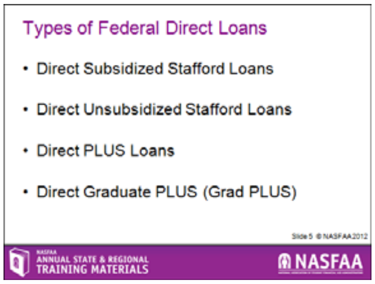
We will review the Direct Loan Program.

Before July 1, 2012, Title IV of the HEA authorized two programs for distributing loans to students (undergraduate and graduate/professional) and their parents, with parallel loan terms. The difference was primarily the source of funding. The *Federal Family Education Loan (FFEL) Program,* formerly known as the Guaranteed Student Loan Program, utilized private and non-profit sector funding under a system of federal guarantees and support.

The Health Care and Education Reconciliation Act of 2010 ended the authority of the FFEL Program to guarantee new loans, where loan funds were provided by private lenders such as banks and other financial institutions. The lenders still hold their existing FFEL program loans, but are no longer involved in creating new loans. Since July 1, 2010 all new Title IV loans except Federal Perkins Loans are made through the Direct Loan program, where the federal government provides the funds for the loans through the colleges. This change includes PLUS loans, not just Stafford and Consolidation loans, so parents who want a parent PLUS loan should contact the financial aid office at their child’s college.

The Direct Loan Program provides low-interest loans to undergraduate and graduate/professional students and the parents of dependent undergraduates to help pay the costs of attending postsecondary institutions. Loans are “entitlements,” which means that all eligible and qualified borrowers should receive the program funds and benefits, subject to Congressionally-defined limits.

SLIDE 5



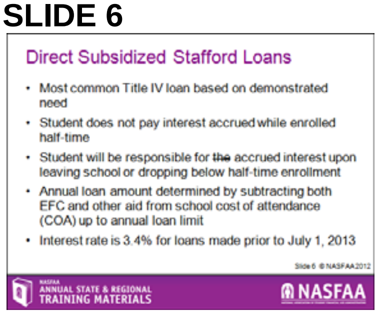
A. Types of Direct Loans

The Direct Loan Program (as was the FFEL Program) is an umbrella for four loan types made for undergraduate and graduate study:

- Direct Subsidized Loans (also referred to as Subsidized Stafford Loans);
- Direct Unsubsidized Loans (also referred to as Unsubsidized Stafford Loans);
- PLUS Loans, which are made to parents of dependent students and to graduate and professional students; and
- Consolidation Loans, a repayment option rather than a loan made for attendance at an institution.

Borrowers may be charged a fee to help pay a portion of the costs of administering the program. Direct Loan fees were originally charged at 4% of loan principal, but have gradually been reduced to 1% for Stafford Loans. PLUS Loan borrowers are charged 4%. The fees are deducted from each borrower's loan disbursements.

SLIDE 6



1. Direct Subsidized Loans

The Subsidized Loan is the most common Title IV loan. Subsidized Stafford Loans are provided to undergraduate students based on their demonstrated financial need. Students do not have to pay the accrued interest on subsidized loans while they are enrolled at their institutions at least half-time. (Interest on loans begins to accrue as soon as borrowers receive the funds.

However, a portion of the federal appropriation for Subsidized Stafford Loans is used to pay the accrued interest on the borrowers' behalf. This provision in the subsidized loan program is commonly referred to as the *in-school interest subsidy* and was also available to needy graduate students on loans made for periods of enrollment beginning prior to July 1, 2012.)

Repayment begins following a six-month "grace period" after the student is no longer enrolled at least half time. Normally the interest subsidy extends through the grace period, but that provision has been suspended for new loans for which the first disbursement is made on or after July 1, 2012, and before July 1, 2014. During this period, borrowers become responsible for accrued interest upon leaving school or dropping below half-time enrollment. Otherwise, borrowers are responsible for paying accruing interest once they enter the repayment period, beginning at the end of the grace period, except during authorized periods of deferment. We will discuss deferment options later during the workshop.

Interest rate structures have varied greatly over the years, sometimes being variable with a maximum cap, sometimes fixed. Interest rates on undergraduate subsidized loans are currently fixed and temporarily decreased on a Congressionally-mandated schedule since July 1, 2008. The rate is 3.4% for loans made prior to July 1, 2013. The interest rate on subsidized loans to graduate and professional students did not decrease during the 2008-2012 period, but was held at 6.8% until the subsidy was eliminated for graduate and professional study. On outstanding FFEL Program loans not held by the federal government, if the market rate exceeds the federally-mandated rates, the federal government pays some or all of the difference to loan holders on the borrowers' behalf.

a. Loan Limits

The amount a student may borrow in subsidized funds is determined by subtracting both other aid and the expected family contribution or EFC from the cost of attendance (COA); this amount is further restricted to the applicable maximum annual loan limit. The annual maximum amount of subsidized loans students may borrow varies by academic grade level. As of July 1, 2007:

- First year undergraduates may borrow up to $3,500;
- Second-year students, up to $4,500; and
- Third-, fourth-, and fifth-year students, up to $5,500.

Prior to July 1, 2012, graduate and professional students could borrow up to $8,500 in subsidized loans per year. These students can still borrow that amount, but as an unsubsidized loan. We will discuss unsubsidized loans in just a moment.

The maximum cumulative amount of subsidized loans for undergraduate study is $23,000. The maximum amount for all levels of study (undergraduate and graduate/professional combined) is $ 65,500. These amounts are called aggregate limits.

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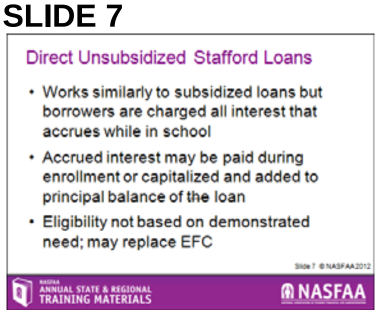
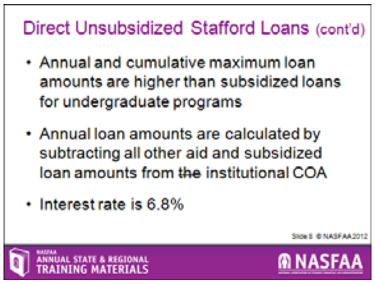


2. Direct Unsubsidized Loans

The second type of Direct Loan, the Unsubsidized Stafford Loan, works similarly to subsidized loans, but borrowers are responsible for all interest that accrues. The interest rate for unsubsidized loans is currently 6.8%. However, eligibility for unsubsidized loans

SLIDE 8



is not based on students' financial need. That is, students may receive these loans regardless of their incomes or assets, and may use them to replace the expected family contribution as long as annual loan limits are not exceeded.

Students who receive unsubsidized loans do not have an in school interest subsidy. These borrowers are charged the accrued interest on these loans while they are enrolled. Accrued interest may be paid during periods of enrollment, or may be capitalized (added to the principal balance of the loans). Interest on these loans must also be paid or capitalized during any deferment periods.

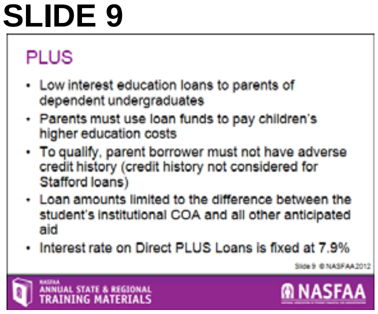
Students who receive unsubsidized loans do not have an in-school interest subsidy. These borrowers are charged the accrued interest on these loans while they are enrolled. Accrued interest may be paid during periods of enrollment, or may be capitalized (added to the principal balance of the loans). Interest on these loans must also be paid or capitalized during any deferment periods.

a. Loan Limits

The annual and cumulative maximum amounts of Direct Unsubsidized Loans are higher than those for subsidized loans. The "base" limit is a combined subsidized and unsubsidized amount: a student may borrow an unsubsidized loan for the difference between the applicable subsidized limit described earlier and the amount of subsidized loan for which the student actually demonstrates need. Students may then borrow additional amounts of unsubsidized loan as long as they do not exceed the difference between COA and other aid. Dependent undergraduate students may borrow up to an additional $2,000 in unsubsidized loans. Independent undergraduate students, whose parents are not expected to pay any portion of their college costs, or whose parents are ineligible for a PLUS loan may borrow additional unsubsidized loans up to $6,000 as first- or second-year students, and $7,000 for each remaining year of undergraduate study. Graduate and professional students may borrow up to $20,500 per year in additional unsubsidized loans. Certain health professions students in programs with high delivery costs may receive higher unsubsidized loan limits.

Total aggregate Stafford Loan borrowing (combined subsidized and all unsubsidized) is limited to $31,000 for dependent undergraduates, no more than $23,000 of which may be subsidized; $57,500 for independent undergraduates or undergraduates whose parents cannot borrow PLUS, no more than $23,000 of which may be subsidized; and $138,500 for graduate or professional students (including amounts borrowed as an undergraduate), no more than $65,500 of which may be subsidized loans borrowed for loan periods beginning prior to July 1, 2012.

SLIDE 9



3. Direct PLUS

The PLUS Program provides low-interest education loans to the parents of dependent undergraduates and to students who are in graduate or professional programs, who are, by definition, independent of their parents. Parents must use the loan funds to pay their children's higher education costs. To qualify for a PLUS loan, borrowers may not have an adverse credit history. Credit history is not considered for Stafford Loans. Borrowers with adverse credit histories can obtain a loan if they provide an endorser.

PLUS Loans are limited to the difference between the student's COA and other anticipated financial aid; there are no annual or aggregate limits.

a. Parent Loans

Parents of dependent students can take out loans to supplement their children's other financial aid. The PLUS Program lets parents borrow money to cover any costs not already covered by the student's financial aid package, up to the full cost of attendance. There is no cumulative limit. Since July 1, 2010, all new PLUS Loans, like the Stafford Loans, have been made through the Direct Loan Program (funds provided by the government).

Parent PLUS are the financial responsibility of the parent, not the student. If the student agrees to make payments on the PLUS, but fails to make the payments on time, the parents will be held responsible.

Starting on July 1, 2006, graduate and professional students can borrow money through the PLUS Program to pay for their own education.

Today the PLUS is referred to as either the Parent PLUS or Grad PLUS. The original name, Parent Loan for Undergraduate Students, is no longer used, not even in the Higher Education Act.

PLUS loans through the Direct Loan Program have a fixed interest rate of 7.9%. This rate has been in effect since July 1, 2006. Previously, PLUS loans had variable interest rates (based on a 52 week T-bill rate + 3.10%) capped at 9%.

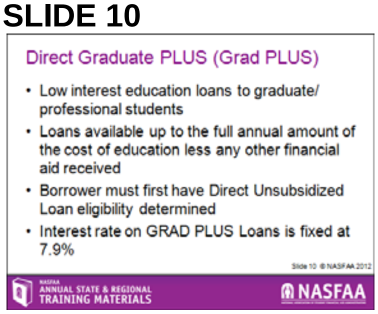
The 7.9% interest rate on the Direct PLUS loan is a lower interest rate than the interest rate that was available through the FFEL program, which had a fixed rate of 8.5%. (Some lenders offered discounts of on-time and electronic payments.) So the switch to Direct Loans will save parents some money on new Parent PLUS loans.

Note that existing FFEL Program PLUS loans will continue to have the same 8.5% interest rate as they did before July, 2010. The switch to the Direct Loan program does not affect existing loans.

The interest on PLUS is not subsidized while the student is in school, unlike Direct Subsidized and Perkins Loans.

The PLUS fees of 4% are deducted from each disbursement.

SLIDE 10



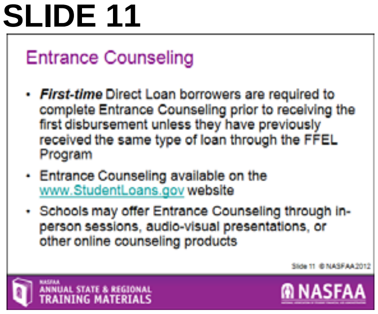
b. Direct Graduate PLUS or Grad PLUS

A graduate or professional student borrower must have his or her maximum eligibility for unsubsidized Direct Loan funds determined before a graduate PLUS may be originated. This does not mean the student actually must borrow the unsubsidized loan funds; it just means a determination of eligibility must be made and the student informed of that eligibility before borrowing PLUS. Similarly, if the graduate student has already borrowed some but not all of his or her unsubsidized loan eligibility, the school also must inform the student of that remaining eligibility before originating the PLUS.

This determination is necessary because graduate PLUS has less favorable terms than unsubsidized Direct Loans, such as a higher interest rate and origination fee. In the end, the student may still choose to forego unsubsidized loan funds and only borrow PLUS. The graduate PLUS borrower also must meet the same student eligibility requirements as the dependent student for whom a parent borrows. Likewise, if a parent or graduate PLUS applicant has fraudulently obtained Title IV funds, the applicant may not borrow a PLUS until he or she has completely repaid those funds. The Common Origination and Disbursement or COD System ensures each PLUS borrower does not have an adverse credit history before approving the loan. The school or its chosen third-party servicer originates the PLUS and sends the origination record to COD for the necessary credit check. At the school's option, a borrower may also use the online Direct PLUS Loan Request for Supplemental Information feature of StudentLoans.gov to request the loan and initiate the credit check.

> ***Note to Instructor:*** *Refer to GEN-11-07 and ED's April 23, 2010, Electronic Announcement for additional information on how to use StudentLoans.gov for PLUS processing.*

SLIDE 11



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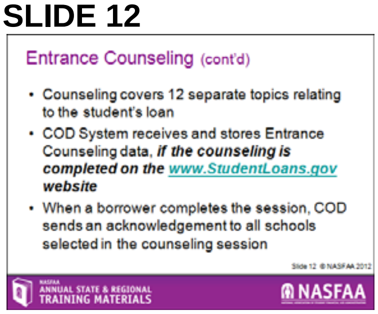
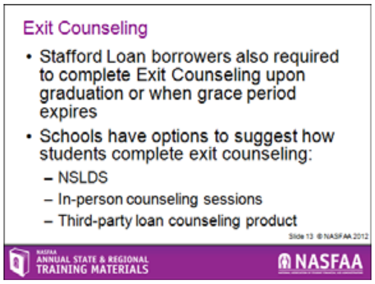


B. Entrance Counseling

First-time Direct Loan borrowers are required to complete Entrance Counseling prior to receiving the first disbursement unless they have previously received the same type of loan through the FFEL Program. Entrance counseling is available on the www.StudentLoans.gov website. Schools may offer Entrance Counseling through in-person sessions, audio-visual presentations, or other online counseling products. Counseling covers 12 separate topics relating to the student's loans.

The COD System receives and stores entrance counseling data, ***if the counseling is completed on the www.StudentLoans.gov website.*** When a borrower completes the session, COD sends an acknowledgement to all schools selected in the counseling session.

SLIDE 13

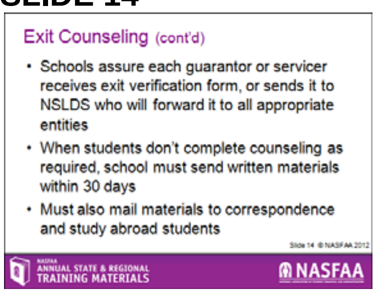


C. Exit Counseling

Direct Subsidized and Unsubsidized Loan borrowers are also required to complete exit counseling upon graduation or when they drop below half-time enrollment. Schools have options to suggest how students complete exit counseling:

- On the National Student Loan Data System or NSLDS;
- By providing in-person counseling sessions; or
- Use a third-party loan counseling products.

SLIDE 14



Schools assure each guarantor or servicer receives an exit verification form, or sends information to NSLDS, which will forward it to all appropriate entities.

When students don't complete counseling as required, schools must send written materials within 30 days. Schools are also required to provide written materials to students enrolled in correspondence and study abroad programs within 30 days of the date the student completes the program.

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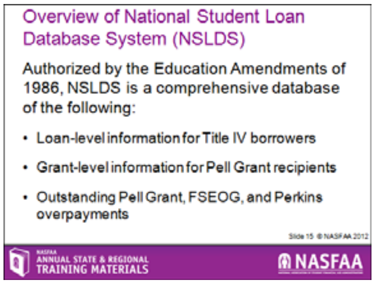
SLIDE 15

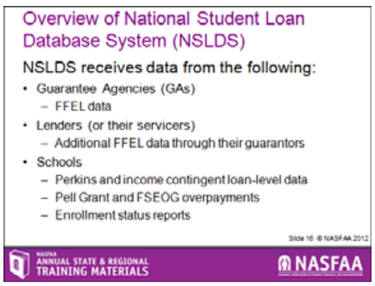


D. Overview of NSLDS

Authorized by the Education Amendments of 1986, NSLDS is a comprehensive database of the following:

- Loan-level information for Title IV borrowers;
- Grant-level information for Pell Grant recipients; and
- Outstanding Pell Grant, Federal Supplemental Educational Opportunity Grant, or FSEOG, and Perkins overpayments.

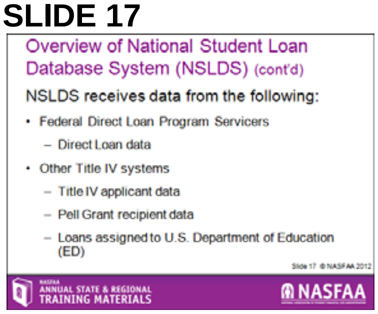
SLIDE 16



NSLDS receives data from the following:

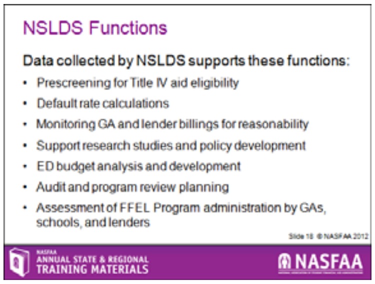
- Guarantee agencies, also known as GAs
  - ➢ FFEL data;
- Lenders or their servicers
  - ➢ Additional FFEL data through their guarantors;
- Schools
  - ➢ Perkins and income contingent loan-level data,
  - ➢ Pell Grant and FSEOG overpayments, and
  - ➢ Enrollment status reports;

SLIDE 17



- Direct Loan servicers
  - ➢ Direct Loan data;
- Other Title IV systems
  - ➢ Title IV applicant data, and
  - ➢ Pell Grant recipient data, and
  - ➢ Loans assigned to ED.

SLIDE 18

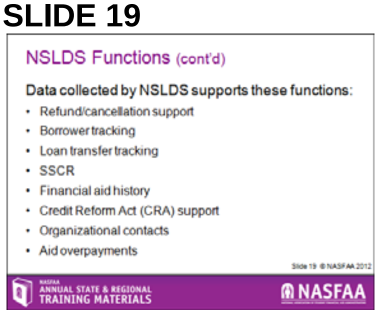


1. NSLDS Functions

Data collected by NSLDS supports these functions:

- Prescreening for Title IV aid eligibility;
- Default rate calculations;
- Monitoring GA and lender billings for reasonability;
- Support research studies and policy development;
- ED budget analysis and development;
- Audit and program review planning; and
- Assessment of FFEL Program administration by GAs.

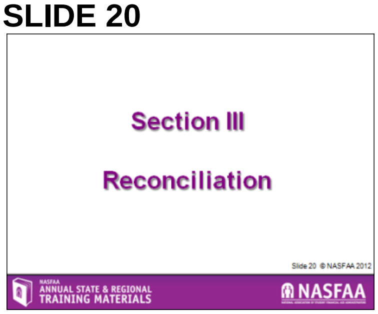
SLIDE 19



NSLDS supports schools and lenders with:

- Refund and cancellation support;
- Borrower tracking;
- Loan transfer tracking;
- Enrollment reporting;
- Financial aid history;
- Credit Reform Act or CRA support;
- Organizational contacts; and
- Aid overpayments.

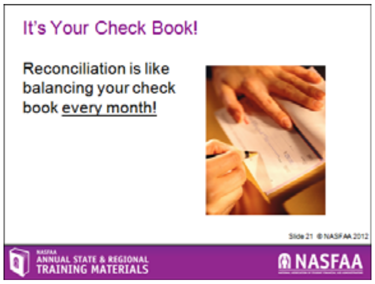
SLIDE 20



III. Reconciliation

One important facet of the Direct Loan Program is reconciliation – that is, comparing records from one system to those from another and identifying and resolving any discrepancies. It's sort of like balancing a checkbook.

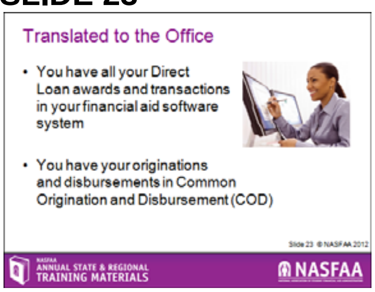
SLIDE 21



Reconciliation is like balancing your check book every month! It is very important to keep up with it monthly to eliminate problems later in the year. You have your own records and the bank's records for the same time. Just make them match!

SLIDE 22

SLIDE 23

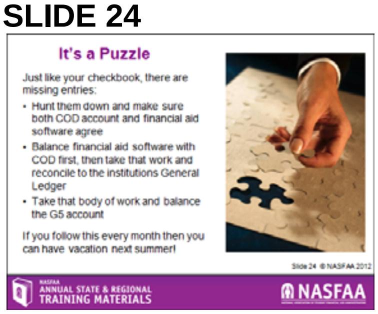


There are two basic concepts to remember when you begin thinking about your reconciliation for your Direct Loan programs:

- You have all your Direct Loan awards and transactions in your financial aid software system; and
- You have your originations and disbursements in COD.

Just like your checkbook, there are missing entries. You will have to:

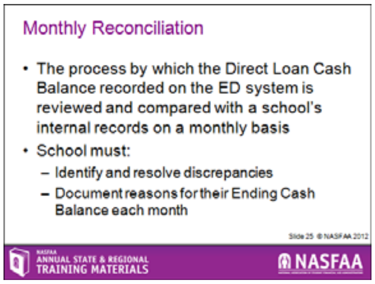
SLIDE 24



- Hunt them down and make sure both COD account and financial aid software agree.
- Balance financial aid software with COD first, then take that work and reconcile to the institution's General Ledger.
- Take that body of work and balance the G5 account.

If you follow this every month then you can have vacation next summer!

SLIDE 25

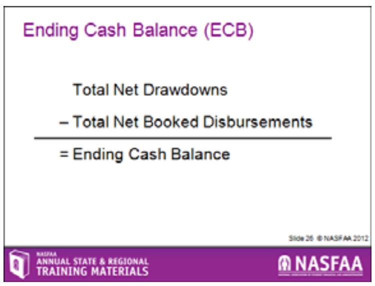


A. Monthly Reconciliation

On a monthly basis, schools must compare the DL Cash Balance from ED's system to internal records. Any differences must be accounted for and documented. The process involves three key systems: the school's Financial Aid Office, the school's Business Office (and their drawdowns and returns through the G5 system), and COD.

➔ *Please ask participants to turn to page 39 of their handout.*

SLIDE 26



1. Ending Cash Balance

The Ending Cash Balance, or ECB, is the difference between the total net drawdowns the school has made and the total net booked loan disbursements.

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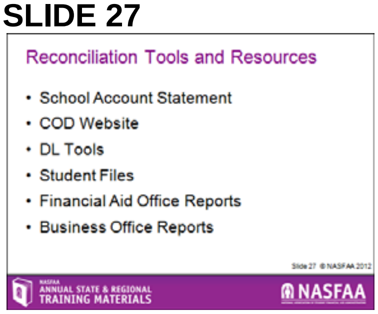


2. Reconciliation Tools and Resources

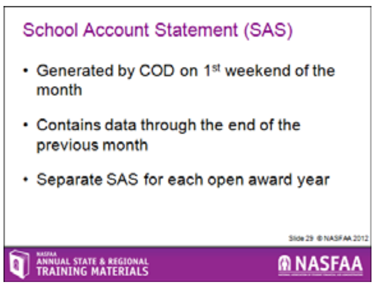
There are several tools and resources available to assist schools with this process. Let's look at each of these:

- School Account Statement;
- COD website;
- DL Tools;
- Student files;
- Financial Aid Office reports; and
- Business Office reports.

SLIDE 28

COD Customer Service Representatives are available to assist schools with any part of the Direct Loan process. There are Reconciliation Teams that any financial aid administrator can contact for assistance. In addition, financial aid administrators need to monitor their weekly emails to know the status of their institution's loan files. The specialized Reconciliation Team can look up any loans stuck in a pending status, for example.

SLIDE 29

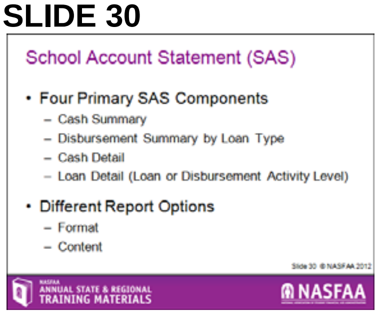


a. School Account Statement (SAS)

➔ *Please ask participants to turn to page 41 of the* Participant Handout*.*

The School Account Statement or SAS is generated each month by COD and delivered to schools via the SAIG mailbox system. The SAS contains all Direct Loan disbursement data through the end of the previous month. If a school has more than one open award year, they will receive a separate SAS for each year.

SLIDE 30



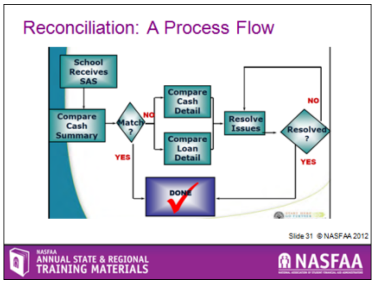
The SAS has four primary parts:

- Cash summary;
- Disbursement summary, which is divided by loan type;
- Cash detail; and
- Loan detail.

Schools can select which type of format they want, e.g. whether they want borrowers' names included, using the SAS Options Screen on the COD website.

➔ *Please ask participants to turn to page 58 of the handout.*

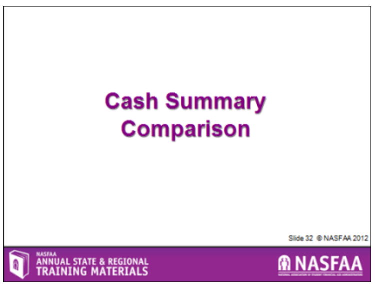
SLIDE 31



b. Reconciliation Process Flowchart

This graphic shows the flow of a typical DL reconciliation, and we'll use it to lead us through our example.

SLIDE 32

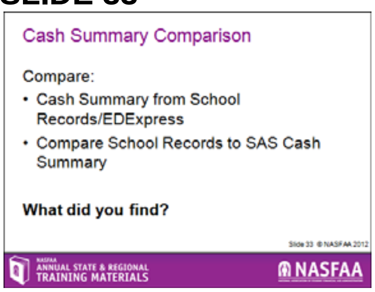


c. Cash Summary Report

➔ *Please ask participants to turn to page 46 of the handout.*

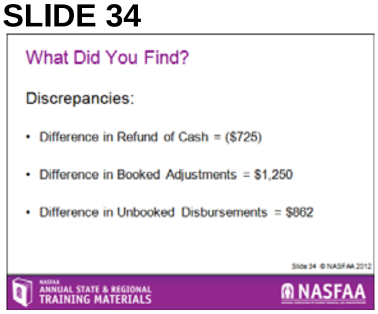
Let's start with the first step in the process – the cash summary comparison.

SLIDE 33



In this step we'll **compare** the school's cash detail report on page 46 of your handout (which may be internal or from EDExpress) to the Year-To-Date SAS Cash Summary on page 41. Look at these two forms in your handout and see what differences you find.

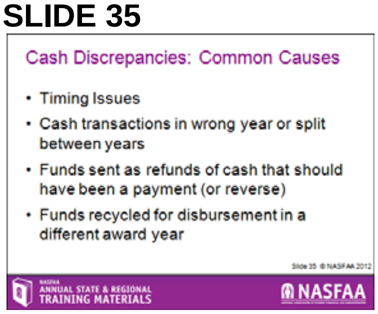
SLIDE 34



What did we find? The discrepancies we can see here are differences in refunds of cash for $725, booked adjustments of $1,250, and unbooked disbursement amounts of $862. In your handout, see the comparison done in a spreadsheet format.

➔ *Please ask participants to turn to page 47 of the handout.*

SLIDE 35



Why might we have a discrepancy in cash? Some common reasons include:

- Timing issues;
- Cash transactions in wrong year or split between years;

- Funds sent as refunds of cash that should have been a payment or the reverse; and
- Funds recycled for disbursement in a different award year.

Note to Instructor: *Please reference examples of all of the reports in the Participant's Handout on pages 48, 49, 45, 50, and 51 prior to starting the following discussion.*

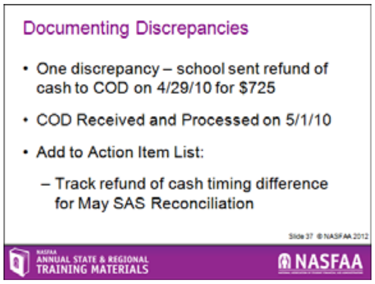
SLIDE 36

There are several things you may want to check in addition to the two reports we just looked at as you research this discrepancy:

- Cash Detail Comparison Report;
- Financial Aid Office Cash Report in DL Tools;
- SAS Cash Detail;
- Cash Management Tool;
- COD website by using the schools summary financial information;
- Refunds of cash;
- Cash Activity panels, which show your school's payments and refunds;
- Internal Business Office Cash Report;
- Bank statements; and
- Cancelled checks.

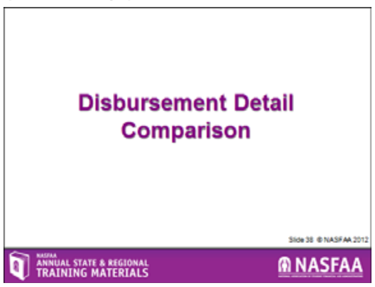
➔ *Please ask participants to turn to pages 55 and 57 of the handout.*

SLIDE 37



Once you discover the discrepancies and the reasons for them, you'll need to document both. There are many ways to document your discrepancies from using an Excel spreadsheet, Google doc or a legal pad. The appropriate type of documentation is normally determined by each institution. Your handout shows a good example of how to illustrate this for easy follow up later. It's also suggested that you start an action item list to help as you check the following month's data to make sure items you found have been resolved.

SLIDE 38

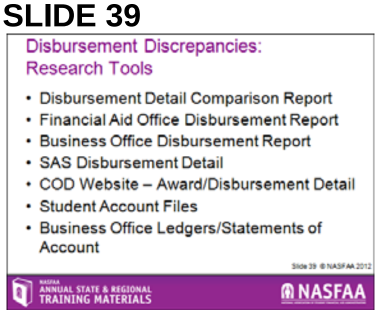


d. Disbursement Detail Comparison

Another thing you'll want to reconcile is at the disbursement level – student by student, loan by loan, and disbursement by disbursement.

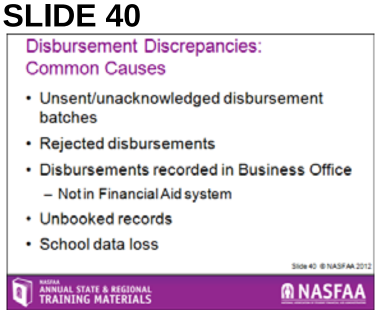
➔ *Please ask participants to turn to page 44 of the handout.*

SLIDE 39



Tools to help you include the SAS Loan and Disbursement Detail, your business office and financial aid office disbursement records, student account files, business office ledgers or statements of student accounts, and COD award and disbursement detail panels online.

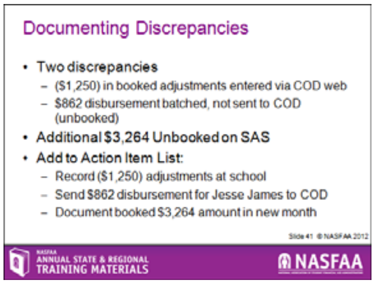
SLIDE 40



Possible reasons for discrepancies at the disbursement level are batches of disbursement records that are not sent by the school, not acknowledged by COD, or rejected by COD. Also this can happen if your business office records show a disbursement not present in the financial aid records, or if you have unbooked loans at COD.

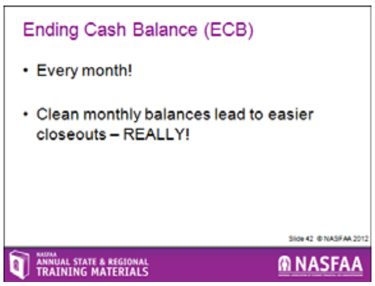
➔ *Please ask participants to turn to page 53 of the handout.*

SLIDE 41



Pages 53 and 54 in your handout show an example of a comparison between FAO and business office records, and which discrepancies emerge. In this case, we have a few action items to add to the list to clear these up.

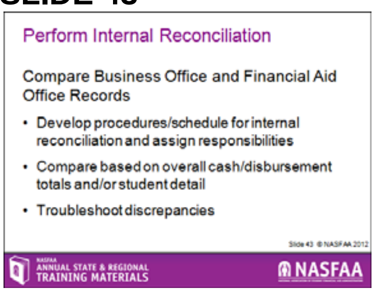
SLIDE 42



e. Ending Cash Balance

Finally, let's look at the Ending Cash Balance or ECB reconciliation process. Completing this task every single month will absolutely ensure smooth year-end closeouts.

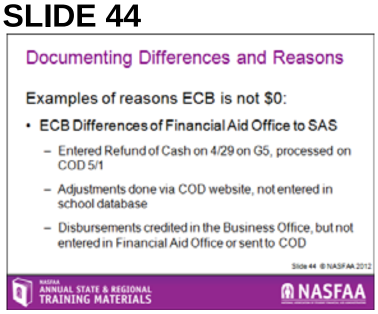
SLIDE 43



Develop and implement procedures and a schedule for monthly internal reconciliation between your business office and financial aid records. Make it someone's assignment to perform comparisons on both overall disbursement/ cash totals as well as student detail.

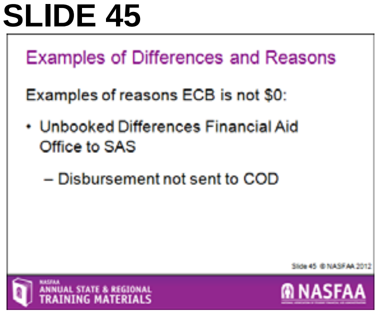
➔ *Please ask participants to turn to page 52 of the handout.*

SLIDE 44



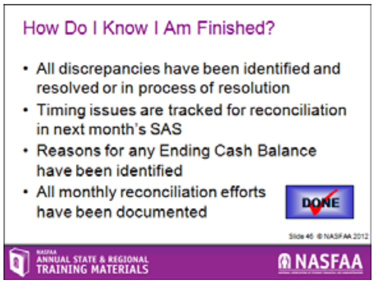
Document any differences and reasons every month. There are several possible reasons for an ECB not being $0. In the example comparison in your handout on page 52 you can see the differences documented between the FAO and business office's ending cash balances. Page 56 shows explanations for these differences.

SLIDE 45



The primary reason a loan is not booked is that the disbursement record has not been sent to COD or it is rejected.

SLIDE 46



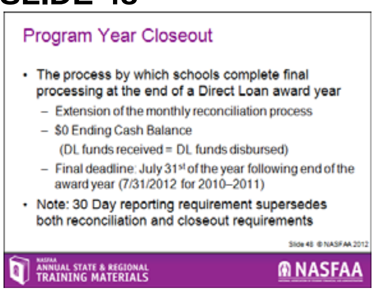
How do you know when you're finished reconciling for the month? When you've identified and explained all discrepancies, made your action list for follow-up and timing issues, and of course documented everything, you're finished!

SLIDE 47

f. Other Reports and Tools

There are a few additional reports and tools listed in your handout that may help with your monthly reconciliation process. Also, be sure you know this contact info for COD. They can help with reports and resolving issues.

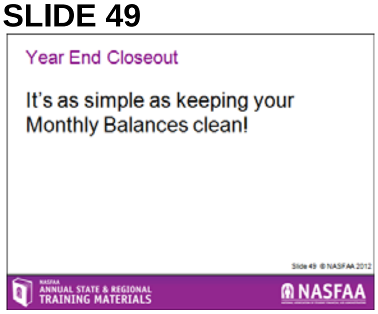
SLIDE 48



B. Program Year Closeout

Program Year Closeout is how schools finish up Direct Loan processing for an award year. You must have a $0 ending cash balance.

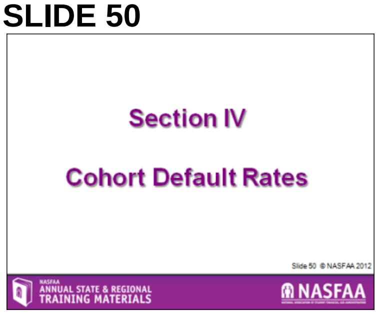
SLIDE 49



C. Year-End Closeout

If you always do your monthly reconciliation, your program year closeout will be a breeze.

SLIDE 50

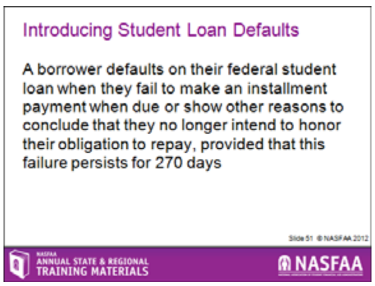


IV. Cohort Default Rates

There are a few key financial aid indices that can make a college president nervous very quickly. These include, among others, audit findings, compliance issues, excessive discount rates and high cohort default rates. Each of these criteria, if going awry, has the ability to jeopardize the long-term strength and sustainability of the institution. It is imperative that all involved with financial aid administration do what they can to help minimize the risks of such items. Right now let's focus on minimizing risks of cohort default rates.

What is a default?

SLIDE 51



A. Introducing Student Loan Defaults

With each federal student loan, a legally binding contractual agreement is made between an individual borrower and the federal government. The federal government rightfully expects students to repay their student loan obligations once due. The vast majority of students do indeed fulfill the expectations, however, not all do and these create a significant economic challenge against the lending system. As such, the government has to closely monitor how many borrowers do not fulfill their repayment requirement.

The government has structured a progressive measurement of timely repayment failure. Borrowers who make timely installments on their loan obligation are considered to have their loans in good standing. If a borrower fails to make a payment installment when expected, they are reported by the holder of the loan as being "delinquent" on their loan. This demonstrates that the loan obligation has not been fully met, yet the holder of the loan is still amenable to working with the borrower to help them get caught up on their obligation. If the delays in making payments reach a certain point the loan will be considered to be uncollectible through normal means and declared to be in "default". Specifically, the regulations (CFR 685.102(b)) state that:

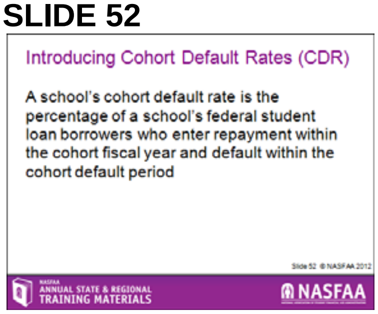
> A borrower defaults on their federal student loan when they fail to make an installment payment when due or show other

reasons to conclude that they no longer intend to honor their obligation to repay, provided that this failure persists for 270 days.

Thus the designation of a student loan default is ultimately a declaration by the federal government that they believe the borrower no longer intends to repay the money. Such a declaration is not made, per the definition, until the student is roughly 9 months overdue and has not made arrangements for a deferment, forbearance, consolidation loan or other accommodation to demonstrate continued intent to repay.

What is a cohort default rate?

SLIDE 52

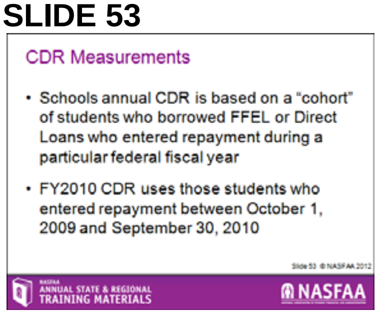


B. Introducing Cohort Default Rate (CDR)

➔ *Please ask participants to turn to page 65 of the handout.*

The federal government tracks the number of students who go into default by school. This measurement, called a cohort default rate or CDR, calculates the percentage of the school's federal student loan borrowers who enter into repayment within a federal fiscal year and subsequently default within a specified time.

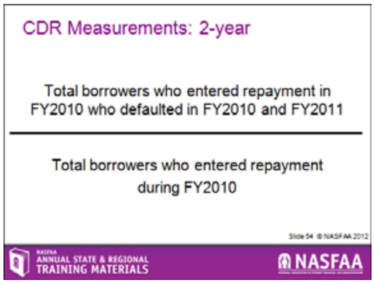
SLIDE 53



1. CDR Measurements

For example, the Fiscal Year 2010 cohort default rate is based on the number of students from an institution who borrowed FFEL or Federal Direct Loans who eventually entered into repayment on those loans between October 1, 2009 and September 30, 2010.

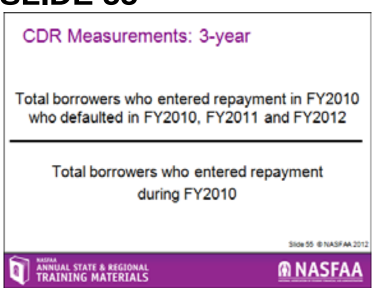
SLIDE 54



a. Two-Year Cohort Default Rate

It is important to note that the time period used is relevant to the federal fiscal year and does not pertain to the academic calendar at the school. The number of students included in this cohort is used as the denominator in the mathematical fraction that determines the school's cohort default rate. The number used in the numerator depends on which cohort default rate is being calculated. Traditionally, an evaluation has been performed noting all students from the cohort who met the definition of a default within the fiscal year that started repayment or the following fiscal year. This has given a two-year cohort default rate measurement.

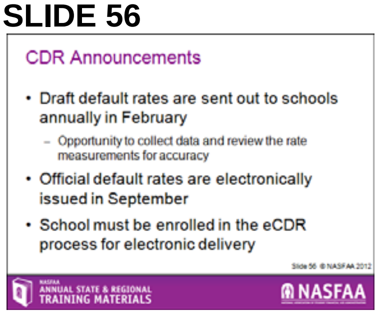
SLIDE 55



b. Three-Year Cohort Default Rate

However, the federal government has determined that it is necessary and more accurate to calculate cohort default rates based upon a three-year measurement. By maintaining the same base used for the denominator and adding an extra year of data to the numerator, virtually every school in the nation will have their cohort default rates rise through use of the three-year measurement. Some schools may see a very dramatic increase.

SLIDE 56

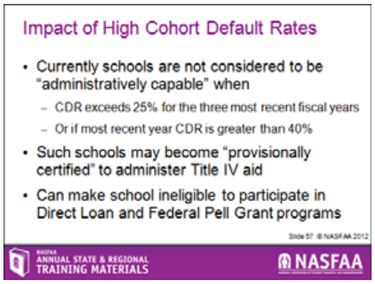


2. Cohort Default Rate Announcements

The federal government uses a multistep process to notify institutions about their cohort default rates. Initial notification is sent out annually in February as a draft. There is a limited opportunity given to schools for them to review the data used for the measurement and to identify any corrections or adjustments needed in the calculation at the student level. After all appropriate adjustments are made, the federal government then sends out official cohort default rates in September. This notification is sent electronically and it is necessary for schools to be enrolled in the eCDR process in order to receive this notification.

> ***Note to Instructor:*** *Please see the 2011–12* FSA Handbook*, p. 2-80 and 34 CFR 668.181 – 668.217 for more information.*

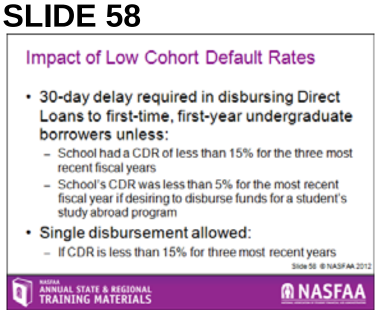
SLIDE 57



3. Impact of High Cohort Default Rate

The reason college presidents rightfully become nervous about cohort default rates is due to the impact high rates have on institutions' eligibility to offer federal Title IV financial aid. Schools must maintain a status of being "administratively capable" to properly process and deliver federal student aid funds in order to retain their eligibility for Title IV aid. Should an institution have a cohort default rate that exceeds 25% for each of the three most recent fiscal years they will no longer be considered to be administratively capable. This will also occur to institutions whose most recent fiscal year cohort default rate exceeds 40%. From these outcomes, it is possible for a school to lose their full certification to administer Title IV funds and to be designated as "provisionally certified" or may lose their eligibility to participate in the Direct Loan and Federal Pell Grant programs.

SLIDE 58

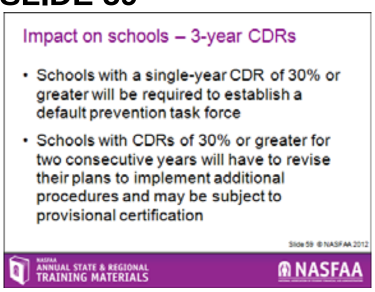


4. Impact of Low Cohort Default Rate

Institutions that maintain cohort default rates below certain levels are granted regulatory relief from certain federal student loan requirements. This administrative relief is often beneficial for both the institution and the student borrowers. One such exemption is with the requirement to delay initial disbursement of Direct Loan funds for 30 days after the payment period begins for first-time, first-year undergraduate borrowers. Institutions with a cohort default rate of less than 15% for the three most recent fiscal years are exempt from this requirement and may disburse such funds without delay to their new students. Similarly, institutions with a cohort default rate of less than 5% in their most recent fiscal year may disburse funds without delay to students involved in a study abroad program. Another regulatory exemption is available for institutions whose cohort default rate has been less than 15% for the three most recent years where such schools are allowed to make a single disbursement of funds for loans made covering just a single term or four months for a nonterm or nonstandard term school.

> ***Note to Instructor:*** *Please see subpart M or subpart N of 34 CFR 668 and the 2012–13* FSA Handbook *p. 3-18 under Special Rule for more information.*

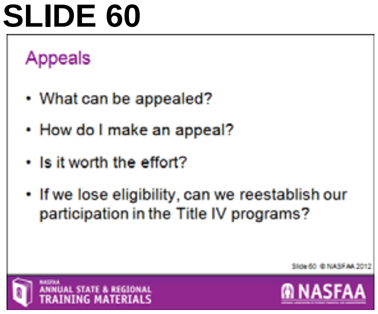
SLIDE 59



5. Impact of Three-Year Cohort Default Rate

Starting this year, when the official three-year cohort default rates are released, there will be an additional impact on schools that have single-year cohort default rates of 30% or greater. Such institutions will be required to establish a default prevention task force. This group will be charged with developing processes and procedures to help the students of their institution avoid the challenges leading into defaulting on their student loans. Should the institution's cohort default rate continue to be 30% or greater for two consecutive years they will have to revise whatever plans were implemented relative to the default prevention task force to become more effective and may face provisional certification on their Title IV aid eligibility as a university.

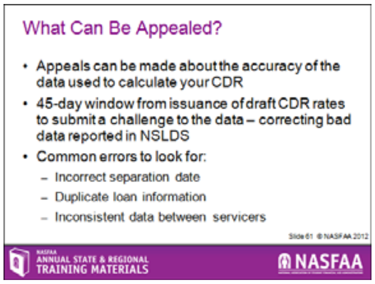
SLIDE 60



C. Appeals

When universities find that their cohort default rate is close to or has crossed a threshold which will cause them some potentially upending administrative challenges, it is prudent to do all they can to seek relief. Several of these questions may be asked. The answers are not always easy, but we have some insights that might help your school to determine the path that is best for their situation.

SLIDE 61



1. What Can Be Appealed

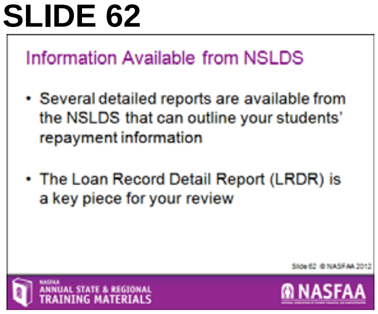
As referenced before, the calculation of a school's cohort default rate is made using a simple, standard mathematical formula. Just as with an EFC calculation, there is no appeal possible on the formula itself. However, there is an opportunity during the draft cohort period to appeal the data used in the calculation, which in return can alter the results. There is a tight 45-day window from the point that the draft cohort default rates are released in which a school may appeal. Some very common errors that are seen in the data include incorrect separation dates, duplicate loan information, and inconsistent data between servicers, among others.

Incorrect separation dates would directly influence a number of students that should be in the denominator of your cohort default rate calculation. It is important to confirm that only those students who should be included in your calculations are part of the cohort measurement. Confirming the correct date on which a student separated from the University can move a student from one fiscal year cohort group to another. The accuracy of this is vital criteria for receiving a correct cohort default rate calculation.

Duplicate loan information is an error that is straightforward to explain once discovered as it can become very obvious that a loan is being counted multiple times. Correcting such can make a positive impact on your cohort default rate calculation. For example, it is possible when a student consolidates their loans that one could inadvertently still be reported, potentially in a bad status. As the consolidation loan would have paid off all prior student loan balances that were included in the consolidation, having any of those loans still be reported in an other than paid off status would be detrimental to the cohort default rate calculation. Finding and correcting such data would directly impact the calculation result in a positive way.

Similarly it is possible to have inconsistent data being reported by multiple servicers. Particularly since the federal government acquisition of many FFEL loans, in recent years we have seen an increase in the challenges associated with consistent data reporting. It is more imperative now than ever before that you confirm that loans are reported only once and that the report is an accurate reflection of the students' actual repayment statuses. It is recommended that all situations of conflicting loan information be resolved during the draft review comment time.

SLIDE 62

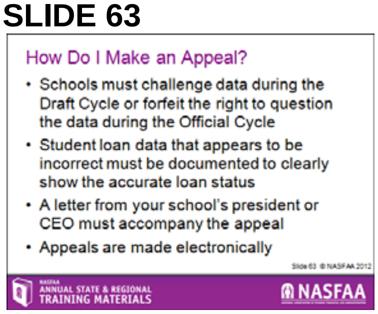


2. Information Available from NSLDS

➔ *Refer participants to the sample Loan Record Detail Report (LRDR) on page 59 of their handout.*

When starting the review of the data used to calculate an institution's cohort default rate, reviewers should begin their examination by utilizing some of the detailed reports that are available within NSLDS. The Loan Record Detail Report (LRDR) is of particular importance as it dives into the loan specifics very quickly for the students whose loans were included in the calculation.

SLIDE 63



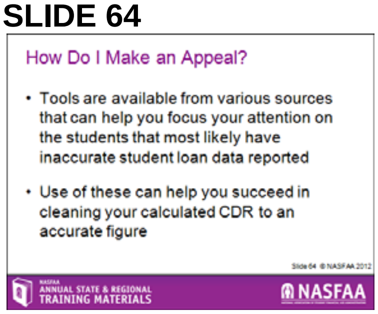
3. Submitting Appeals

Appeals can only be made during the draft cohort default rate time period. Once the actual cohort default rates are calculated, there is no additional appeal process that is available. It will be necessary to obtain clear documentation from whatever sources available to show the inconsistent information that might exist at the student level. This documentation will be key for the U.S. Department of Education to review when determining whether or not any of the data they used in their draft cohort for a calculation should indeed be adjusted before the final calculation is made. Offering more documentation with your appeal is always better than less. You want the corrections to be obvious for the reviewer to agree on what changes are necessary.

A letter must be made and sent from your school's president or CEO to the U.S. Department of Education affirming that your institution is making an appeal of the cohort default rate. The letter can be relatively brief making a simple affirmation of intent, from the president's level, that the institution is officially questioning the data that was used to determine their cohort default rate. This letter must accompany the appeal and is a simple, yet important step in the appeal process.

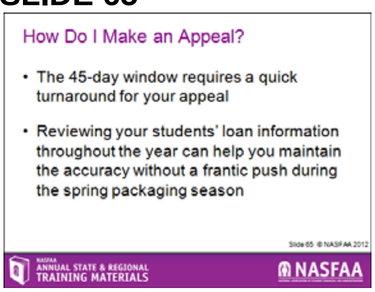
There is a separate eCDR appeal login that must be used in order to start the appeal process. It is important to get this special user ID and password arranged quickly so it does not become a hindrance in you completing all necessary submissions by the deadline. Use the www.fsawebenroll.ed.gov website to request the access. Your DPA for the TG number you will request files under must be the one to set up to do this. That person must then approve others to have access as needed.

SLIDE 64



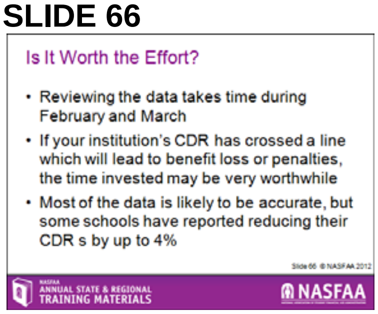
The focus of your appeal needs to be on student-centric data. So focusing your effort on comparing student loan information as reported on the Loan Record Detail Report (LRDR) with additional information available through other sources can prove most useful. There are some vendors that offer electronic tools that can help you with the review. One example is the USA Funds Cohort Analysis Tool (CAT Tool), which is freely available to schools that request it. It is necessary to obtain an unopened NSLDS file of your default data to load into the tool. The review process that the software is able to complete can identify the most likely information that may be erroneous or conflicting. These are most likely to be the most promising data items for you to review. Utilizing such a tool to streamline the focus of your review effort can prove to be very critical important, particularly during the short time period which you have to complete the appeal process.

SLIDE 65



Because the review window is so tight, offering only 45 days to evaluate all this potential student loan information that may be inconsistent, it is highly recommended that you initiate a process by which you review the loan information relative to the group of students that will be entering your next cohort throughout the year, rather than just when the draft cohort data is released. By stretching it out over months, the task of reviewing the individual students' data for accuracy will not be as onerous. This can help you avoid the need for neglecting other priority obligations that may exist during the initial packaging time of your upcoming fall class.

SLIDE 66



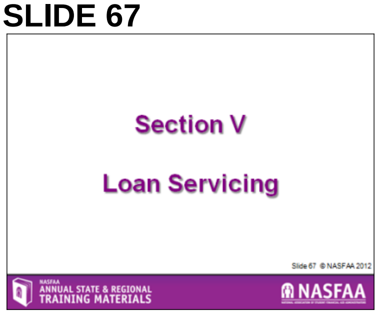
4. Is an Appeal Worth the Effort?

The research that is necessary for an appeal must be conducted during what is normally a very busy time of the year; February and March. It is up to the institution to determine whether or not it has the resources to invest in such research at this time. Certainly if your institution has a draft cohort default rate that either crosses a threshold that will limit your ability to deliver aid in a timely manner or is near such a line, reviewing the data and submitting an appropriate appeal can be very justifiable. Having a focused review on those items that are most likely to be in error is the best first step towards investing your time forward into an appeal that will have meaning for the institution and your students. Some institutions have reported to have helped reduce their institution's cohort default rate by as much as 4%. For those institutions whose cohort default rate is near a line, this can be a significant reduction.

As is often the case, the best defense for your cohort default rate is likely a strong offense. Proactive communications to students during their initial deferment period, reminding them how to appropriately handle the responsibility of repaying their student loans, or when necessary noting how to properly delay repayment, is extremely beneficial. Keeping the student out of delinquency and maintaining good standing with their student loans is the objective of all of us are striving towards. Any effort you can offer towards this end will reap positive benefits.

Next, we will discuss loan servicing.

SLIDE 67



V. Loan Servicing

What is loan servicing? It is, quite simply, the process by which a lender collects loan payments from borrowers. Federal loan servicers service Title IV loans owned by the U.S. Department of Education.

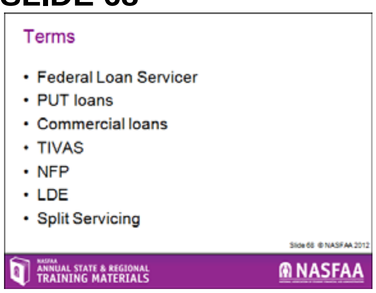
In general, Federal Loan Servicers:

- Comply with legislative and regulatory requirements and provide unique services;
- Educate and inform borrowers regarding the tools and options available to assist them in the management of their student loans;

- Educate and inform borrowers regarding the tools and options available to assist them in the management of their student loans;
- Offer multiple repayment options tailored to borrower preferences (i.e. online payments, ACH, check, etc.);
- Provide self-service tools for borrowers and options to receive bills and/or correspondence electronically; and
- Offer dedicated services to schools to help manage cohort default rates.

In talking about federal student loan servicing, there are some commonly used terms that everyone should understand.

SLIDE 68



A. Terms

Federal Loan Servicers are entities that service Title IV loans owned by the Department of Education, including Direct Loans and FFEL loans that have been purchased by the Department.

PUT loans are loans made under the FFEL Program by lenders and subsequently purchased by the Department.

Commercial Loans are FFEL loans that are not held by the Department.

TIVAS stands for "Title IV Additional Servicers," otherwise known as Federal Loan Servicers.

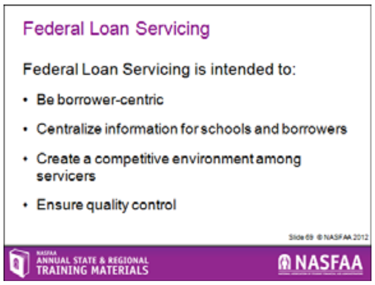
NFP stands for loan servicing contracts awarded under the HCERA/SAFRA "Not-For-Profit Servicers Program" solicitation.

> ***Note to Instructor:*** *HCERA is the Heath Care and Education Reconciliation Act, which was enacted on 3/30/10. SAFRA is the Student Aid Fiscal Responsibility Act, which is Title II of HCERA.*

LDE stands for “Loan Distribution Engine,” which is an interface through COD to assign loans to the federal loan servicers.

Split Servicing refers to borrowers with federally held loans that are serviced by more than one federal loan servicer. Split servicing results from PUT loans and schools transitioning from FFEL to Direct Loan.

SLIDE 69

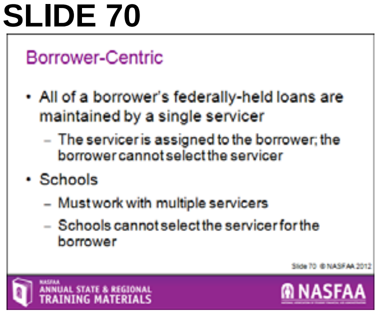


B. Purposes and Goals of Loan Servicing

Loan servicing is intended to:

- Be borrower-centric;
- Centralize information for schools and borrowers;
- Create a competitive environment among servicers; and
- Provide performance measures to the ED.

SLIDE 70



1. Borrower-Centric

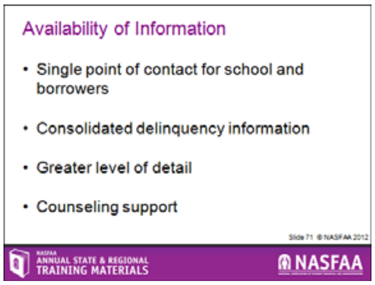
- All of a borrower’s federally-held loans are maintained by a single servicer.
  - ➢ The servicer is assigned to the borrower; the borrower cannot select the servicer.
- Schools must work with multiple servicers.
  - ➢ Schools cannot select the servicer for the borrower.

Schools see many servicers. Borrowers see one.

The goal is for all of a borrower’s federally-held loans to be maintained by a single servicer, and the Department is working with their servicer team to serve borrowers as efficiently as possible.

Split Loan Servicing refers to borrowers who have more than one servicer of their Direct Loan and FFEL PUT loans. The Department is working to resolve split loan servicing for borrowers by reassigning all loans for individual borrowers to a single servicer.

SLIDE 71



2. Availability of Information

- Single point of contact for school;
- Consolidated delinquency information;
- Greater level of detail; and
- Counseling support.

Student and parent borrowers receive correspondence from their federal loan servicers. In addition, the servicer is identified in NSLDS. Servicers report information to NSLDS on a weekly basis. New servicers should be identified within seven to ten business days after transferred loans load onto the system.

During the grace period, loan servicers:

- Establish a relationship with the borrower;
- Ensure the correct repayment status;
- Discuss the appropriate repayment plan;
- Promote self-service through the web;
- Update and enhance borrower contact information; and
- Discuss consolidation options.

Servicers have tools for borrowers. Websites are designed to assist borrowers to:

- Understand various repayment plans and options;

- Understand entitlements such as deferments, forbearances, discharges, and forgiveness programs; and
- Understand loan consolidation.

All servicers have toll free numbers for borrowers, and use IVR, or integrated voice response, systems which:

- Allow for self service;
- Allow payments over the phone; and
- Include an option to speak to a representative.

Note to Instructor: *It is likely that participants will be dubious about the final point. Before the workshop, you might attempt to call a servicer or two to verify that speaking to a representative is, indeed, possible.*

All servicers have staff dedicated to assist borrowers and have financial literacy resources available. Servicers perform skip tracing efforts on delinquent accounts, working with schools to obtain current available contact information and utilizing a variety of tools to get the most current data to contact borrowers.

All servicers work to gather feedback and find ways to partner with schools on default prevention through:

- Face-to-face meeting on school campuses;
- Financial aid conference attendance;
- Presentations at conferences;
- Proactive phone calls; and
- Email communication.

SLIDE 72

3. Competitive Environment

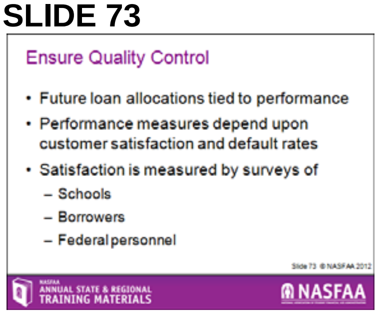
Different processes and procedures are offered by servicers. The competitive structure of the servicing contract was designed to allow for more innovation and creativity. This competitive environment results in:

- Improved customer service;
- Enhanced website functionality;
- Development of outreach activities;
- Expanded default prevention activities; and
- Increased and creative communications.

Servicers must exceed regulatory minimum due diligence requirements through efforts such as:

- Outbound calling campaigns;
- Apps and social media; and
- Establishing relationships with borrowers.

SLIDE 73



4. Ensure Quality Control

The Department provides servicers broad latitude to determine how best to service their assigned loans to yield high performing portfolios and high levels of customer satisfaction. The Department uses metrics to measure the performance of each federal loan servicer. An independent vendor conducts quarterly surveys of borrowers, schools, and federal personnel on behalf of the Department.

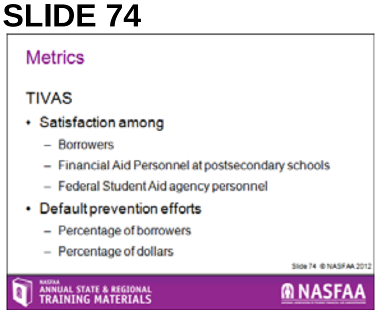
Performance scores depend upon default rates and customer service. Each servicer must satisfy three types of customers: the borrower, the school and the Department. Key to the performance score is the servicer's effectiveness and success at minimizing student loan defaults.

Schools provide feedback on servicers' performance through quarterly customer satisfaction surveys. School surveys focus on the service the servicers are providing to the schools. The surveys do not attempt to measure satisfaction with the loan origination process. Schools are asked to respond with respect to only one servicer, as identified by the vendor conducting the survey. Schools are asked to limit their responses to their experience with respect to federally-owned loans and not with respect to any other interactions the school might have with the servicer.

5. Metrics

There are two sets of metrics. One applies to the TIVAS and the other to the NFPs.

SLIDE 74



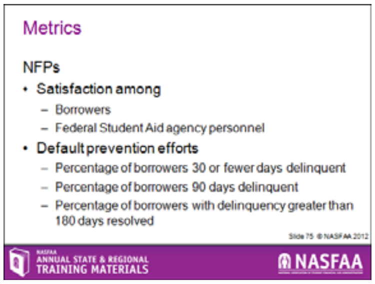
There are five performance metrics used to allocate new loan volume to TIVAS:

- Three metrics measure the satisfaction among separate customer groups, including borrowers, financial aid personnel at postsecondary schools participating in the federal student loan programs, and Federal Student Aid and other federal agency personnel who work with the servicers.
- Two metrics measure the success of default prevention efforts as reflected by the percentage of borrowers and percentage of dollars in each servicer's portfolio that go into default.

The Department compiles quarterly customer satisfaction survey scores and default prevention statistics for TIVAS into an annual measure to determine each servicer's allocation of loan volume.

Annual allocations are determined as described in each servicer's contract.

SLIDE 75



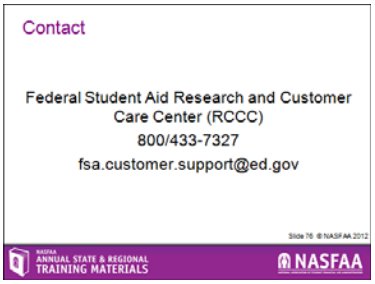
The five performance metrics the Department uses for the NFP members of the federal loan servicing team are as follows:

- Two metrics measure the satisfaction among separate customer groups, including borrowers and Federal Student Aid and other federal agency personnel who work with the servicers.
- Three metrics measure the success of default prevention efforts as reflected by the percentage of borrowers that are 30 days or fewer delinquent, percentage of borrowers that are more than 90 days delinquent, and percentage of borrowers for whom a delinquency of more than 180 days was resolved.

Note to Instructor: *The Department calculates separate borrower customer satisfaction scores for each loan status (repayment, in grace, in school). The Department calculates school customer satisfaction scores and default prevention statistics by type of school (private, proprietary, public). The Department uses the average of the segment scores in the allocation methodology. Further detail about the methodology is available in the Department's Explanation of Customer Service Performance Measure Methodology.*

Quality control is also ensured by collaboration between the Department and servicers on solutions for the borrower, for the school and on any regulatory and operational issues through weekly calls and daily touch-point meetings, depending on the problems to be resolved. The Department provides feedback and outreach to the community for conference planning to ensure that the rules and processes are communicated widely. The Department also meets regularly with industry groups.

SLIDE 76

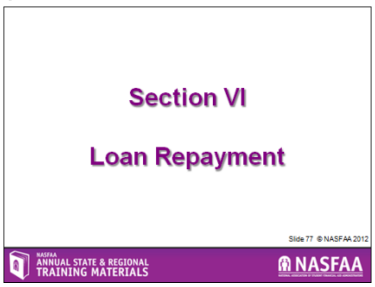


If a school has a concern about a federal loan servicer, it should contact the Federal Student Aid Research and Customer Care Center or RCCC at 800.433.7327 or fsa.customer.support@ed.gov for assistance

> ***Note to Instructor:*** *Point out the Loan Servicing Resource Questions and Answers beginning on page 81 of the* Participant Handout.

The final topic we will discuss today is loan repayment.

SLIDE 77



VI. Loan Repayment

This section provides an overview of the various repayment features and compares the options available to borrowers under the Direct Loan Program and the FFEL Program.

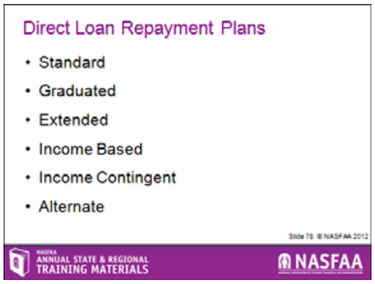
A. Terminology

Before moving on, let’s review the terminology that will be used. To avoid confusion among the different names for the student and parent loans within the Direct Loan programs, we will use the following terms:

- “Direct Subsidized loans” refer to subsidized loans made to undergraduate, graduate, and professional students under either program;
- “Direct Unsubsidized loans” refer to unsubsidized loans made to undergraduate, graduate, or professional students under either program; and
- “PLUS Loans” refer to loans made to parents of dependent students or to graduate and professional students under either program.

B. Repayment Plans

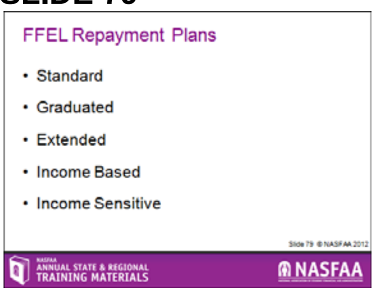
SLIDE 78



Repayment options under the Direct Loan Program are:

- Standard;
- Graduated;
- Extended;
- Income-Based;
- Income-Contingent; and
- Alternate.

SLIDE 79



Repayment options available to FFEL borrowers include:

- Standard;
- Graduated;
- Extended;
- Income-based; and
- Income sensitive.

➔ *Refer participants to the FFEL and Direct Loan Program Repayment Plan Comparison chart beginning on page 85 in the handout, and give them time to review the information. Discuss each of the major features for each plan and answer any questions.*

Point out that the chart shows the Alternate Repayment Plan, which is used only when a Direct Loan borrower has exceptional circumstances and other repayment plans are inadequate. The terms and conditions of the Alternate Repayment Plan are customized to address the borrower's unique circumstances.

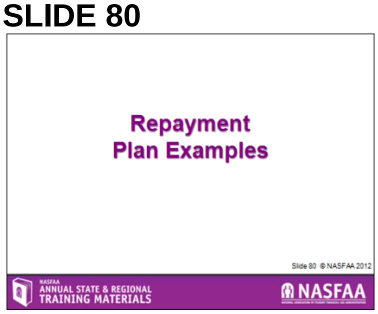
Note to Instructor: *Point out to participants that under the "Pay as You Earn" student loan repayment initiative, the annual payments for "new borrowers" in the income contingent repayment (ICR) plan are capped at 10 percent of discretionary income instead of 15 percent. The initiative also reduces the maximum repayment period from 25 to 20 years.*

Borrowers eligible for the new ICR terms must be a "new borrower" during or after 2008 and receive a new loan in 2012 or later.

Note some of the repayment plans are restricted to certain borrowers. When a borrower enters repayment, he or she must be offered a choice of available repayment plans. The borrower may choose the repayment plan which best suits his or her individual circumstances at a given time. A borrower who does not select a plan is automatically placed in a Standard Repayment Plan.

Repayment plans with longer repayment periods generally have lower monthly payments, but the borrower will pay more interest over the entire course of repayment. A Direct Loan borrower may change repayment plans at any time after the loan has entered repayment. FFEL lenders and servicers must allow borrowers to change repayment plans at least once per year. FFEL borrowers on the income-based repayment plan may change plans at any time.

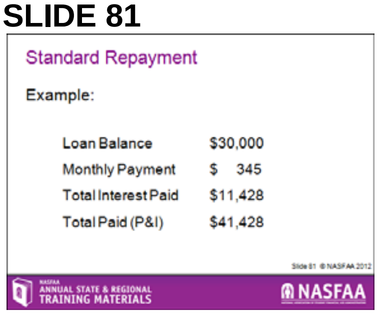
SLIDE 80



C. Repayment Plan Examples

Now we will review some examples for several of the repayment options.

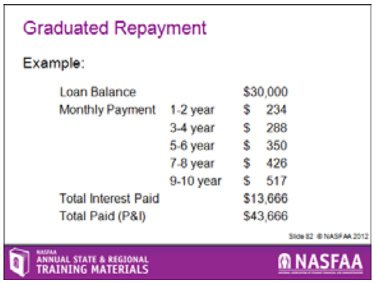
SLIDE 81



1. Standard Repayment

Loan Balance	$30,000
Monthly Payment	$ 345
Total Interest Paid	$11,428
Total Paid (P&I)	$41,428

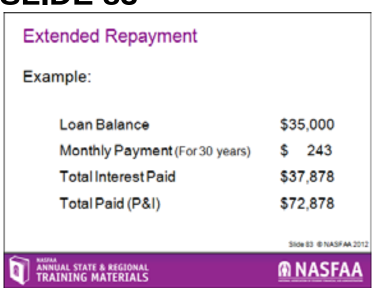
SLIDE 82



2. Graduated Repayment

Loan Balance		$30,000
Monthly Payment	1-2 year	$ 234
	3-4 year	$ 288
	5-6 year	$ 350
	7-8 year	$ 426
	9-10 year	$ 517
Total Interest Paid		$13,666
Total Paid (P&I)		$43,666

SLIDE 83

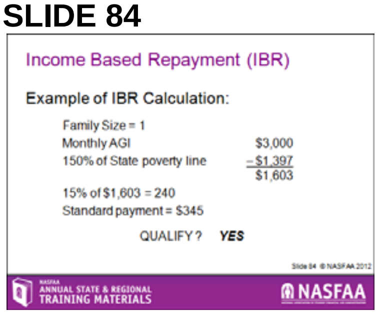


3. Extended Repayment

Note to Instructor: *To take advantage of the Extended Repayment Plan, a borrower has to have more than $30,000 in outstanding loans.*

Loan Balance	$35,000
Monthly Payment (For 30 years)	$ 243
Total Interest Paid	$37,878
Total Paid (P&I)	$72,878

SLIDE 84



4. Income-Based Repayment (IBR)

Example of IBR Calculation:

Family Size = 1

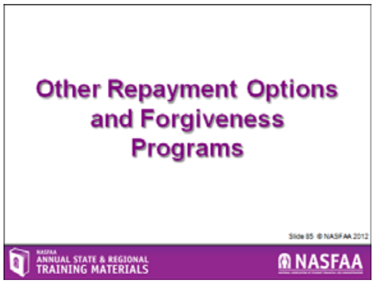
Monthly AGI	$3,000
150% of State poverty line	– $1,397
	$1,603

15% of $1,603 = 240

Standard payment = $345

QUALIFY? ***YES***

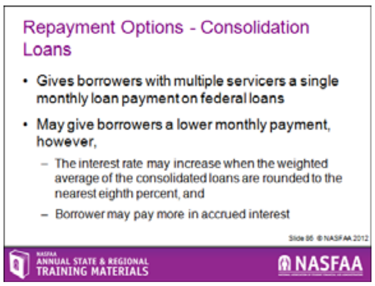
SLIDE 85



5. Other Repayment Options and Forgiveness Programs

Now, we will learn about other loan repayment options and forgiveness programs.

SLIDE 86



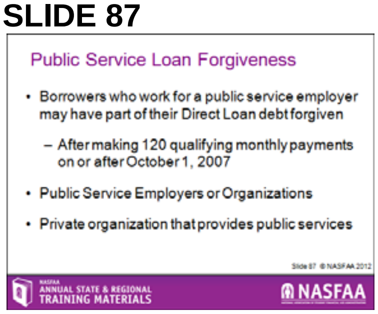
a. Consolidation Loans

Consolidation Loans give borrowers with multiple servicers a single monthly loan payment on their federal loans. These loans may give borrowers a lower monthly payment, however the:

- Interest rate may increase when the weighted average of the consolidated loans are rounded to the nearest eighth percent; and
- Borrower may pay more in accrued interest.

➔ *Refer participants to page 94 of the Participant Handout for the following discussion of loan forgiveness programs.*

SLIDE 87



b. Public Service Loan Forgiveness

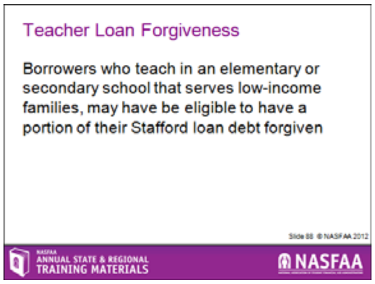
Borrowers who work for a public service employer may have part of their Direct Loan debt forgiven after making 120 qualifying monthly payments on or after October 1, 2007.

Public service employers include:

- Public sector employers; and
- Private organizations that provide public services.

More information about the program, including examples of eligible employers and qualifying payments, can be found in your handout.

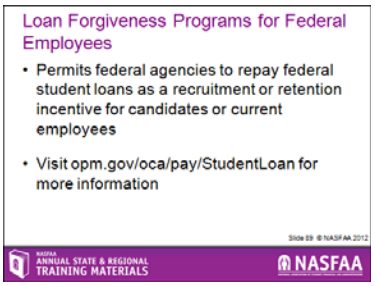
SLIDE 88



c. Teacher Loan Forgiveness

Borrowers who teach in an elementary or secondary school that is designated as serving low income families, may be eligible to have a portion of their Stafford loan debt forgiven. Detailed information regarding eligibility requirements and maximum forgiveness amounts are included in your handout.

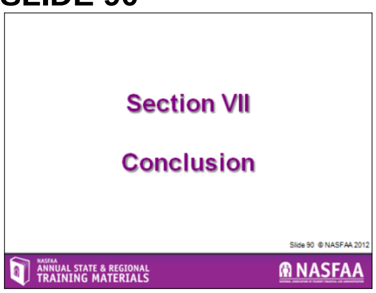
SLIDE 89



d. Loan Forgiveness for Federal Employees

These programs permit federal agencies to repay federal student loans as a recruitment or retention incentive for candidates or current employees. For more information, visit the website indicated on the slide.

SLIDE 90



VII. Conclusion

This concludes our session on Direct Loans, The Rest of the Story. Today we have covered:

- Overview of Direct Loans;
- How reconciliation is like balancing your check book;
- Cohort default rates, including appeals;
- Loan servicing information; and
- Repayment options.

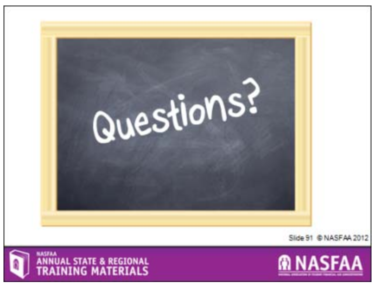
All resources utilized are listed in the *Participant Handout*, which also includes other valuable information such as tools to assist you when counseling your students.

Today's training materials were developed and provided by the 2012–13 NASFAA Training and Professional Development Committee, who represent Financial Aid Offices just like yours! This committee was assisted greatly by the members of the NASFAA staff.

Your feedback on the materials and topics discussed will help the Association to continue to provide quality products and services to meet your training needs. Please take a few moments to complete the evaluation form Included in your *Participant Handout*.

> ***Note to Instructor:*** *Please collect the completed evaluation forms and mail them back to NASFAA at the address provided on the bottom of the form.*

SLIDE 91



Does anyone have questions they would like to ask?

SLIDE 92

This concludes our training on Direct Loans, The Rest of the Story. Thank you for attending!