

## FUNDING PROCESS OVERVIEW

MAY 2010

Direct Loan Funding is the process through which your school will draw down William D. Ford Federal Direct Loan (Direct Loan) Program funds via G5, the U.S. Department of Education's (the Department's) payment management system. Your school will draw down funds via G5 after it has submitted origination and actual disbursement information for a Direct Loan Program loan to the Department's Common Origination and Disbursement (COD) System. This process is somewhat different than the funding process your school used under the Federal Family Education Loan (FFEL) Program because all Direct Loan funds will be made available electronically to your school via the [G5 Web site](#) for disbursement to the student or parent; the Department will send no checks to your school, students, or parents.

Through the Direct Loan funding process, your school must complete the following actions:

- Complete funding setup actions to ensure that your school, bank account, and authorized user information is identified in G5
- After confirming student or parent eligibility, submit actual disbursement information to COD System no earlier than seven (7) business days before actual disbursement date
- Once actual disbursements have been accepted and information is transmitted to G5, draw down funds via [G5 Web site](#)
- Disburse funds to student's school account or pay student or parent directly
- Notify student or parent and return unused funds per cash management regulations

In this document, we provide a high-level overview of the Direct Loan funding process. It is one in a series of high-level overviews developed for the Foreign School Direct Loan Processing area of the Foreign School Information page. Our intention is to provide summary processing information that will be supplemented by the Department's Direct Loan training workshops for foreign schools in June 2010, ongoing Direct Loan webinars, and existing technical documentation.

In addition to the overview, training, and technical reference materials, the Department will assign a member of our specialized Direct Loan enrollment team to each foreign school that enrolls to participate in the Direct Loan Program. The specialist assigned to your school will assist you in the transition and serve as a valuable resource for Direct Loan processing information. Your school's specialist (also referred to as Point of Contact) will provide his or her contact information; alternatively, you may contact your school's specialist by e-mail at [foreignschoolenrollment\\_fsa@ed.gov](mailto:foreignschoolenrollment_fsa@ed.gov).

The funding process information is presented in the following order:

- Section 1 – Direct Loan Funding Initiation
- Section 2 – G5
- Section 3 – Funding Direct Loans: Setup Actions
- Section 4 – Funding Direct Loans: COD System and G5 Processing Schedules
- Section 5 – Funding Direct Loans: Using Foreign Bank Account
- Section 6 – Funding Direct Loans: Using U.S. Bank Account
- Section 7 – Funding Direct Loans: Refunding Unused Funds

# FUNDING PROCESS OVERVIEW

MAY 2010

## **Section 1 – Direct Loan Funding Initiation**

As explained in the document titled “Disbursement Process Overview” in the Foreign School Direct Loan Processing area of the Foreign School Information page (the same area in which the document you are reading is posted), once your school has confirmed student or parent eligibility for a Direct Loan it has originated, it will electronically communicate actual disbursement information to the Department via our COD System. Through the disbursement process, your school informs us of the actual amount your school will disburse and the date on which it will do so in preparation for drawing down the necessary funds. Think of the funding process as drawing down or obtaining the actual Direct Loan funds your school identified that it will disburse. Your school will draw down these funds via the [G5 Web site](#).

An actual disbursement occurs when one of the following actions has been completed:

- Your school credits Direct Loan funds to a student’s school account
- Your school pays the student or parent directly by check or other authorized means

Once your school has verified student or parent eligibility but no earlier than seven (7) calendar days before the actual disbursement date, it will inform the COD System of the actual disbursement date and amount. Regardless of the processing approach your school uses (Direct Loan Origination Tool or other software/system), all information that your school submits about disbursements will be reflected in the COD Action Queue. At 10:00 A.M. (ET) and 10:00 P.M. (ET) each calendar day, the COD System determines which disbursements in the COD Action Queue are ready for funding within the next seven (7) calendar days. After the COD System picks up the disbursements, it electronically transmits the information to G5.

*Note:* Depending on the number of loans your school will process, it will use one of several software product options that are available to assist schools in disbursing Direct Loan awards and communicating with our COD System. We explained the Direct Loan Origination Tool, EDEXpress for Windows Software, Commercial Vendor Software, School-Developed System, and Third Party Servicer software product options in the document titled “Origination Process Overview” in the Foreign School Direct Loan Processing area of the Foreign School Information page (the same area in which the document you are reading is posted). Refer to that document for explanations of these options.

Once G5 accepts the disbursement information from the COD System, the Direct Loan Funding process is initiated, and your school will be able to draw down the funds from G5.

## **Section 2 – G5**

G5 is a Web-based system that keeps track of the availability, drawdown, and refund of your school’s Direct Loan funds each award year. G5 is not a student-level system; it does not track the funds each student or parent receives as is done by the COD System. Authorized G5 users at your school will go directly to the [G5 Web site](#) to draw down funds and complete other payment-related activities. Your school will need to obtain or confirm funding-related identification numbers and register those numbers before it can complete and submit the necessary SF 1199A Direct Deposit Sign-Up Form and obtain access to the [G5 Web site](#).

In addition to ensuring that your school has all necessary identification numbers before requesting G5 access, your school must consider and determine how it will provide for the separation of duties. More specifically, individuals who will be responsible for awarding and reporting Direct Loans for your school should have view-only access to the [G5 Web site](#). Different individuals will need to be responsible for

## FUNDING PROCESS OVERVIEW

MAY 2010

managing the funding aspects of your school's Direct Loans and will have full access to the [G5 Web site](#). Generally, it is your school's business office that will be responsible for funds management.

The availability of your school's Direct Loan funds is referred to on the [G5 Web site](#) as an "authorization." This authorization will be increased after the Department receives and accepts your school's actual disbursement information via the COD System. Once your school's authorization has been increased, an authorized G5 user on your school's business office staff will be able to log in to the [G5 Web site](#) and request the funds your school will need to make the disbursements.

*Note:* There is a difference in terminology between G5 and the COD System. While the [G5 Web site](#) identifies your school's available Direct Loan funds as an authorization, the [COD Web site](#) identifies your school's available Direct Loan funds as its "Current Funding Level" or "CFL." In both cases, the amount equals the net amount of all accepted actual disbursement records that is available for your school to draw down and disburse.

The Department identifies your school's available Direct Loan funds (authorization) for each award year by an "award number." Your school will see the award number on the [G5 Web site](#). For the 2010-2011 Award Year, the award number for your school's Direct Loans will be **P268K11xxxx**.

The components of your school's Direct Loan award number for the 2010-2011 Award Year are as follows:

- **P** Catalog of Federal Domestic Assistance (CFDA) principal office designator
- **268** CFDA numeric suffix for Direct Loan Program
- **K** Alphabetic subprogram identifier
- **11** First two digits of the second year of the award year
- **xxxx** Your school's unique identifier (four-digit GAPS School ID assigned by COD System)

*Note:* We provide this explanation of the award number components for informational purposes only. We will automatically assign this award number each award year for which your school participates in the Direct Loan Program.

### **Section 3 – Funding Direct Loans: Setup Actions**

Your school must complete certain funding setup actions in preparation for completing its SF 1199A Direct Deposit Sign-Up Form and obtaining access to the [G5 Web site](#). We provide instructions on these funding setup actions in the document titled "Instructions for Funding Setup" in the Foreign School Direct Loan Setup area of the Foreign School Information page. We also provide an "SF 1199A Form Mockup" in the same area.

In short, your school must complete the following funding setup actions:

- 1) Read the instructions and information in the "Instructions for Funding Setup" document.
- 2) Obtain or confirm Grantee and Payee Data Universal Numbering System (DUNS) Numbers for your school.
- 3) Obtain or confirm NATO Commercial and Government Entity (NCAGE) Codes for your school.

## FUNDING PROCESS OVERVIEW

MAY 2010

- 4) Register or confirm registration of your school's DUNS Numbers and NCAGE Codes with the Central Contractor Registration (CCR) Database.
- 5) Complete the SF 1199A Direct Deposit Sign-Up Form and prepare a cover letter to accompany your school's form.
- 6) As soon as possible, submit your school's cover letter and SF 1199A Direct Deposit Sign-Up Form by express courier to the Department at the address provided in the "Instructions for Funding Setup" document.

**Note:** The funding setup actions require time to complete and should be initiated immediately. However, because it will take time to complete the actions, we advise your school to submit the first two pieces of its Direct Loan enrollment packet, the Participation Addendum and COD System Access Request Letters, without delay. Once the funding setup actions have been completed, your school should separately submit the required funding form and cover letter.

As outlined above, after your school has registered its Grantee and Payee DUNS Numbers and NCAGE Codes with the CCR Database, it must complete the SF 1199A Direct Deposit Sign-Up Form. In addition to these identification numbers, your school will need to provide bank account information. This must be a foreign or U.S. bank account that meets the Department's regulatory requirements at 34 CFR 668.163.

If your school will use a foreign bank account, the Department in conjunction with the U.S. Department of Treasury will make payments directly to your school's foreign bank account using the SWIFT payment system. The Department will rely on the SWIFT Bank Identification Code (BIC) and account number that your school provides on the SF 1199A Direct Deposit Sign-Up Form to issue these payments. All your school needs to do is enter its Bank Account Number and your bank's SWIFT BIC in the designated sections of the SF 1199A Direct Deposit Sign-Up Form.

**Note:** Some SWIFT BICs are 11 characters in length. It is okay to enter an 11-character BIC even though it is longer than the nine spaces provided on the SF 1199A.

After we receive your school's SF 1199A Direct Deposit Sign-Up Form and cover letter, we will process the request and e-mail the individual your school asks us to notify once the account is set up in G5. At that time, your school will need to complete the online process for requesting [G5 Web site](#) access for the individuals who will need such access. We will provide guidance on how to request [G5 Web site](#) access when we provide notification of the account setup.

## FUNDING PROCESS OVERVIEW

MAY 2010

### Section 4 – Funding Direct Loans: COD System and G5 Processing Schedules

As explained in Section 1, twice daily the COD System will pick up disbursements in the COD Action Queue that are ready for funding within the next seven (7) calendar days (identified as “active” disbursements in the COD Action Queue) and electronically transmit the information to G5. These checks are done at 10:00 A.M. (ET) and 10:00 P.M. (ET) each calendar day.

Once G5 accepts the disbursement information from the COD System, the Direct Loan Funding process is initiated, and your school will be able to draw down the funds from G5. Generally, the information that needs to be in G5 for your school to draw down funds will be there on the following schedule:

<i>If “active” disbursement is in COD Action Queue by...</i>	<i>Generally, funds will be ready for drawdown in G5 by ...</i>
<b>10:00 A.M. (ET) on a business day</b>	2:00 P.M. (ET) on the same business day
<b>10:00 P.M. (ET) on a business day</b>	7:30 A.M. (ET) on the next business day
Funds for disbursements sent to G5 on a non-business day will be available on the next business day.	

**Note:** For an overview of the disbursement process, refer to the document titled “Disbursement Process Overview” in the Foreign School Direct Loan Processing area of the Foreign School Information page (the same area in which the document you are reading is posted).

In addition to being aware of the COD System’s scheduled transmissions to G5 and when the information will be available in G5 for your school to draw down, your school must also consider the schedule for when Direct Loan funds will be electronically transferred to your school’s bank account. This is a set schedule; however, the timing will differ depending on whether your school has a foreign bank account or a U.S. bank account.

- **Foreign Bank Account** – If your school requests Direct Loan funds via G5 by 1:00 P.M. (ET) on a business day, the funds will be in your school’s foreign bank account by close of business on the third business day.
- **U.S. Bank Account** – If your school requests Direct Loan funds via G5 by 1:00 P.M. (ET) on a business day, the funds will be in your school’s U.S. bank account by close of business on the second business day.

**Notes:**

- 1) When planning for the arrival of funds in your school’s bank account, keep in mind that requests made by 1:00 P.M. (ET) on a business day count as the first day of the processing window. If your school’s request is made after 1:00 P.M. (ET) on a business day, the next business day will be the first business day of the processing window. Sections 5 and 6 include processing window examples.
- 2) Federal holidays in the U.S. or the country in which your school’s bank is located that fall within the processing window may cause the window to be extended.

## FUNDING PROCESS OVERVIEW

MAY 2010

### Section 5 – Funding Direct Loans: Using Foreign Bank Account

If your school uses a foreign bank account for its Direct Loan funds, its funding process can be summarized as follows:

- Individual on your school's financial aid staff submits actual disbursements records to COD System no earlier than seven (7) calendar days before disbursement date.
- COD System picks up disbursements from COD Action Queue and electronically transmits information to G5.
- Authorized G5 user on your school's business office staff logs in to [G5 Web site](#) and requests funds.

*Note:* If funds are requested by 1:00 P.M. (ET) on a business day, funds will be in your school's foreign bank account by close of business on the third business day (see examples below).

- Your school's business office disburses funds to students and/or parents.

Two examples of the three-business day processing window your school must allow when it requests that Direct Loan funds be sent to its foreign bank account are as follows:

<i>If your school requests funds via G5 Web site by...</i>	<i>Funds will be in your school's foreign bank account by...</i>
<b>1:00 P.M. (ET) on Monday</b>	Close of business on Wednesday In this case – <ul style="list-style-type: none"><li>• Monday is business day 1</li><li>• Tuesday is business day 2</li><li>• Wednesday is business day 3</li></ul>
<b>1:00 P.M. (ET) on Friday</b>	Close of business on Tuesday In this case – <ul style="list-style-type: none"><li>• Friday is business day 1</li><li>• Monday is business day 2</li><li>• Tuesday is business day 3</li></ul>

## FUNDING PROCESS OVERVIEW

MAY 2010

### **Section 6 – Funding Direct Loans: Using U.S. Bank Account**

If your school uses a U.S. bank account for its Direct Loan funds, its funding process can be summarized as follows:

- Individual on your school's financial aid staff submits actual disbursements records to COD System no earlier than seven (7) calendar days before disbursement date.
- COD System picks up disbursements from COD Action Queue and electronically transmits information to G5.
- Authorized G5 user on your school's business office staff logs in to [G5 Web site](#) and requests funds.

*Note:* If funds are requested by 1:00 P.M. (ET) on a business day, funds will be in your school's foreign bank account by close of business on the second business day (see examples below).

- Your school's business office disburses funds to students and/or parents.

Two examples of the two-business day processing window your school must allow when it requests that Direct Loan funds be sent to its U.S. bank account are as follows:

<i>If your school requests funds via G5 Web site by...</i>	<i>Funds will be in your school's U.S. bank account by...</i>
<b>1:00 P.M. (ET) on Monday</b>	Close of business on Tuesday In this case – <ul style="list-style-type: none"><li>• Monday is business day 1</li><li>• Tuesday is business day 2</li></ul>
<b>1:00 P.M. (ET) on Friday</b>	Close of business on Monday In this case – <ul style="list-style-type: none"><li>• Friday is business day 1</li><li>• Monday is business day 2</li></ul>

## FUNDING PROCESS OVERVIEW

MAY 2010

### **Section 7 – Funding Direct Loans: Refunding Unused Funds**

After your school submits actual disbursement information to the COD System and draws down funds from G5, it may be necessary to return some of the funds to the Department. The return of Direct Loan funds is referred to as a “refund” on both the [COD Web site](#) and the [G5 Web site](#). Your school will determine whether it must refund Direct Loan funds to the Department in compliance with the Return of Title IV Aid (R2T4) regulations at 34 CFR 668.22 and the cash management regulations in Subpart K of 34 CFR Part 668.

**Note:** Your school can use [R2T4 on the Web](#) or [Return of Title IV Aid Worksheets](#) to determine the amount, if any, of a Direct Loan that must be refunded to the Department.

Unlike the FFEL Program, Direct Loan funds are not student-specific. This means that when one student will not use the funds, they can be disbursed to other students. Examples of how this works and what your school will need to do follow below.

#### ***Example 1***

Your school originally reported that it would disburse to Student A but determined prior to disbursement that Student A is not eligible to receive Direct Loan funds. Student B, however, is eligible to receive Direct Loan funds. In this case, your school may disburse the funds originally intended for Student A to Student B and will need to complete the following actions:

- Make a downward disbursement adjustment for Student A in the COD System. This must be completed within 30 calendar days of making the determination that Student A was ineligible to receive the funds.
- Report the actual disbursement for Student B to the COD System. This must be completed within 30 calendar days from the date you disburse the funds to Student B.

#### ***Example 2***

Your school completes the R2T4 calculation for student C and determines that it owes Direct Loan funds to the Department as a result. Student D, however, is eligible to receive Direct Loan funds. In this case, your school may disburse the funds to Student D and will need to complete the following actions:

- Make a downward disbursement adjustment for Student C in the COD System. This must be completed within 30 calendar days of making the determination that it owed Direct Loan funds to the Department as a result of Student C’s R2T4 calculation.
- Report the actual disbursement for Student D to the COD System. This must be completed within 30 calendar days from the date you disburse the funds to Student D.

**Note:** Your school’s funds available in G5 are a “net” of upward and downward disbursement reporting. To ensure that your school does not end up in a situation in which funds are not available in G5 when your school is ready to disburse, it is important to understand and follow the examples above.

There will be times when, to comply with the cash management regulations, your school must refund Direct Loan funds to the Department. The way in which your school does this will differ depending on whether your school has a foreign bank account or a U.S. bank account.

## FUNDING PROCESS OVERVIEW

MAY 2010

- **Foreign Bank Account** – If your school has a foreign bank account, it will need to refund the Direct Loan funds by check in U.S. dollars as follows:
  - The check must be made payable to the U.S. Department of Education.
  - The check must have “U.S. Dollars” clearly written or printed in the memo portion of the check.
  - The following information must be included either on the check itself or in a letter attached to the check:
    - School’s OPE ID
    - Direct Loan Award Year to which the refund is to be applied
  - Note:* It is best to send a separate check for each award year.
  - The check (and accompanying letter, if applicable) must be sent to one of the following addresses:

### ***Regular Mail/No Signature Required***

COD Schools Relations Center  
Attn: Refunded Cash  
P.O. Box 9001  
Niagara Falls, NY 14304

### ***Overnight/Requiring Signature***

COD School Relations Center  
Attn: Refunded Cash  
2429 Military Rd, Suite 200  
Niagara Falls, NY 14304

- **U.S. Bank Account** – If your school has a U.S. Bank Account, your school’s authorized user will log in to the [G5 Web site](#) and use the G5 e-Refunds process. The first time your school’s authorized user accesses the e-Refunds page, he or she will need to designate a U.S. bank account from which the refunded Direct Loan funds will be taken.