

## DIRECT LOAN PROCESSING INTRODUCTION

NOVEMBER 2012

Your school will begin processing William D. Ford Federal Direct Loan (Direct Loan) Program loans for eligible U.S. students and parents. We have developed a series of high-level overviews of the four Direct Loan processing components.

### Direct Loan Processing Components

To process Direct Loans, your school will complete activities that can be grouped into four major components – Origination, Disbursement, Funding, and Reconciliation. The overview for each component will introduce you to what will need to be done, how it will be done, and who (or which system) will do it. This information will be at a relatively high level, but when the overviews are read in order of presentation they provide a complete summary of Direct Loan processing.

The four components of Direct Loan processing and links to the corresponding high-level overview for each are as follows:

- **Origination Process** – Through this process, your school will determine a student's or parent's eligibility for a Direct Loan Program loan and electronically inform the Department's Common Origination and Disbursement (COD) System of that eligibility and loan information. Think of this as informing us of who will receive Direct Loan funds, for what period, in what amounts, and on what anticipated dates. Depending on the number of loans your school will process, you will use one of several software product options that are available to assist schools in originating Direct Loan awards and communicating with the COD System.

#### [Origination Process Overview](#)

- **Disbursement Process** – Through this process, your school will complete a final confirmation of a student's or parent's eligibility for a Direct Loan Program loan and inform the Department's COD System that it is ready to disburse actual funds to the student or parent. All Direct Loan funds will be made available electronically to your school for disbursement to the student or parent; the Department will send no checks to your school, students, or parents. Think of the disbursement process as the means by which your school will inform us of the actual amount your school will disburse and the actual date on which it will do so in preparation for drawing down the necessary funds.

#### [Disbursement Process Overview](#)

- **Funding Process** – Direct Loan Funding is the process through which your school will draw down Direct Loan Program funds via G5, 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 COD System. All Direct Loan funds are made available electronically to your school via the [G5 Web site](#) for disbursement to the student or parent. Think of the funding process as drawing down or obtaining via the [G5 Web site](#) the actual Direct Loan funds your school identified that it will disburse.

#### [Funding Process Overview](#)

- **Reconciliation Process** – Direct Loan Reconciliation is the process through which your school will review and compare the Direct Loan Ending Cash Balance recorded in the Department's COD System to your school's internal records on a monthly and annual basis. Annual reconciliation is referred to as Program Year Closeout and must be completed by the established deadline for each year. Think of monthly and annual reconciliation as balancing your own personal checkbook; if you resolve discrepancies as they occur each month, you will have a balanced checkbook at the end of the year.

#### [Reconciliation Process Overview](#)