

## ORIGINATION PROCESS OVERVIEW

NOVEMBER 2012

Direct Loan Origination is the process through which your school will determine a student's or parent's eligibility for a William D. Ford Federal Direct Loan (Direct Loan) Program loan and inform the U.S. Department of Education's (the Department's) Common Origination and Disbursement (COD) System of eligibility and loan information.

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

- Confirm all student or parent eligibility factors
- Evaluate need and determine Direct Loan award and amount
- Notify student or parent of expected Direct Loan award as required, and Master Promissory Note (MPN) and entrance counseling completion
- Confirm completion/existence of valid Direct Loan MPN and ensure completion of entrance counseling, if required
- Complete and submit loan origination information to the COD System
- Complete and submit updated loan origination information to the COD System, if necessary

In this document, we provide a high-level overview of the Direct Loan origination 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.

The origination process information is presented in the following order:

- [Section 1 – Direct Loan Types](#)
- [Section 2 – Student and Parent Eligibility](#)
- [Section 3 – Direct Loan Award Determination and Notification](#)
- [Section 4 – Originating Direct Loans: Options for Communicating with COD System](#)
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## **Section 1 – Direct Loan Types**

The Direct Loan Program offers the following loan types:

- Direct Subsidized Loans - These loans are made to undergraduate students.
- Direct Unsubsidized Loans - These loans are made to undergraduate and graduate/professional students.
- Direct PLUS Loans - These loans are made to eligible graduate/professional students and to eligible parents of undergraduate students.

## **Section 2 – Student and Parent Eligibility**

In terms of borrower eligibility for Direct Loans, the school will need to confirm student and parent eligibility before originating a Direct Loan.

Confirmation of student and parent eligibility includes the following:

- Student's completion of Free Application for Federal Student Aid (FAFSA) through retrieval and review of Institutional Student Information Record (ISIR)
- For Direct PLUS Loans, graduate/professional student's or parent's consent to conduct credit check and provision of other necessary information through completion of Direct PLUS Request via [StudentLoans.gov Web site](http://StudentLoans.gov) or other school process
- Basic student and parent eligibility requirements
- Student's acceptance in a degree-granting program on at least a half-time basis
- Student's compliance with school's Satisfactory Academic Progress (SAP) policy
- Student's remaining loan eligibility under annual and aggregate loan limits

In addition to the above student and parent eligibility checks, the following requirements apply:

***Direct Loan MPN Completion*** – A student or parent must complete a Direct Loan Master Promissory Note (MPN) for each academic year that he or she receives a Direct Loan for attendance at your school. This applies even if the student or parent has previously signed an MPN to receive Direct Loan Program loans at other schools.

There are two types of MPNs – one for students who will receive Direct Subsidized Loans and/or Direct Unsubsidized Loans and the other for graduate/professional students and parents who will receive Direct PLUS Loans. The MPN is the legal document through which the student or parent promises to repay his or her Direct Loan and any accrued interest and fees to the Department. It also explains the terms and conditions of the loan.

Once your school has enrolled to participate in the Direct Loan Program, students and parents may complete a Direct Loan MPN electronically via the [StudentLoans.gov Web site](http://StudentLoans.gov).

***Notes:***

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- 1) To complete a Direct Loan MPN electronically, the student or parent must have a Federal Student Aid PIN. The Federal Student Aid PIN is the same PIN used to complete the FAFSA. To apply for a PIN if the student or parent does not already have one, or for customer service regarding a previously assigned PIN, he or she should visit the [Federal Student Aid PIN Web site](#).
- 2) While we strongly encourage electronic completion of the MPN, a student or parent also has the option to complete a paper Direct Loan MPN. To do so, the student or parent must call our Applicant Services staff at 800/557-7394 and then return the completed paper MPN to us at the address that will be provided.

***Direct Loan Entrance Counseling Completion*** – In some cases, a student may need to complete Direct Loan Entrance Counseling.

- An undergraduate or graduate/professional student who has not previously received a Direct Loan program loan must complete Direct Loan Entrance Counseling before he or she can receive a Direct Loan.
- A graduate/professional student who has not previously received a PLUS loan through the Direct Loan program must complete Direct Loan Entrance Counseling before he or she can receive a Direct PLUS Loan.

Your school has options for meeting the regulatory requirement to ensure that entrance counseling is provided. Once your school has enrolled to participate in the Direct Loan Program, one of your options is to have the student complete Direct Loan Entrance Counseling electronically via the [StudentLoans.gov Web site](#). A Federal Student Aid PIN is required to complete online Direct Loan Entrance Counseling.

Your school may choose to have its borrowers complete Direct Loan Entrance Counseling by other means, such as through in-person sessions, audio-visual presentations, or other online counseling products. As a reminder, if your school uses one of these other options for Direct Loan Entrance Counseling, it is responsible for ensuring that the counseling meets all federal Direct Loan Entrance Counseling requirements.

***Note:*** While not associated with the front end of the Direct Loan process, your school is also responsible for ensuring that exit counseling is conducted in accordance with regulatory requirements. One option is to have students complete exit counseling via an online tool for federal student loan borrowers in the Direct Loan program. The tool is available via the [NSLDS Student Access Web site](#) and provides a single exit counseling session for Direct Loan borrowers. Other options include in-person exit counseling and other online tools. As a reminder, if your school uses one of these other options for exit counseling, it is responsible for ensuring that the counseling meets all federal exit counseling requirements.

***Direct PLUS Loan Request and Credit Check Completion*** – A primary eligibility requirement for a graduate/professional student or a parent who wishes to obtain a Direct PLUS Loan is that he or she must not have an adverse credit history, as defined in regulations. If the graduate/professional student or the parent has an adverse credit history, he or she may still be eligible for the loan 1) by obtaining an endorser who does not have an adverse credit history and agrees to repay the loan if the borrower does not or 2) by documenting extenuating circumstances that meet the Department's requirements.

The Department conducts a credit check once it receives confirmation that a graduate/professional student or parent has consented to the Department checking his or her credit. There are three options through which the credit check can be initiated. Once your school has enrolled to participate in the Direct Loan Program, the easiest option is for the graduate/professional student or parent to complete a Federal Direct

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PLUS Request for Supplemental Information (Direct PLUS Request) electronically via the [StudentLoans.gov Web site](http://StudentLoans.gov).

*Note:* The other options for initiating a credit check are 1) to allow the Direct PLUS Loan origination submission to trigger the credit check or 2) to request the credit check manually via the [COD Web site](#). The advantages of the Direct PLUS Request process are that it is initiated by the graduate/professional student or parent and allows for the collection of the authorization to conduct the credit check, as well as other necessary information, in one streamlined, up-front process.

Regardless of the Web, software, or system product your school uses (see Section 4); it will receive electronic notification when any StudentLoans.gov process identified above (MPN, entrance counseling, Direct PLUS Loan request, or credit check) has been completed. This notice will be sent to your school's Student Aid Internet Gateway (SAIG) mailbox. In addition, your school will be able to view the completion information via the [COD Web site](#).

### **Section 3 – Direct Loan Award Determination and Notification**

Once your school has confirmed student or parent eligibility, it will determine the Direct Loan award or awards for which the student or parent is eligible. This determination will include the loan type (Direct Subsidized Loan, Direct Unsubsidized Loan, and/or Direct PLUS Loan) and amount. As explained in Section 4, your school may use Web, software, or system products to assist with these determinations.

After your school determines loan types and amounts, it must notify a student of the Direct Loan awards for which he or she is eligible and inform the student of MPN and entrance counseling requirements, as applicable. This notification is commonly referred to as an “award letter” and may include information about the Direct PLUS Loan award for which the student's parent may be eligible. An award letter template will be available on the Direct Loan Origination Tool (see Section 5).

*Note:* In addition to notifying a student or parent of the need to complete a Direct Loan MPN and/or Direct Loan Entrance Counseling, as applicable, your school must also ensure that the student or parent has actually completed the MPN and/or entrance counseling. As previously explained, your school will receive electronic notification in its SAIG mailbox when a student or parent completes an MPN or entrance counseling via the [StudentLoans.gov Web site](http://StudentLoans.gov). In addition, your school will be able to view completion information via the [COD Web site](#).

### **Section 4 – Originating Direct Loans: Options for Communicating with COD System**

After your school has confirmed student or parent eligibility and determined the Direct Loan award or awards for which the student or parent is eligible, it will electronically communicate the loan origination information to the Department via the COD System. 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.

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The software product options are as follows:

- **Direct Loan Origination Tool** – We provide this Web-based functionality at no charge to schools. This is a tool located within the COD System that is accessed by authorized users via the [COD Web site](#) to originate and disburse Direct Loans. The tool is designed to assist schools that have 2,500 or fewer students for whom they will originate loans.
- **EDEXpress for Windows Software** – We provide this software at no charge to schools. This software is used to originate and disburse Direct Loans and communicate with the COD System. This software product and its technical documentation are available on our [Federal Student Aid Download \(FSAdownload\) Web site](#).
- **Commercial Vendor Software** – Higher education software providers develop software products and systems that meet our requirements for originating and disbursing Direct Loans and communicating with the COD System. There is a cost associated with vendor software and systems.
- **School-Developed System** – School IT departments develop and maintain systems that meet our requirements for originating and disbursing Direct Loans and communicating with the COD System.
- **Third Party Servicer** – This is an “agent” of the school who is hired by the school to perform some or all of the tasks associated with originating and disbursing Direct Loans and communicating with the COD System.

If your school is not certain of the software product it will use to process Direct Loans at the time it submits its Direct Loan enrollment packet, simply state that your school has not yet made this decision. We encourage your school to not delay submitting its enrollment packet while deciding which software product it will use. This information can be updated later, once your school has made its decision.

### **Section 5 – Originating Direct Loans: Using Direct Loan Origination Tool Option**

If your school opts to use the Direct Loan Origination Tool, authorized users at your school will prepare and submit origination information for one or multiple students in batch format via the Web. The tool is designed to walk the user through the batch submission process. It includes Wizard and Hints features that can be used until the user is familiar with the process.

**Note:** Your school will need to request COD System and Web site access for personnel at your school who will process Direct Loans. We provide instructions on these requests in the document titled “[Instructions for COD System Access](#)”. Your school will submit these requests in its Direct Loan enrollment packet.

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The Direct Loan Origination Tool offers a Direct Loan Wizard Toolbox that includes the following features to assist your school with the origination process:

<i>Through Direct Loan Wizard Toolbox feature...</i>	<i>Your school will be able to...</i>
<b>Student Management</b>	<ul style="list-style-type: none"><li>• Access a list of up to 2,500 students who have selected your school on the FAFSA and additional information such as MPN and entrance counseling completion via StudentLoans.gov processes.</li><li>• Remove students who have not enrolled at your school and add them back at a later time, if necessary.</li></ul>
<b>COA Profile Management</b>	<ul style="list-style-type: none"><li>• Store up to 200 profiles for groups of students with like educational expenses.</li><li>• Create, delete, update, and view profiles based on costs associated with specific programs at certain grade levels.</li><li>• Access and use the Cost of Attendance (COA) calculator.</li></ul>
<b>Award Profile Management</b>	<ul style="list-style-type: none"><li>• Store up to 100 profiles for groups of students with like loan period, academic year, and disbursement schedule information.</li><li>• Create, delete, update, and view profiles based on specific award information.</li></ul>
<b>Batch Management</b>	<ul style="list-style-type: none"><li>• View, correct, and update draft batches.</li><li>• Change anticipated disbursements to actual disbursements in draft batches.</li><li>• View summary information and obtain Document ID for submitted batches.</li><li>• Link to batch search page through which submitted batches can be researched.</li></ul>
<b>Links &amp; Resources</b>	<ul style="list-style-type: none"><li>• Link to the COA calculator, award letter template, documentation checklist, and other Web sites and online resources.</li></ul>
<b>DL Tool School Settings</b>	<ul style="list-style-type: none"><li>• Establish loan period, academic year, disbursement, and other key information that will automatically populate the Award Profile.</li></ul>

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After initially setting up some basic information about how your school awards and disburses loans under DL Tool School Settings, COA Profile Management, and Award Profile Management, your school's authorized user will click on Start Here and follow these steps to originate loans:

<i>In Direct Loan Origination Tool step...</i>	<i>Your school will be able to...</i>
<b>1 – Select Students</b>	<ul style="list-style-type: none"><li>• Select students whose awards will be included in the batch submission.</li></ul>
<b>2 – Assign COA Profile</b>	<ul style="list-style-type: none"><li>• Apply an established COA Profile that includes the educational expenses for the program and grade level to one or multiple students.</li><li>• Modify calculated need on an individual basis.</li></ul>
<b>3 – Assign Award</b>	<ul style="list-style-type: none"><li>• If a COA Profile has been applied, see award type and amount information automatically populated.</li><li>• Modify calculated loan amounts on an individual basis.</li><li>• Apply an established Award Profile that includes information such as loan period and number of disbursements to one or multiple students.</li></ul> <p><i>Note:</i> If an Award Profile or a COA Profile has not been applied, enter missing information on an individual basis.</p>
<b>4 – Review &amp; Submit</b>	<ul style="list-style-type: none"><li>• Check all student, award, and disbursement information included in the batch submission.</li><li>• Verify that SAP requirements have been met.</li><li>• Submit the batch via the Web.</li></ul>

We anticipate that most foreign schools will use the Direct Loan Origination Tool and the [COD Web site](#) to process Direct Loans. In this case, your school's authorized COD Web site users will submit and check all origination and disbursement information via the [COD Web site](#). However, for each action that your school completes via the [COD Web site](#), the COD System will generate a Web Response (also commonly referred to as an "Acknowledgement") and send it to your school's SAIG mailbox. It is important for your school to retrieve and save these responses in your school's records. Web Responses will be in a format that can be easily opened in Notepad or a similar software product; they do not require coding to a record layout.

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### **Section 6 – Originating Direct Loans: Using Other Software/System Options**

If your school opts to use the EDEExpress for Windows software, commercial vendor software, or a school-developed system, it will use the COD Common Record to process Direct Loans. Using the COD Common Record Extensible Markup Language (XML) Schema, your school will submit Common Record Documents to the COD System in batches of one or more via the SAIG. Another way to think of this is that your school will enter information for individual loans in its school software or system, put those loan records together in a batch, and then send the batched records to the COD System.

In follow up to submitting a COD Common Record batch, your school will receive a receipt to confirm when the COD System has picked up the batch and then a COD Common Record Response after the COD System processes the batch. The responses will let your school know if the records were accepted or rejected, and, if rejected, the reason for the rejection.

Detailed technical guidance is available in the [2012-2013 COD Technical Reference](#) and the EDEExpress for Windows 2012-2013 user documentation posted on our [FSAdownload Web site](#).

*Note:* If your school uses the EDEExpress for Windows software, commercial vendor software, or school-developed system approach to processing Direct Loans, it should prepare and submit origination information via the batch process. Doing so will ensure that all records between your school's system and the COD System match. Refer to the EDEExpress for Windows 2012-2013 user documentation or consult with your school's software provider/IT staff for guidance on updating records via the [COD Web site](#).

### **Section 7 – Originating Direct Loans: Updating Origination Information**

After your school originates Direct Loans for its students and parents, it may be necessary to update submitted origination information for some loans. When necessary, your school will do so via the [COD Web site](#) if it is a Direct Loan Origination Tool user or via COD Common Record batch processing if it is an EDEExpress for Windows, commercial vendor software, or a school-developed system user.

*Note:* If your school uses the EDEExpress for Windows software, commercial vendor software, or school-developed system approach to processing Direct Loans, it should prepare and submit origination updates via the batch process. Doing so ensures that all records between your school's system and the COD System match. Refer to the EDEExpress for Windows 2012-2013 user documentation or consult with your school's software provider/IT staff for guidance on updating records via the [COD Web site](#).