

Chapter 6

Receiving and Disbursing Funds

Essential Questions

- ☞ Do I need to maintain a separate bank account for Direct Loan funds? Do I need to maintain an interest-bearing account?
- ☞ What happens to the loan fees if the disbursement is canceled?
- ☞ What is excess cash? What is immediate need?
- ☞ Is there a Direct Loan authorization level?
- ☞ How does an Option 2 school receive Direct Loan funds?
- ☞ How should an Option 2 school decide when to request Direct Loan funds?
- ☞ How do Option 1 and Standard Origination schools receive funds?
- ☞ What is the timeline and disbursement process for Option 1 and Standard Origination schools?
- ☞ Do all Direct Loan schools control when students receive their funds?
- ☞ May schools disburse funds before receiving signed promissory notes?
- ☞ Does a school need a borrower's permission to credit that borrower's account with Direct Loan funds?
- ☞ What is the disbursement date?
- ☞ Can Direct PLUS Loans be applied to a student's account? If so, is parental authorization necessary?
- ☞ How do I report disbursements to the Loan Origination Center?
- ☞ How do I handle disbursement cancellations and adjustments? What about loan prepayments?
- ☞ What role does the Loan Origination Center play in the funds request process?

Maintaining Your Federal Account

All schools must maintain a bank account for depositing federal funds. A school must either notify the bank that the account contains federal funds and keep a record of this notice in the school's recordkeeping system or the school must ensure that the account's name includes the words "federal funds." Except for public institutions, schools must file a UCC-1 statement with their state or municipal governments disclosing that the account contains federal funds. Schools must keep a copy of the UCC-1.

- ☞ Direct Loan funds may be kept in the same account with other Title IV funds, although it is recommended that a separate account be established for Direct Loan funds. This separation of funds will help the school's cash management of Direct Loans.
- ☞ If the school chooses to use, or is required to use, an interest-bearing account until the school disburses funds to students, any interest earned in excess of the \$250 annual allowance for administrative expense must be returned to the Department at least annually. Interest earnings are returned in accordance with the Department's Payment Management System (EDPMS) as instructed in *The Blue Book*. Interest earnings do not have to, but may, appear on the EDPMS 272 report.

A school is not required to maintain an interest-bearing account if one of the following situations applies:

- In the prior award year, the school received less than \$3 million in Title IV funds.
- The school demonstrates by its cash management practices that it will not earn over \$250 in interest by maintaining the total amount of Title IV funds received during the award year in an interest-bearing account.

Loan Fees

Loan fees of 4 percent of the principal amount borrowed are charged to the borrower to help defray the cost of the Direct Loan Program. Drawdown amounts are based on the amount of net disbursements (disbursement less the loan fee on that disbursement).

- ☞ If a disbursement is canceled *within* 120 days, loan fees are not owed. In such cases, the interest is eliminated when the school or the borrower returns the funds. If the borrower sends back only part of the funds, the borrower must send a letter to the Loan Origination Center explaining that he or she is returning funds to adjust the loan balance.

- ☞ If a disbursement is adjusted downward within 120 days, the fees are assessed only on the portion of the disbursement the borrower actually received.
- ☞ If a disbursement is canceled *after* 120 days, the accrued interest and fees must be paid by the borrower.

See page 6-14 for more on disbursement cancellations and adjustments.

Requesting Funds: Option 2 Schools

Calculating Funding Needs

If you are an Option 2 school, you will estimate—on an ongoing basis—the amount of funds needed to make anticipated Direct Loan disbursements (net of loan fees). You should include in your estimate Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans. You should also consider Direct Loan funds on hand.

- ☞ To make the estimate, you can use the Direct Loan software or similar system. When a borrower's record is ready (that is, when you have created the loan origination record and obtained the completed, signed promissory note), the Direct Loan software “flags” the record as eligible for payment. You may also increase or decrease the system-calculated amount of funds required based on the historical anticipated need of your students.
- ☞ EDEXpress users should note that even if the anticipated disbursement date has passed for a particular borrower, the software will include the anticipated disbursement amount in any calculations that estimate the school's cash needs if
 - the record has not been included in a previous request
 - the record is flagged as eligible for payment
 - the parameters you set to select eligible records include the borrower's anticipated disbursement date

Timing the Requests for Direct Loan Funds

You request funds based on “immediate need,” which the Department defines as the amount of funds you will need to disburse for your borrowers within a three-day period. In other words, you must spend funds as soon as administratively feasible, but no later than three business days following the date you received the funds.

Immediate need differs among schools. However, you should consider these basic factors when formulating a request for funds:

- ☞ the balance of Direct Loan cash on hand
- ☞ anticipated disbursements
- ☞ anticipated fund recoveries

By determining when cash will be needed, you can predict when to initiate the request.

The following chart displays approximate timelines for receipt of funds for schools using the Automated Clearing House/Electronic Funds Transfer method (ACH/EFT). To distinguish between morning and afternoon, the daily cutoff is 3:30 p.m. Eastern time.

Timeline For Requesting/Receiving Direct Loan Funds Using ACH/EFT	
Funds Requested	Funds Received
Monday morning	Wednesday or Thursday
Monday afternoon/Tuesday morning	Thursday or Friday
Tuesday afternoon/Wednesday morning	Friday or Monday
Wednesday afternoon/Thursday	Monday or Tuesday
Thursday afternoon/Friday morning	Tuesday or Wednesday
Friday afternoon/Monday morning	Wednesday or Thursday

Requesting Direct Loan Funds (Option 2 Schools)

Option 2 schools are authorized to draw down funds directly from EDPMS. Unlike some other financial aid programs, there is no Direct Loan authorization level.

Once your immediate cash needs have been determined, the following steps must occur:

- ☞ You transmit an electronic payment request for Direct Loan funds only, using
 - the telephone—by speaking with a service bureau representative or by using the touch tone telephone keys to enter the request
 - the FEDWIRE software if you receive funds via FEDWIRE
 - the Direct Loan software

(Note that security levels in the Direct Loan software allow your school the flexibility to authorize certain personnel to make funding requests but not to perform other types of functions, such as loan origination or importing/exporting records.)

- ☞ The EDPMS service bureau then processes your drawdown request.

- ☞ The service bureau checks that the account type, personal identification number (PIN), and password identifiers are valid.
 - If any identifiers are invalid, you will be notified to correct the error.
 - Valid requests are batched and sent daily to EDPMS for further processing.
- ☞ Drawdown requests are edited and batched, and an ACH/EFT payment file is created for transmittal to the Federal Reserve Bank (FRB).
 - Problem requests are transferred to a holding file. Department personnel review the holding file daily and either approve the transaction or contact your school to resolve the problem.
- ☞ The FRB receives the ACH/EFT file and transfers funds to your school's bank account.
- ☞ As mentioned earlier, Direct Loan funds may be deposited in the same account with other Title IV funds, although you must be able to identify the Direct Loan funds.
- ☞ The FRB notifies the Department if an ACH/EFT transmission or your school's transaction is rejected.
 - ACH/EFT transmissions may be rejected because of mechanical difficulties or because your school's designated bank account has changed. If the ACH/EFT transmission is rejected, the Department contacts your school to resolve the problem.
- ☞ Your school's bank should receive funds within 48 to 72 hours after you transmit the drawdown request, depending on the time of day you sent the request.

Issues to Consider in Requesting Funds (Option 2 schools only)

- ☞ To determine when it is appropriate to draw down funds, you may want to consider first whether you will disburse (credit a student's account or pay a student or parent directly) before or after federal funds are received. In other words, is your campus willing to allow you to disburse funds to students before federal funds are received? Consider the following possibilities:

- If you disburse institutional funds to borrowers before receiving federal funds, your disbursement date may be earlier than the date federal funds are received.
 1. If you disburse institutional funds ten or more days prior to the first day of classes, the date of disbursement is the date of the 10th day before the first day of class.
 2. If you disburse institutional funds to a first-time, first-year, undergraduate borrower, sooner than 30 days after the start of classes, the date of disbursement is the date of the 30th day after the first day of classes.
- If you disburse after receiving federal funds, the date of disbursement is the date the school credits the student's account or pays the student or parent directly.

☞ To determine when you will draw down funds, establish your disbursement date first. In doing so, remember the disbursement requirements.

☞ There may be a number of other important dates to consider, including

- your students' tuition due date(s)
- the date that your students' bills are mailed
- the end of the school's add/drop period

☞ Remember that interest accrues on the funds you request until you spend them, so spend quickly. If your school maintains Title IV funds in an interest-bearing or investment account, and the interest earned before you spend your funds exceeds the \$250 annual allowance for administrative expense, you must return the excess to the Department as explained on page 6-2.

☞ Chart the amounts you are drawing down and spending, especially during the beginning of your term. Evaluate the results and determine if adjustments are needed. This will help you project future cash needs.

☞ Calculate your need for funds and export that data to the EDPMS Service Bureau early enough to meet the 3:30 P.M. cutoff.

☞ If you use the Direct Loan software to calculate your drawdown request, consider that the amount you request will be based on all loan origination records with a certain anticipated disbursement date. You have the option to manually override this amount and increase or decrease it.

- You might increase the amount requested because you know you will receive more signed promissory notes before your funds are received. You will want to be conservative when increasing the amount requested so you do not create an excess cash problem.
- You might decrease the amount requested, especially if you know from experience that not all your students will maintain eligibility for their loans at the time of disbursement.
- EDEExpress users have additional considerations when manually overriding the software's drawdown request. If you adjust the amount downward, the software does not know which students were excluded; it records all loans with a specific anticipated disbursement as included in that drawdown request and will not add them to future drawdown calculations. If you intend to disburse some of these loans at a later date, you will need to include them by subsequent manual override(s).

☞ Monitor excess cash daily.

☞ EDEExpress users, may want to evaluate and assess the current process of drawing down funds on your campus. You now have software available that can determine the amount of funds you need. Given that, should the drawdown be conducted by the financial aid office? By your accounting department? By your bursar?

☞ Remember that the regulations require that the functions of authorizing payments and disbursing funds be kept separate, so that no one office has responsibility for both.

- Reexamine how information flows between the financial aid, bursar, and business offices. Due to cash management regulations and the need to meet strict time requirements in drawdowns and excess cash calculations, the processes at your school may need to be streamlined and reengineered.
- If Direct Loan funds are to be drawn down by an office other than the financial aid office, remember to set up your Direct Loan security access accordingly. (See the description of software security levels in Chapter 2.)

Requesting Funds: Option 1 and Standard Origination Schools

The Loan Origination Center initiates funding requests for Option 1 and Standard Origination Schools based on anticipated disbursement dates and amounts provided by the school in the loan origination records and promissory notes.

If you are an Option 1 or a Standard Origination school, you should follow the procedures below:

- ☞ You create and transmit loan origination records to the Loan Origination Center.
- ☞ If you are an Option 1 school, once you and your students have completed the appropriate portions of the promissory notes, you mail them to the Loan Origination Center. If you are a Standard Origination school, your borrowers return the promissory notes directly to the Loan Origination Center.
- ☞ Funds will only be requested for those anticipated disbursements for which the Loan Origination Center has an accepted loan origination record and promissory note.
- ☞ Approximately 30 to 45 days before the anticipated disbursement dates in the loan origination record, the Loan Origination Center will send an electronic anticipated disbursement listing which will identify anticipated disbursements by borrower and loan type.
- ☞ You review the list to determine whether adjustments need to be made, particularly to the anticipated disbursement amounts and anticipated disbursement dates.
- ☞ You send any necessary change records to the Loan Origination Center.
- ☞ The Loan Origination Center will request funds for your school based on the anticipated disbursement dates and amounts you provided on the loan origination records, including any changes. You can control the frequency and timing of receiving drawdowns by using the anticipated disbursement dates.
- ☞ The Loan Origination Center requests funds four days before the anticipated disbursement dates.
- ☞ The Loan Origination Center will simultaneously create and electronically send an Actual Disbursement Roster to you. The Actual Disbursement Roster reflects individual borrowers, loan types and their associated actual disbursements, and the total amount of funds in the request. It notifies the school that funds for the borrowers specified have been requested and can be expected in the school's Direct Loan bank account within three to four days.
- ☞ The funds will be sent to your school's bank through the Automated Clearinghouse (ACH) and should be received on or near the anticipated disbursement date.

The timeline on below illustrates the funding and disbursement process for Option 1 and Standard Origination schools.

Funding and Disbursement Timeline Option 1 and Standard Schools			
30-45 days before disbursement	4 days before disbursement	2 days before disbursement	Disbursement date
Loan Origination Center sends the school an anticipated disbursement list; the school sends updates or changes to the Loan Origination Center	Loan Origination Center requests funds and sends an actual disbursement roster to the school	Loan Origination Center sends ACH EDPMS file to FRB and school receives funds	School disburses funds to borrowers

NOTE: If you send the loan origination record or promissory note 15 days (or less) before the anticipated disbursement date, the disbursement may not appear on the anticipated disbursement listing. However, the Loan Origination Center will request funds for this loan four days before the anticipated disbursement date, if the Loan Origination Center accepts the loan origination record and promissory note.

Disbursing Funds to Borrowers

All Direct Loan schools control—within the limits of the regulations—when students receive their funds, just as schools do in the Federal Pell Grant and federal campus-based programs.

The following steps must be taken to disburse funds:

- ☞ The school establishes disbursement dates, taking into account the regulations concerning the number, amount, and timing of disbursements.
 - For a credit-hour program with standard terms, the earliest a student account may be credited or a student may be paid by cash or check is 10 days before the first day of the first or any subsequent term.

- For a credit-hour program with non-standard terms or a credit-hour program without terms or any clock hour program, the earliest a student's account may be credited or a student may be paid by cash or check is 10 days before the first day of the loan period. Subsequent disbursements may not be made until the later of
 1. The calendar midpoint between the first and last scheduled days of class in the loan period
 2. The date the student has completed half of the academic coursework in the loan period
 - Remember that there is a 30-day delay for disbursing loans to first-year undergraduate students who have not previously received a FFEL or Direct Loan. Note that this delay does not apply to a Direct PLUS Loan borrower whose child is in the first year of his or her program.
 - In most cases, multiple disbursements (a minimum of two) are required, even for partial academic year attendance. However, this requirement does not apply to certain experimental site schools.
 - Generally, no disbursement can be greater than 50 percent of the loan amount. (Again, this requirement does not apply to certain experimental site schools.) Note, however, that if one-half of the loan period has elapsed when the first disbursement is made, the loan may be disbursed in a single installment.
- ☞ As is required for schools under the FFEL Program, schools must verify that their students maintain eligibility for Direct Loans.
- ☞ The school (or the Loan Origination Center for Option 1 and Standard Origination schools) must have a signed, completed promissory note from the borrower before disbursement.
- ☞ Other than the information provided in the promissory note, the school is not required to notify the borrower of anticipated disbursements.
- ☞ The school may apply Direct Loan proceeds to the student's account without written authorization separate from the promissory note and without acknowledgment from the borrower.
- If the school disburses Direct Loans by crediting a student's account at the school, the school must first credit the student's account with funds for outstanding current and authorized charges.

- ☞ With the student's authorization, the school may also credit funds to the student's account for current charges incurred for educationally related activities and minor prior award year charges if those charges are less than \$100 or if payment of these charges will not prevent the student from paying his or her current educational costs.
- ☞ If the student's account shows a remaining credit balance, a check or similar instrument requiring the borrower's endorsement must be issued to the borrower within 14 days of whichever is latest: the date the balance occurs or the first day of classes of the payment period.

The borrower can also authorize the school to retain the balance. If authorization is withdrawn, a check or similar instrument requiring the borrower's endorsement must be issued to the borrower as soon as possible but no later than 14 days after the school receives the notice.

Schools unaccustomed to issuing checks may wish to issue a check or similar instrument that includes all Title IV program proceeds not needed for institutional charges.

The Disbursement Date

The disbursement date (the date funds are paid to the borrower) is the date the institution credits a student's account at the school or pays a borrower directly with Direct Loan funds or institutional funds used in advance of Direct Loan funds.

- ☞ If you disburse institutional funds ten or more days prior to the first day of classes, the date of disbursement is the date of the 10th day before the first day of class.
- ☞ If you disburse institutional funds to a first-time, first-year, undergraduate borrower, sooner than 30 days after the start of classes, the date of disbursement is the date of the 30th day after the first day of classes.

Keep in mind that for Option 2 schools, funds drawn down are not borrower specific and may be disbursed to any eligible borrower. Option 1 and Standard Origination schools may disburse funds only to the borrower's specific loan listed on the corresponding Actual Disbursement Roster.

Special Direct PLUS Loan Considerations

Schools that credit student accounts directly are encouraged to post Direct PLUS Loan funds to a student's account for tuition and fees and room and board (if the student contracts with the school for room and board). With the parent borrower's authorization, funds also may be credited to the student's account for current charges incurred for educationally related activities and minor prior award year charges if those charges are less than \$100 or if payment of these charges will not prevent the student from paying his or her current educational costs.

- ☞ If the parent dies, the student is required to notify the school or his/her Direct Loan Servicing Center so that no further disbursements will be credited to a student's account.

If the student's account shows a credit balance remaining, the school must either issue a check to the parent borrower or obtain authorization from the parent borrower to issue a check or similar instrument of endorsement to the student.

Note: If the parent borrower authorizes that the balance be given to the student, the student (rather than the parent) can then authorize that those funds be applied to current charges incurred for educationally related activities and minor prior award year charges if those charges are less than \$100 or if payment of these charges will not prevent the student from paying his or her current educational costs.

In any case, schools must allow the student or parent to cancel or modify release of funds authorizations at any time, and must clearly explain how it will carry out that activity.

Consider the following options:

- ☞ At the time the Direct PLUS application and promissory note is provided to the parent, obtain parental authorization to give any remaining funds to the student. (The school may not require or coerce the student or parent to provide the authorization.)
- ☞ Include the Direct PLUS Loan authorization in your school's institutional application (completing the authorization would, of course, be optional).
- ☞ Modify your student accounts receivable system to allow you to create, identify, and mail Direct PLUS Loan checks to the parent for the amount that exceeds institutional charges (for parent borrowers who do not authorize the remaining credit to be released to the student).

If there is a credit balance, schools that disburse funds in a specific order will be able to determine which funds produced the credit balance. For example, a school may first apply Direct PLUS Loan funds to a student's account and then apply other types of financial aid

funds. If the student's charges exceeded the Direct PLUS Loan amount, any resulting credit balance after applying other financial aid would not be attributed to the Direct PLUS Loan, making a parent authorization unnecessary.

Informing Students About Disbursements

When a school credits Direct Loan funds to a student's account, the institution must notify the student or parent of

- ☞ the date and amount of the disbursement
- ☞ the borrower's right to cancel all or a portion of the loan or loan disbursement
- ☞ the procedures and time by which the borrower must notify the institution that he or she wishes to cancel the loan or loan disbursement

The school must send the notice no earlier than 30 days before and no later than 30 days after crediting the student's account at the school. The school may notify the borrower in writing or electronically. However, if the school sends the notice electronically, it must require the recipient of the notice to confirm receipt of the notice and must maintain a copy of that confirmation.

Reporting Disbursements

After disbursing funds, schools must report the required information about actual disbursements to the Department's Loan Origination Center. Schools must transmit disbursement records, including cancellations and adjustments, to the Loan Origination Center as soon as possible, but no later than 30 days after each date of disbursement, adjustment, or cancellation.

- ☞ Option 2 schools record the actual disbursement date and amount of each disbursement using the Direct Loan software the Department provides or another system the school maintains.
- ☞ As noted earlier, Option 1 and Standard Origination schools will receive a disbursement roster from the Loan Origination Center indicating the borrower, loan type, and amount to be disbursed. These schools must verify or correct the disbursement amount for each borrower, record the date and amount of each disbursement using the Direct Loan software or another system the school maintains, and electronically transmit actual disbursement records to the Loan Origination Center.

Borrowers' Requests for Cancellation or Adjustment

The borrower must inform the school if he or she wishes to cancel all or a portion of a loan or loan disbursement.

- ☞ The school **must** honor the cancellation request if the borrower requests the cancellation within 14 days after the date the school sends a disbursement notice, or by the first day of the payment period, whichever is later.
- ☞ If the borrower requests a cancellation 15 or more days after the school sends a disbursement notice, or after the first day of the payment period, the school may, but is not required to, cancel all or a portion of the loan.

The school must inform the borrower in writing or electronically regarding the outcome of any cancellation request. If electronic, the school must require confirmation of receipt and maintain a copy of the confirmation.

Cancellations, Adjustments and Payments

Schools should make an electronic **cancellation** when, within 120 days of the disbursement date

- ☞ the school determines the disbursement should not have been made
- ☞ the borrower does not accept the entire disbursement
- ☞ the borrower or the school returns all the funds
- ☞ a Title IV refund occurs that causes a refund of the total amount disbursed

Schools should make an electronic **adjustment** when, within 120 days of the disbursement date

- ☞ a borrower's eligibility changes (note that if circumstances change after a loan has been entirely disbursed—for example, additional aid comes in—no adjustment is necessary)
- ☞ a borrower or a school returns a portion of the disbursement
- ☞ there is a Title IV refund that is less than the full amount disbursed

Money returned to a school after 120 days of the disbursement date, should be applied directly to the borrower's account as a **payment**. See page 6-18 for the Direct Loan Servicing Centers' payment lockbox addresses.

Borrowers can prepay at any time, even after they enter repayment. Borrowers normally make these types of payments, but the school may transmit funds on behalf of the borrower if it wishes to do so.

The chart on the next page summarizes cancellation, adjustment and payment provisions.

Direct Loan Cancellations, Adjustments, and Payments**Cancellations**

A cancellation occurs when the borrower or the school returns the total disbursement amount the borrower received within 120 days of the disbursement date. Events that would cause a cancellation include the following:

- ☞ The school determines the disbursement should not have been made.
- ☞ The borrower does not accept any of the disbursement.
- ☞ The school returns the funds or the borrower returns to the school all funds that have been disbursed.
- ☞ A Title IV refund is due, which would cause a refund of the total amount disbursed.

An Option 2 school returns canceled funds to its “federal” account when the school has determined or has knowledge that one of the events listed above has happened. An Option 1 or Standard Origination school returns the canceled funds to the Loan Origination Center. All schools send cancellation records to the Loan Origination Center. The borrower is not responsible for the loan fees and accrued interest for a canceled disbursement.

Adjustment

A disbursement adjustment is the return of a portion of the amount of a disbursement within 120 days of the disbursement date. Events that would cause an adjustment include the following:

- ☞ A reduction in the amount of the student’s eligibility results in a downward adjustment to a disbursement.
- ☞ A refund due (under the Title IV refund policy) is less than the full amount of the disbursement.

If an Option 2 school adjusts a disbursement downward, it returns the net adjustment amount (the amount the borrower returns) to the “federal” bank account. An Option 1 or Standard Origination school returns the net adjustment amount to the Loan Origination Center. All schools send adjustment records reflecting the adjustment to the Loan Origination Center. The borrower is responsible for loan fees and accrued interest only on the total adjusted amount of the disbursement.

Payment

A partial or total disbursement returned, either by the school or the borrower, 121 days or more after the date of the disbursement does not reduce the loan amount borrowed. Rather, the payment is applied to the borrower’s account just like any regular payment. If a payment must be made, the school or borrower must send a check to the Direct Loan Servicing Center with the appropriate information needed to apply the amount to the borrower’s account. After receiving the check, the Direct Loan Servicing Center will apply the payment amount to late charges, collection costs, and outstanding interest before crediting it to the principal balance. The borrower is responsible for the loan fees and any accrued interest on the original amount of the loan.

Excess Cash

If a school receives too much in funds, or if funds are not disbursed as anticipated, the school must return the funds to the Department as excess cash. Generally, “excess” is defined as any funds not used within 3 business days of receipt.

☞ A school may hold such funds an additional 7 business days if one of the following applies:

- the school meets the excess cash tolerance requirements in section 668.166(b) of the regulations
- the school will disburse the excess funds within the additional 7 days.

Note: Option 1 and Standard origination schools receive funds that are borrower specific. These schools cannot disburse funds to any borrower other than the borrower for whom the funds were intended.

Excess Cash vs. Payment

When determining if Direct Loan funds should be returned as excess cash or as a payment, please remember:

- ☞ The “*action date*,” (the date a student withdraws, or drops below half-time, or the school identifies an overaward) determines whether funds should be returned as cash or as a payment to the student’s account. It is the date of the activity that requires a school to return funds. The “*action date*” is not the date the refund is calculated or the date the adjustment or cancellation was entered into a computer system or reported to the Department.
- If the “*action date*” is **within 120 days** from the disbursement date, the funds are to be returned as **cash**. Schools should make an electronic adjustment or cancellation to the borrower’s disbursement record using the correct “*action date*.” If a school’s loan origination level is Option 2, the school can use these funds (the amount that would otherwise be returned) for another borrower.
 - If the “*action date*” is **after 120 days** from the date of disbursement, the funds are to be returned as a **payment** to the borrower’s account (refund the amount to the borrower’s account). Schools should **not** make an electronic adjustment or cancellation to the borrower’s account. This applies to all schools, regardless of the school’s loan origination level. These funds **cannot** be used for another borrower.

Addresses for returning funds to the Department

When returning **excess cash**, schools should mail check(s) to

☞ Loan Origination Center
Attn: Excess Cash
P.O. Box 2011
Montgomery, AL 36102-2011

If the amount of money being returned is \$100,000 or more, the funds must be returned by FEDWIRE to

☞ Compass Bank Account No. 707 2672 6
ABA No. 060 01186

When sending **payments** to borrowers accounts, schools should mail checks to the payment lockbox address of the borrowers' assigned Direct Loan Servicing Center. The payment lockbox addresses to the Direct Loan Servicing Centers are

☐ **Direct Loan Servicing Center—Utica**

Direct Loan Servicing Center
Attn: Payment Center
P.O. Box 746000
Atlanta, GA 30374-6000

☐ **Direct Loan Servicing Center—Louisville**

Direct Loan Servicing Center
Attn: Payment Center
P.O. Box 746100
Atlanta, GA 30374-6100

☐ **Direct Loan Servicing Center—Indianapolis**

Attn: Payment Center
Direct Loan Servicing Center
P.O. Box 746200
Atlanta, GA 30374-6200

☐ **Direct Loan Servicing Center—Madison**

Direct Loan Servicing Center

Attn: Payment Center

P.O. Box 746300

Atlanta, GA 30374-6300

Please see Direct Loan Bulletin 97-17 for additional guidance on returning funds to the Department.

Loan Origination Center Response and Actions

- ☞ The Loan Origination Center receives and processes the disbursement records that schools submit. Each disbursement record is matched to a borrower/loan record and edited against other data such as loan amount and borrower status. Electronic disbursement records are edited and validated by the Loan Origination Center within one business day.
 - If the disbursement record passes the edits, the borrower/loan record is updated, and the loan is “booked,” provided the Loan Origination Center has accepted the loan origination record and promissory note.
 - If there is a problem with the disbursement record, the Loan Origination Center notifies the school (via an acknowledgment record) to resolve the problem.
- ☞ The Loan Origination Center sends acknowledgements to schools identifying the Direct Loan Servicing Center to whom each student’s “booked” loan has been assigned.
- ☞ Within 10 business days after the loan is “booked,” the assigned Direct Loan Servicing Center mails a letter to notify the borrower of the disbursement and to redisclose the terms of the loan. The borrower is also provided with the address and toll-free telephone number to the Direct Loan Servicing Center. After the borrower receives this notification, he or she can contact the Direct Loan Servicing Center with any questions or concerns.
- ☞ The Loan Origination Center matches second and subsequent disbursements against the borrower’s specific loan record, previously established in its data base.

