

The Master Promissory Note for Direct Loan Schools

NASFAA
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We Help Put America Through School

What is an MPN?

- ★ Promissory note used to make one or more loans for one or more academic years (AYs)--
 - Currently for sub/unsub loans only
 - Loan amounts may be adjusted upward within same AY without new MPN
 - Single-year and multi-year use for originating new loans



Related MPN Documents

★ Disclosure Statement

- Provided at or before first disbursement of each loan under MPN

★ Borrower's Rights and Responsibilities

- Provided with each MPN

★ Plain Language Disclosure

- Provided with Disclosure Statement for subsequent loans under MPN

Single-Year Use

- ★ One or more loans for same AY made under one MPN--
 - All schools eligible
 - Need new MPN each AY
 - Need new MPN for all transfer students



Multi-Year Use

- ★ Loans for more than one AY made under one MPN--
 - 4-YR and graduate/professional schools currently eligible
 - Do not need new MPN each AY
 - Need new MPN for transfer students without Direct Loan MPN
 - Must have confirmation process for loans in subsequent AYs

Eligible Schools

- ★ “Highest Educational Program Offered” on page A-2 of ECAR is--
 - Master’s Degree or Doctor’s Degree
 - First Professional Degree
 - Professional Certification
 - Bachelor’s Degree
- ★ Not subject to emergency or LS&T action

Confirmation: Development

★ Confirmation process--

- Replaces signing MPN for loan in new AY
- Ensures borrower control and increases borrower understanding of loan debt
- Is determined by school
- May be part of--or can supplement--existing required notices/disclosures
- May be active or passive

Confirmation: Active Process

- ★ Borrower must take action to accept/confirm loan
- ★ School may not disburse until borrower responds

Examples:

- Signed award letter
- Electronic acceptance through PIN



M-Y Use

Confirmation: Passive Process

- ★ Borrower takes action only to reject or change loan
- ★ School may disburse after notifying

Examples:

- Award letter with no signature required
- Disclosure Statement

Confirmation: Multiple Processes

★ General--

- School should use same process for all students

★ In some cases--

- Administrative procedures and/or school's best judgement on informing students of loan obligation may require more than one process

Confirmation: Multiple Processes

Example:

- ★ Undergraduates required to attend individual counseling before receiving aid
- ★ Graduate students not required to attend counseling
- ★ School may have two processes--
 - Counseling for undergraduates
 - Different process for graduate students

M-Y Use

Confirmation: Documentation

- ★ School must retain documentation of process(es) in effect for each AY in which it makes subsequent loans under MPNs

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Ideal

Describe process(es) in student handbook or other financial aid publication each AY



Confirmation: Documentation

★ Documentation--

- May be kept in paper or electronic format
- Need not be kept in borrower files
- Must be kept indefinitely
- Must be submitted to ED upon request if borrower challenges loan enforceability



M-Y Use

Canceling Authorization for Multi-Year Use

- ★ Borrower must provide written cancellation notice to DLSC or school
- ★ If borrower cancels--
 - Remaining disbursements on existing loans accepted
 - Additional loans require new MPN



Ways to know if LOC has a valid MPN

- ★ For 1999-2000 and 2000/2001
 - NSLDS
 - LOC sends an origination record back with the MPN ID
- ★ For 2001/2002
 - There will be a flag on the ISIR record

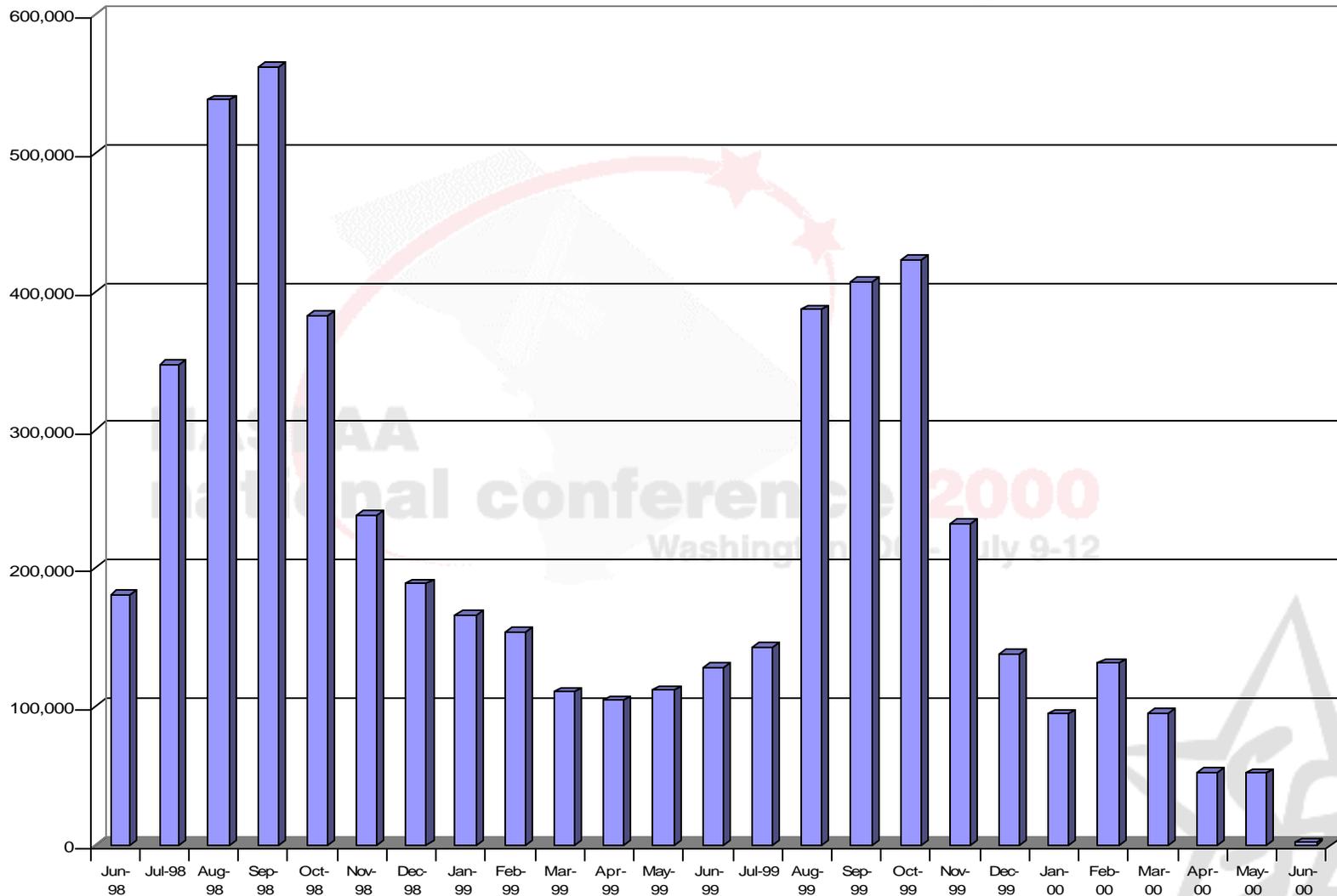


MPN Processing 1999/2000

- ★ When a new 1999/2000 loan is originated, it will be linked to the most recent MPN on file at the LOC
- ★ A new MPN does not need to be sent for new 1999/2000 loans



MPN Processing



Loan Origination Contacts

★ E-Mail Address:

- loan_origination@mail.eds.com

★ School Relations at the LOC:

- 1-800-848-0978

★ School Relations Fax:

- 1-800-557-7396

★ School Relations at the Servicing Center:

- 1-888-877-7658