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## OVERVIEW OF THE NSLDS

Originally authorized by the Education Amendments of 1986, but not funded until 1992, National Student Loan Data System (NSLDS) is a comprehensive database of the following:

- Loan-level information about Title IV borrowers
- Grant-level information about Pell Grant recipients
- Outstanding Pell Grant, FSEOG, and Perkins overpayments

Information already in the database or planned for later addition covers all active Title IV loans as of October 1, 1989 and thereafter (FDLP loans since the beginning of the program); Pell Grant recipient data since the 1993-94 academic year; and any outstanding Pell Grant, FSEOG, and Perkins overpayments, regardless of age.

### 9.1 SOURCES OF INFORMATION

NSLDS gets its data from a variety of sources, including the following:

- Guaranty agencies provide FFEL loan-level data.
- Lenders (or their servicers), through their guarantors, provide additional FFEL loan-level data.
- Schools provide Perkins and Income Contingent loan level data, Pell Grant and FSEOG overpayments, and enrollment status reports.
- Federal Direct Loan Program Servicer provides FDLP loan-level data.
- Other Title IV systems provide Title IV applicant data, Pell Grant recipient data, and FISL and FFEL/Perkins loans assigned to ED.

### 9.2 FUNCTIONS

Data collected by NSLDS was identified as that needed to support the various functions mandated by its authorizing legislation, as amended from time to time. Currently, the 14 functions that are operational or under development are:

1. Prescreening of Title IV Aid Eligibility
2. Default Rate Calculations
3. Monitoring GA and Lender Billings for Reasonability
4. Support Research Studies and Policy Development
5. ED Budget Analysis and Development

6. Audit and Program Review Planning
7. Assessment of FFEL Program Administration by GAs, Schools, and Lenders
8. Refund/Cancellation Support
9. Borrower Tracking
10. Pre-Claims Assistance/Supplemental Pre-Claims Assistance Notification Support
11. Loan Transfer Tracking
12. Student Status Confirmation Report (SSCR)
13. Financial Aid Transcript (FAT)
14. Credit Reform Act (CRA) Support

The functions that are most relevant to schools are listed below.

### **9.2.1 PRESCREENING FOR TITLE IV AID ELIGIBILITY**

The NSLDS prescreening function enables schools to electronically receive data about prior Title IV aid recipients. This information is important to schools because it can be used to reduce defaults by determining the eligibility of Title IV applicants. The prescreening process allows the Central Processing System (CPS) to scan the NSLDS active database and identify individuals with one or more of the following:

- Default on an existing Title IV loan
- Overpayment of an existing Title IV Pell Grant or Supplemental Education Opportunity Grant
- The amount of aid received for a single year or, cumulatively, under a given loan program

When a match between Title IV applicant records and the NSLDS database occurs, information about an applicant's outstanding and most recent loans, Pell Grant overpayments, and Supplemental Educational Opportunity Grant (SEOG) overpayments is formatted and electronically reported to CPS. Loans closed for inability to collect and all closed Perkins loans are reported. Perkins Loans include National Direct Student Loans, National Defense Student Loans, and Income Contingent Loans.

### **9.2.2 DEFAULT RATE CALCULATIONS**

Default rates are calculated annually for schools participating in the FFEL and FDLP programs. Schools with default rates above established thresholds for at least three years may lose FFEL program eligibility. In addition, the 1992 Reauthorization of the Higher Education Act of 1965 directed ED to calculate default rates for lenders and guaranty agencies that participate in FFEL programs by using the same formula used for schools.

Default rate calculations are performed in response to the Department's Default Reduction Initiative, which is intended to reduce student loan defaults and improve service to students by eliminating schools that manage student loan programs ineffectively or irresponsibly. Because a school's participation in Title IV aid programs can be affected by default rates, correctly calculating these rates is critical. Correct calculation of lender and GA default rates will also be important to FFEL Program participants.

NSLDS maintains a history of default rate calculations, computes state and national averages for schools, and provides results of default rates calculations to ED. Default rate calculations are based on FFEL loan information in the NSLDS database.

### **9.2.3 MONITORING GA AND LENDER BILLINGS FOR REASONABILITY**

The Department of Education pays subsidies and interest to lenders of FFEL Program loans while the borrowers are in school or the loan is in its grace period. NSLDS provides the capability to monitor billings for reasonability by supporting more timely assessment. It also provides details of accessible loan information. This capability helps ensure that billings received by ED from lenders and GAs reflect the status of their portfolio as reported to NSLDS. Program review analysts use these capabilities to assess lender and GA participation in Title IV programs.

### **9.2.4 SUPPORT RESEARCH STUDIES AND POLICY DEVELOPMENT**

NSLDS provides several types of access to support users performing research and developing policy: online and ad hoc queries. Online queries range from focused—pertaining to a single student or school for relatively small amounts of data, to massive queries requiring NSLDS to supply or summarize massive amounts of data. Output from focused queries may be sent to a screen or a local printer. Data from large queries may have to be saved to diskette or directly to a PC.

### **9.2.5 ED BUDGET ANALYSIS AND DEVELOPMENT**

Every year, ED develops input for the President's budget, based partly on projected loan program costs for a seven-year period. The budget planning cycle includes analysis, development of budget assumptions and estimates, coordination within ED, budget submission, and subsequent revisions. NSLDS provides a source of more accurate, current data than has been previously available regarding the performance of loan programs. This information is used to develop reliable, sound assumptions on which to base the estimated program budget, answer budget-related questions, and support "what-if" analyses.

### **9.2.6 AUDIT AND PROGRAM REVIEW PLANNING**

Audits and program reviews are used by ED to assess the performance of various Title IV aid delivery system participants. Audit and Program Review Planning functions involve retrieving specific data on organizations (that is, schools, lenders, and GAs), and identifying key indicators used to schedule audits and reviews for maximum effectiveness.

### **9.2.7 ASSESSMENT OF FFEL PROGRAM ADMINISTRATION BY GAs, SCHOOLS, AND LENDERS**

Assessment of the FFEL Program Administration by GAs, Schools, and Lenders is a specific application of NSLDS research capabilities. Research studies may be either short- or long-term and are generally aimed at evaluating the effectiveness of particular program practices. As with any research, analysts attempt to assess program administration with limited data. This makes research sources relatively inflexible, and regular assessments of program administration practices and trends difficult to perform.

### **9.2.8 REFUND/CANCELLATION SUPPORT**

When a student withdraws from school early and qualifies for a refund of institutional charges such as tuition, the school is required to provide the refund within a fixed time period. For FFEL borrowers, the school sends the refund to the appropriate lender to reduce the loan principal. Until the lender receives the refund, the Government is billed for special allowance and interest on the full loan principal.

Some schools do not refund tuition or return loan checks to lenders in a timely manner. NSLDS provides information about the time schools take to perform these actions. This information helps auditors and program reviewers spot schools with poor records of handling refunds and cancellations.

### **9.2.9 BORROWER TRACKING**

The borrower tracking function is generally performed by different user groups, such as loan holders and GAs, that are attempting to locate borrowers who have defaulted on student loans.

The NSLDS provides borrower tracking capabilities by enabling users to identify other organizations (that is, schools, GAs, and lenders) previously associated with the borrower, so they may be contacted for the borrower's current address. The borrower tracking function is used by the Public Inquiry Contractor (PIC) to enhance their effectiveness by quickly identifying these other organizations. Schools use this function to identify the current loan holder (lender) and GA associated with the student/borrower. This information also helps the student contact the GA or lender.

Borrower tracking is accomplished by providing online screens. Access to these screens and attributes is limited to authorized users. Information is obtained through these screens by canned or ad hoc queries, or by using QMF and PRF furnished within NSLDS. Ad hoc queries allow designated users to create their own queries to search NSLDS and print data formatted for their use.

#### **9.2.10 PRE-CLAIMS ASSISTANCE/SUPPLEMENTAL PRE-CLAIMS ASSISTANCE NOTIFICATION SUPPORT**

Lenders must request of the guarantor Pre-Claims Assistance (PCA) on delinquent loans within ten days of the date that assistance is available. Lenders (or guarantors on their behalf) must also notify schools when a PCA was requested on borrowers of FFEL loans attending those schools.

The NSLDS generates a list of PCA requests based on information received from GAs and sends it to each affected school.

#### **9.2.11 LOAN TRANSFER TRACKING**

Lenders of FFEL Program loans may sell their loans to a secondary market or other lenders any time after loan origination. The FFEL loan may change hands many times in the secondary market. Loan transfer tracking activity monitors transfer activity by maintaining dates of sale and names of loan holders. This information helps identify potential problems with participants. This information also helps evaluate the administration and billing of Title IV loan programs.

#### **9.2.12 STUDENT STATUS CONFIRMATION REPORT (SSCR)**

The Student Status Confirmation Report (SSCR) is detailed throughout this document.

#### **9.2.13 FINANCIAL AID TRANSCRIPT**

The Financial Aid Transcript (FAT) component of the NSLDS summarizes all previous Title IV financial aid a student has received while attending another institution. Histories are received on students currently attending or transferring to an institution. They are reviewed by a financial aid administrator to determine the student's current levels of aid, whether there is any derogatory information that would prevent awarding aid for the first time, or to continue aid to an enrolled or enrolling student. The Transcript process permits the Financial Aid Administrator of a school to initiate an online or batch request to NSLDS for an individual's financial aid transcript that provides the following data:

- Default on an existing Title IV loans

- Overpayment on an existing Title IV Pell Grant or Supplemental Education Opportunity Grant
- The amount of aid received for a single year or, cumulatively, under a given loan program

#### **9.2.14 CREDIT REFORM ACT (CRA) SUPPORT**

The Credit Reform Act (CRA) requires loan-level tracking of all Federally guaranteed loans. NSLDS tracks and reports loans by program and cohort year in which the loan is guaranteed within risk category summary totals. Loan data is used semi-annually to estimate Government costs associated with loan programs. The scheduled information from the NSLDS active database is downloaded, sorted, and merged to create interim files for subsequent reports. Specific data identified as critical for determining cash inflows and outflows (inflow/outflow diagram) is extracted from the database. This data is used in equations and report summaries.