Session #15

Reporting for the Campus-Based Programs, Assigning Loans to the Department, and Reimbursing Service Cancellations for the Federal Perkins Loan Program

Tamy Abernathy and Alanna Nelson
U.S. Department of Education
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Agenda

• Reporting on the Fiscal Operations Report and Application to Participate (FISAP)
• Federal Perkins Loan Updates
  • Reporting in *National Student Loan Database System* (NSLDS®)
  • Service Cancellations
  • Assigning Loans/Assigning Defaulted Loans
  • Cancer Treatment Deferment
FISAP Reporting

• FISAP
  • Applying for funding for the next award year
    • Federal Supplemental Education Opportunity Grant Program (FSEOG)
    • Federal Work-Study Program (FWS)
  • Reporting on prior-year activity for FSEOG, FWS, and Federal Perkins Loan Program (Perkins)
2020–21 FISAP
(spans three years)
Due Oct. 1 (unless a weekend)
FISAP Reporting Dates

- Completed and submitted in Common Origination and Disbursement System (COD) by Oct. 1, 2019
  - Corrections by Dec. 13, 2019
  - Tentative awards by Jan. 31, 2020
  - Underuse waiver deadline by Feb. 3, 2020
FISAP Reporting

• FISAP
  • Accurate Reporting
    • DO NOT rollover data from prior year
    • Verify prior to submission
    • Inaccurate reporting could result in reductions to funding
FISAP Reporting

• FISAP
  • Administrative Capability
    • False and misleading information could result in fines or prison
FISAP Reporting

• Part I – Report Accurate Information
  • Financial Aid Administrator
    • Contact information
  • Chief Executive Officer
    • Certification and signature
FISAP Reporting

• Part II, Application to Participate (for the next year):
  • Request Funding:
    • Section A - will not receive more than requested
    • **All** information in Part II is utilized in Campus-Based (CB) funding formula to determine an institution’s fair share
FISAP Reporting

• Reporting on Activity (for previous award year):
  • Perkins, Part III
  • FSEOG, Part IV
    • Field 18 – unexpended funds
  • FWS, Part V
    • Field 19 – unexpended funds
FISAP Reporting

• Reporting on Activity (for previous year):
  • Part VI, Program Summary for award year
    • Combines both federal and institutional funds
    • Provides an actual recipient count
    • Yields an estimated average expenditure per student
FISAP Reporting

• Validation Edits
  • Flag significant inconsistencies between the current and prior year FISAP data
  • Require review and action
    • Soft edits = review and explain
    • Hard edits = review and correct

PROBLEM
Action Required by Institution

- **Reconcile** expenditures reported on the FISAP with actual draws from G5 by 12/13/19
- **Review** tentative funding awards posted by 1/31/20
- **Request** underuse waiver (Part II, Section C) to avoid reduced funding penalty by 2/3/20
Important Reminders

• Institutions:
  • with balances in their G5 account after closeout are not fully reconciled
  • should review and reconcile open balances in G5 for later award years
  • merging or undergoing a change of affiliation - speak with the School Participation Team (SPT)
Important Reminders

• Tentative awards are posted by Feb. 1\textsuperscript{st}
  • Review, Review, Review
• Final awards are posted by April 1\textsuperscript{st}
  • Increases in awards generally not considered
  • Decreases resulting from late FISAP change requests will be processed
Funding Cycle

Verify and Reconcile

- Correct data by 12/13/19
- Resolve Validation Edits
- Reconcile expenditures with G5 Draws

Tentative Funding

- Posted by 1/31/20
- Review for accuracy
- Underuse Waiver by 2/3/20

Final Funding

- Waiver decisions finalized
- Posted by 4/1/20
- Awards cannot be increased
Perkins Loans Updates

- FISAP, Part III, Section B, Field 12 - Permissible servicing costs
  - Include routine billing for non-defaulted (pre-collection loans) only
Servicing Costs for Non-Defaulted Costs

- Non-defaulted, pre-collection loans
  - Include loans that ARE NOT reported in FISAP, Part III, Section C, 5.1-5.4 (defaulted loans)

- Servicing Costs **paid** in 2018-19:
  - Your institution
  - Your third-party servicer
Servicing Costs for Non-Defaulted Loans

• Pre-collection routine billing costs include:
  • Written notices
  • Annual statements of account
  • Requests for deferment
  • Requests for cancellation
Servicing Costs for Non-Defaulted Loans

• Pre-collection routine billing costs do **not** include:
  • Collection costs that were reported on the FISAP in Part III, Section A, line 34.2
  • Costs paid by the borrower
    • Insufficient fund (NSF) fees
  • Costs that are chargeable to the Fund
Perkins Loans Updates

• FISAP, Part III, Part B, Field 13
  • Reported $0 for 2020-21 FISAP
  • Report the cancellation reimbursement your school receives in reporting year 2019-20 on 2021-22 FISAP
National Student Loan Database System Reporting

- **National Student Loan Database System (NSLDS®)**
  - The ONLY system that contains Perkins loan borrower-level data
  - Loan data is self-reported by institution or third-party servicer
  - NSLDS data should match institution’s records
  - Data quality is CRITICAL!
National Student Loan Database System Reporting

- NSLDS
  - School’s responsibility to report accurate and timely data §674.16
  - Loans should be properly reported and updated in NSLDS at least monthly

EA on Perkins Loan Administrative Responsibilities and Reporting Requirements published Oct. 4, 2018
NSLDS Reporting (cont.)

• Use the **Data Provider Instructions (DPI)** as of June 25, 2018
  • Available on the Information for Financial Aid Professionals (IFAP) website in the iLibrary section under reference materials
  • Provides information on reports, file layouts, and steps used to extract/submit data to NSLDS
NSLDS Reporting (cont.)

• NSLDS Professional Access Site provides access to:
  • Perkins Extract by Parameters Report (REC005)
    • Reconcile the loans in NSLDS with loans residing in the school’s system
      • Ad-hoc report
      • Scheduled as a pushed monthly report
NSLDS Reporting (cont.)

• Reconciliation

• An institution should reconcile:
  • Any discrepancies
  • Institution records with NSLDS records (these must match)
  • At least quarterly
NSLDS Reporting (con’t.)

• To assist institutions and servicers with reporting loans on NSLDS, the Department will:
  • Relax some of the current edits
  • Offer training webinars that will demonstrate the tools available and instruct institutions and servicers on reporting loans
Question:

Whose responsibility is it to accurately update and report student-level Perkins Loans?
The institution is responsible for all reporting on NSLDS and on the FISAP regardless of whether the institution is the servicer or the institution contracts with a third-party servicer for these services.
Distribution of Assets and Service Cancellations

- Capital distribution (Distribution of Assets) of the balance of the institution’s Perkins Revolving Fund
- Reimbursement for Service Cancellations
- Section 466(a) of the Higher Education Act (HEA) requires a capital distribution

Electronic Announcement (EA)
Distribution of Assets and Service Cancellation Reimbursement published on Sept. 10, 2019
The Department:

- Provided additional operational details about this year’s process and deadlines to remove and return funds
- Will begin notifying institutions after the FISAP corrections deadline – Dec. 13, 2019

EA on Distribution of Assets Timeline and Reimbursement for Perkins Service Cancellations published on Oct. 15, 2019
Distribution of Assets and Service Cancellations

• The Department will reimburse institutions that:
  • Reported Cash on Hand on the FISAP submitted Oct. 1, 2019
  • Service their Perkins portfolio
  • Are liquidating their Perkins portfolio
Distribution of Assets and Service Cancellations (cont.)

• Institutions will remove and return the following from the Fund:
  • Institutional share owed to the institution
  • Reimbursement for service cancellation (partial or full) as determined by the Department
  • Federal share requested
Distribution of Assets and Service Cancellations (cont.)

• Institutions should:
  • Remove and return funds by the deadline
  • Use the institutional share and reimbursement for service cancellations how the institution wishes
  • Report these amounts on next year’s FISAP

• Institutions should not:
  • Remove funds until directed by the Department
Distribution of Assets Calculation for 2019

- Proportional share formula considers:
  - Changes in the ICC matching requirements
  - Overmatching of institutional funds
  - **Cumulative** amounts repaid of both Federal share to the Department and institutional share to the institution (reported on FISAP)
• The proportional share percentages are not impacted by reimbursement of service cancellations
Distribution of Assets Process

- FISAP submitted by 10/1/19
- Corrections by 12/13/19
- Notifications sent after 12/13/19
- Institutional share returned by 2/18/20
- Reimbursement for Service cancellation share 2/18/20
- Federal Share Returned through G5 2/18/20
- Report institutional share, cancellation reimbursement, and Federal share on FISAP 10/1/20

Federal Share
Returned through
G5
2/18/20

Institutional share
returned by
2/18/20

Reimbursement for
Service cancellation
share 2/18/20

Notifications sent
after 12/13/19

FISAP submitted by
10/1/19

Corrections by
12/13/19
Assignment of Perkins Loans

• When a loan is assigned to the Department, the institution:
  • Transfers all rights and responsibility to the Department
  • Relinquishes its rights to any share of future collections
  • Does not incur any additional expenses
Assignment of Perkins Loans (cont.)

An institution is:

• Permitted to assign any loan to the Department at any time
  • National Direct/Defense and Perkins loans
    • Non-defaulted loans
    • Defaulted loans
Assignment of Perkins Loans (cont.)

An institution is:

• Required to assign **all** loans that have been in **default** for two or more years

• Required to assign **all** loans when the institution:
  • Has lost approval to participate (servicing)
  • Has a cohort default rate over 50% for three years
  • Is closing or liquidating
Due to the wind-down of the Perkins program and Section 463(a)(4)(a) of the HEA, the Secretary is requiring the institution to assign any loan that:

- Has been in default for two or more years
- Does not have an acceptable collection record

EA on [Assignment of Perkins Loans in Default for Two or More Years](#) published on Sept. 16, 2019
Required Assignment of Defaulted Loans

Your institution shall:

• Pursue collection activity for up to 12 months
  • Loan still not converted to regular repayment status
  • Borrower does not qualify for deferment, postponement, or cancelation
Account still not in successful repayment status, your institution must:

1. Litigate in accordance with the procedures in § 674.46;

2. Make a second effort to collect the account (only another 12 months); or

3. Submit the account for assignment to the Secretary (procedures set forth in § 674.50)
Institution must continue to service until loan has been:

- Recovered through litigation (procedures under § 674.46), or
- Assigned to the Department, or
- Written-off
  - Loans with a balance of less than $25
  - Loans with a balance of $50 after two years of billing
Assignment of Defaulted Loans Process

• Department will send individual notifications and provide the deadline that the defaulted loans must be assigned

• Institutions may begin assigning defaulted loans now
Assignment of Loans (con’t.)

• Alternate documentation for loans without signed promissory notes or required documentation

• Proof of due diligence is no longer required when assigning loans

EA about Supporting Documentation for Perkins Loan Assignment published on March 14, 2016
Assignment of Perkins Loans (cont.)

- Top reasons files are rejected but may be assigned once fixed/addressed:
  - Promissory Note (PN) or Master Promissory Note (MPN) missing borrower signature
  - Loan disbursed prior to PN or MPN being signed
  - PN or MPN is missing
  - Outdated or missing payment histories
  - Assignment Form is expired
Assignment of Perkins Loans (cont.)

• Top reasons files are rejected but may be assigned once fixed/addressed (cont.):
  • Separate assignment forms on disbursement year
    • Interest rate changes, bundled loans
  • Bankruptcy documents missing
  • Judgment documents missing

• Borrower is deceased/total and permanent disability –*these cannot be assigned*
Perkins Assignment and Liquidation Guide

Campus-Based Processing Page on Information for Financial Aid Professionals (IFAP) website redesigned Federal Perkins Loan Assignment Guide

- Assignment Section
- Liquidation Section

EA on Updated Federal Perkins Loan Assignment and Liquidation Guide published on May 3, 2019
Cancer Treatment Deferment
Perkins Cancer Treatment Deferment

• A Perkins Loan qualifies for the deferment if the loan:
  • was made on or after Sept. 28, 2018, or
  • entered repayment on or before Sept. 28, 2018

• Borrowers may receive a deferment:
  • if they are receiving cancer treatment, no fixed limit
  • for six months after their cancer treatment ends
Perkins Cancer Treatment Deferment (cont.)

- Cancer treatment deferment **cannot** be granted for loans:
  - with a treatment period before Sept. 28, 2018
  - made before Sept. 28, 2018, that are not in repayment (in-grace or in-school status)
  - these loans will not be eligible when they enter repayment unless borrower consolidates after Sept. 28, 2018

EA on [Cancer Treatment Deferment](#) published on Aug. 22, 2019
Questions and Answers
Contact Information

Tamy Abernathy, Policy Liaison and Implementation, FSA
Tamy.Abernathy@ed.gov
202-377-4075

Alanna Nelson, Campus-Based Operations, FSA
Alanna.Nelson@ed.gov
202-377-3819
COD School Relations Center – General CB questions
CODSupport@ed.gov
800-848-0978

Perkins Portfolio and Liquidation Team – Liquidation Questions
PerkinsLiquid@ed.gov