

Session #15

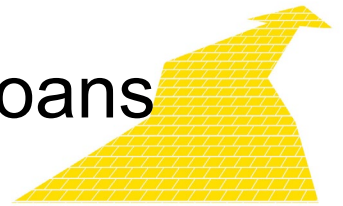
Reporting for the Campus-Based Programs, Assigning Loans to the Department, and Reimbursing Service Cancellations for the Federal Perkins Loan Program

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U.S. Department of Education

2019 FSA Training Conference *for Financial Aid Professionals*

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)

FISAP Reporting

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

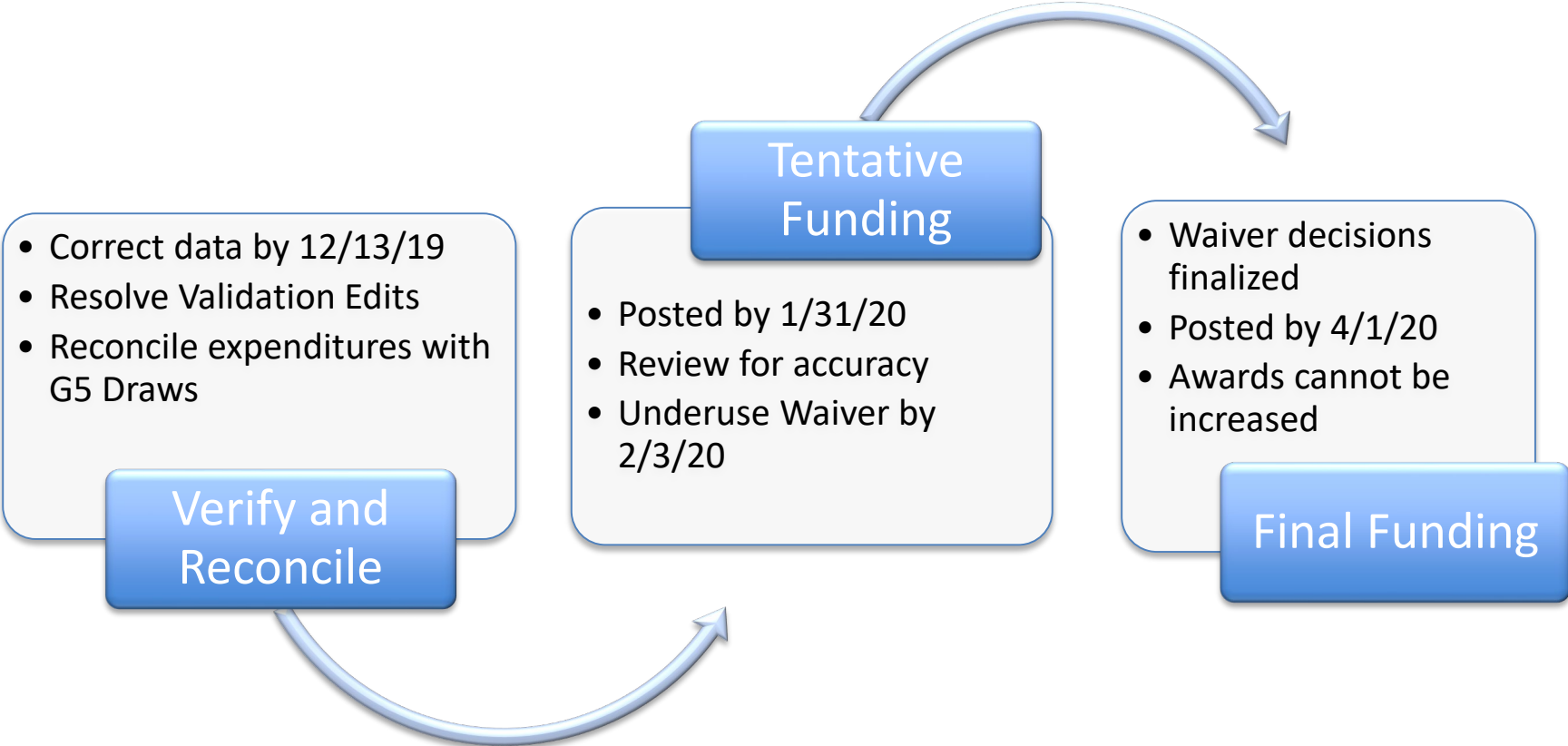
Important Reminders

- 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. 1st
 - Review, Review, Review
- Final awards are posted by April 1st
 - Increases in awards generally not considered
 - Decreases resulting from late FISAP change requests will be processed

Funding Cycle



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

NSLDS Reporting (cont.)

Question:

Whose responsibility is it to accurately update and report student-level Perkins Loans?

NSLDS Reporting (cont.)

Answer:

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

Distribution of Assets and Service Cancellations

- 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.)

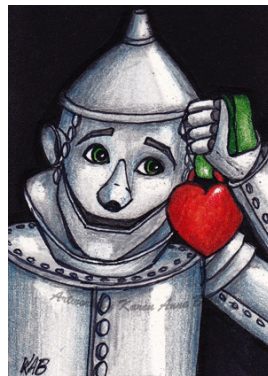
- **Institutions should:**
 - Remove and return funds by the deadline
 - Use the institutional share and reimbursement for service cancellations how the institution wishes
 - Report these amounts on next year's FISAP
- **Institutions should not:**
 - Remove funds until directed by the Department

Distribution of Assets Calculation for 2019

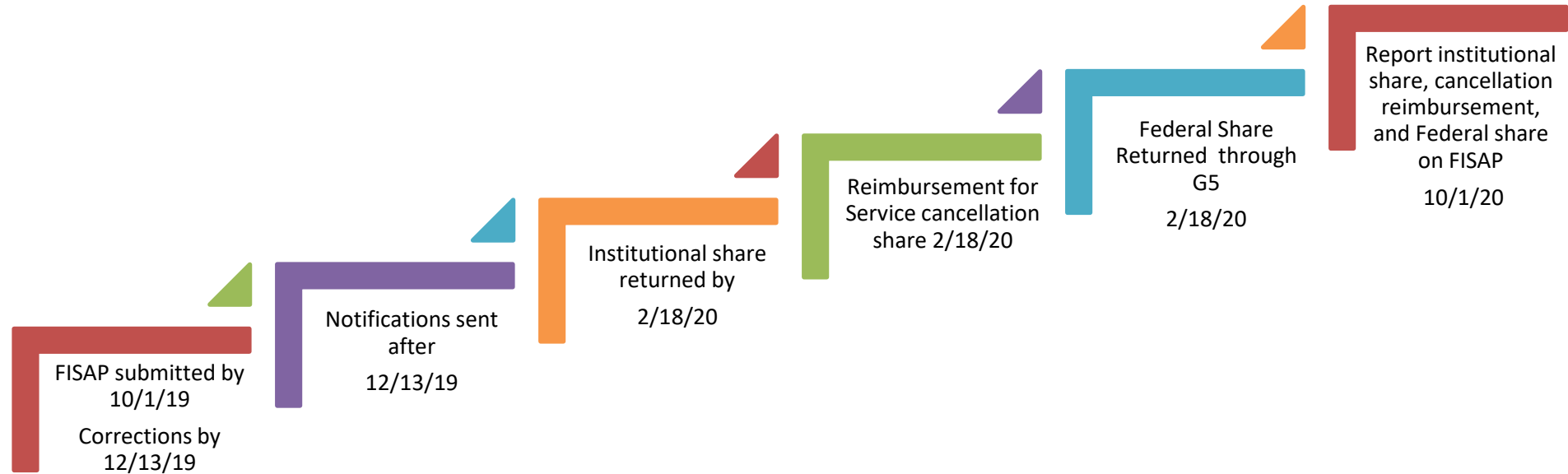
- Proportional share formula considers:
 - Changes in the ICC matching requirements
 - Overmatching of institutional funds
 - **Cumulative** amounts repaid of both Federal share to the Department and institutional share to the institution (reported on FISAP)

Distribution of Assets Calculation for 2019

- The proportional share percentages are not impacted by reimbursement of service cancellations



Distribution of Assets Process



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

Required Assignment of Defaulted Loans

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



Required Assignment of Defaulted Loans

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)

Required Assignment of Defaulted Loans

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



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Perkins Portfolio and Liquidation Team – Liquidation Questions

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