Greg:

As I said before, this session is going to deal with cash management issues as they relate to Direct Loan. Well, actually, as they relate to all the Title IV programs, in general, but since the only one you are in is Direct Loan, it’s specifically geared to that. I do want to ask you that during the session, at any time if you have any questions, please feel free to ask them. There is a microphone in the middle of the room. I’m also going to have this handheld mic, which Jamie can bring around to you, should you have a question. So, if you do have a question during the presentation, if you can raise your hand, I’d be more than happy to entertain it. But we’re recording this session, and so that the recording is a good one when it goes out on IFAP, people can actually hear the questions, which is an integral part of listening to it online.

Please make certain that you ask any questions into either the center mic, or this microphone here. I don’t really like talking into microphones when I’m in the audience, but you have to do it because, otherwise, if you’ve ever listened to one of the recordings where people don’t do it, you hear no question at all, and if the presenter doesn’t reiterate, then – oh, David’s going to do the microphone. He’s an excellent mic carry-arounnder, whatever you want to call that. Thank you, David. I do appreciate that. He also set up all the Foreign Schools training, by the way, so he was very good at that, as well, but ______ to acknowledge that.

Okay, the first thing we’re going to look at here is preparing to receive Direct Loan funds, and some basic steps that you have to do in order to be able to receive those funds. The first thing is to establish a bank account, and you can choose to deposit Direct Loan into an existing bank account, or you can establish a separate bank account for Direct Loans. If you choose to deposit your direct loan funds into an existing back account, or co-mingle those funds with other funds at your institution in that bank account, you must always be able to identify the Direct Loan funds in the account. We do not require separate accounts for Title IV funds or for Direct Loan, but we do require that you be able to identify the fund balance for any of our programs, including Direct Loan. So, if those funds are in another account with other funds, then we would want to be able to see that you can identify at any given time what the fund balance is. You also need to obtain a grantee and payee DUNS number. In most cases – we’ll talk a little bit about the grantee and payee – the grantee is the entity that applies for and receives a grant award from the Department of Education. A payee is the entity designated by the grantee to request and manage federal funds on its behalf. The grantee and payee can,
and often are, the same entity, but if you have somebody else designated for you to receive and manage those funds, then that would be the payee.

Okay. Let’s talk about the SF1199A here. You have to submit the SF1199A to FSA Direct Loan On-boarding Team to establish an account in the Department of Education’s G5 payment system for requesting funds and for reporting expenditures. So, some of these slides came from the first presentation we did when we were overseas, and I guess I should ask all of you, out of all of you in here, how many of you have already used or somebody at your institution has used the G5 system to request funds? Okay. Excellent. So, most of you have signed up with it, so that hurdle has already been cleared, which is good, so we don’t have to dwell too much on how to set up your account and get funds. So, hopefully, most all of you, or all of you have been able to successfully do that.

Some bank account requirements here. You must maintain Title IV funds, generally speaking, in a bank account or an investment account that is federally insured or secured by collateral of equivalent value and identified as containing federal funds. We talk about the federally insured bank account. Obviously, if you’re using accounts that are overseas – they’re not overseas to you, they’re overseas to me – when I say overseas, I mean my version of overseas. You’re now overseas because you don’t come from here, with the exception of those of you who are American citizens who work overseas but are Americans. Anyway, if it’s not a U.S. bank, that’s what I should have said, okay. You have to worry about, not worry about but be concerned with who insures that. Obviously, if it’s a U.S. bank, the FDIC is the insuring entity. We have said that as long as the bank account if it’s in – well, I’ll use Canada because I believe Canada is the CDIC. I hope I’m correct there, but that is the federal entity in Canada that insures bank accounts, so we’re okay with that as long as the federal entity in that country insures that bank account, so we don’t require that it be the FDIC. You would be fine there.

The other alternative you see here, we do offer it, I put it on the slide initially because it is in regulation. It is secured by collateral of equivalent value. That’s one we don’t recommend you go there, with insured by collateral or equivalent value, because when we ask what that means, a lot of people weigh in and I probably talked to five or six people at the department before somebody really even wanted to tackle it. Most people just say, “No one’s really asked that question before,” because their funds are in a federally
insured account. So, if you really wanted to go that way, we probably would require you to post a letter of credit equal to the highest amount of funds you would ever have in your account, and that could be an awful lot of money. So, if you had to post a letter of credit, it would have to be an irrevocable letter of credit, and they’re not cheap to do, so my advice to you is to have it in an account that is insured by the federal entity. It also has to be identified, that account must be identified as containing federal funds, so you must notify the bank that that account does have U.S. federal funds in it.

Let’s talk about the interest-bearing account. Direct Loan funds must be maintained in an interest-bearing account or investment account. I wrote these slides a number of months ago and I put this in here, if the school is using a foreign bank, it must complete an addendum. In reviewing my own slides, I had to ask myself this morning, “What exactly did I mean by that?” I couldn’t remember why I put it in there, but it must have been important or I never would have put it in there to begin with. Not really. It could have been a mistake. So, I was able to find out through my G5 friends that this probably refers to, on G5, in lieu of the – we talked earlier about, if I can go back, the SF1199A. In lieu of that, the form on G5 for foreign schools to complete if they’re using a foreign bank account, and it probably should not be referred to as the addendum, but that’s the way I referred to it here and it’s too late to change it. Anybody _______ say anything about that? Is that an adequate apology? Thanks.

**Audience:** [Inaudible comment]

**Greg:** Okay, it’s a separate form. I should have just said a separate form. I don’t know why I didn’t do that. _______ talk about Direct Loans being maintained in an interest-bearing account, that’s generally the rule unless the institution drew down less than $3 million of those funds in the prior award year and expects to draw down less than $3 million in the current award year. So, other than that, you would have to have your funds maintained in an interest-bearing account, and for many of you, you had no drawdowns last year in which to base this on at all, so your funds should be maintained in an interest-bearing account. What about maintaining interest? The first $250.00 of interest may be retained by the institution; any amounts over $250.00 must be returned to ED. I don’t think this will be a big issue for most of you/any of you. If you think about how long you can retain these funds _______ three-day need, so the funds come in, they must be posted within three days. So, I don’t anticipate you earning, especially at today’s interest rates, I mean they’re not stellar, right? This isn’t
1980, so you’re not looking at a lot of interest being earned, so I don’t anticipate this will be a problem. If you do earn lots of interest, you’re probably not abiding by our regulations. So, I don’t think you should stay up nights worrying about what to do with interest in excess of $250.00.

Let’s talk a little bit about the G5 payment system. All of you, it’s nice to see that you’ve all used it, and hopefully have been successful in using it. It does provide the financial management support services for each of the Title IV programs, including Direct Loan, and it provides the online capability to request payments, to adjust drawdowns, and access your current grant payment information. I’ll skip over these pretty quickly because all of you have already done this. Establishing a G5 account. There’s the requirement there that you have to have a DUNS number, and the number to call to request a DUNS number, and the website for Dun and Bradstreet. But all of you have already done this, so we’ll move on from that. Also, the obtaining of a NATO CAGE number, this was a big issue a few months ago, before – well, when we did this initially, but I think, if you’ve drawn down funds, obviously you have obtained a NATO CAGE number, so I’m not going to go into a great deal of detail on that, but you do have information there about it. And if you have any issues with that, you should contact your Direct Loan On-boarding Team for foreign schools, and they will assist you with obtaining your NATO CAGE.

To have a bank account, you have to enroll in ACH using the direct deposit form, we talked about that earlier, and send a cover letter with a DUNS number, email address, and original signature and phone number of the individual requesting the account, on your official letterhead. But, again, most of you have already done that. And here are the timeframes for the requesting of funds. As you can see, funds are transferred pretty quickly. I won’t go over all of these things here. I did note, and I’ll ask my G5 folks again, the deadlines on the slide reflect the times that files must be at treasury, right? How accurate are these times, given that –

Brian: If we’re talking about ACH –

Greg: Hold on a second, Brian. We’re gonna get you the microphone. Otherwise, you won’t be picked up. Thanks, Dave.

Brian: I was starting to answer the question, and then George had a more up-to-date answer, so I’m gonna hand the mic to him.
George: Okay. For international payments, actually the deadline each day is 1:00 P.M., Eastern Standard Time, instead of 2:00. So, the international payments are processed one time each day.

Greg: Thanks, George. Okay, let’s talk about the requesting of funds. You have to report actual disbursements through COD before funds will be made available to you to request, or sometimes we use the phrase draw down. So, in order for you to do that, you do have to have those records in there, because with international schools, we’re working under a records-first system, which means if you don’t give us any records, we’re not gonna provide you with any money, so it’s very much tied to that. You can report actual disbursements to COD up to seven days prior to the actual disbursement date. I do want to point out here that your actual disbursement data should reflect when funds were actually disbursed to students, and that would be usually when the funds were credited to the student’s account or when you posted the student’s, whatever ledger you use, student account I’ll call it, or subsidiary accounts receivable ledger, whatever term you want to use. But whatever the date on that is should be the date you report to COD.

Remember that in Direct Loan, we are calculating the date from which interest will accrue, so it’s very important that that date be accurate, so the date that you report to us in COD, when you’re saying that’s an actual disbursement date, we don’t use the word actual for no reason at all. There’s a reason why we say actual. It should be actual, so you want to make certain that that date does reflect, or that that’s reflected in your accounting records, as well. Direct Loans must be requested through the G5 system, and identified by a program and fiscal year designation. The nice thing about the situation you are all in is Direct Loan is likely the only grant you’re going to have. It’s not really a grant. We call it a grant number. But it’s the only program you’re going to have in G5, so it’s not gonna be a big issue to determine which program you’re looking at. Some of you may have other programs, but the majority of you here, all you’ve got is Direct Loan, so the only identification problem then becomes which year, because at some point there will be multiple years in there, and we’ll talk about that in a moment.

Okay. We need to advance. We hope to advance, and we’re not advancing. I’m gonna try this the high-tech way. There we go, and we went backwards, didn’t we? I was just thinking, “You know what? I recognize this slide.” There we go. Okay. It must have been my mistake somehow. I never have any luck with these things. Let’s talk about the concept of immediate need –
requesting an amount from G5. So, you’re requesting an amount from G5, which you can use within three business days of receipt. That’s the concept of immediate need. The theory here, not theory, the reasoning on which this is predicated is that we do not want schools drawing down our money, or this is money from the federal treasury, and just sitting in an account and being unused. There were issues way in the past, way before many of you probably ever heard of Direct Loan, where some schools would do just that. The money would be drawn down, and the money would sit.

We expect that you don’t request the money unless you actually need the money, hence the three-day rule, and it is used within three business days of receipt, and business days would be whatever business days are in your country. It’s pretty easily identifiable. It’s different throughout the world. I kind of like the British system, where you have those bank holidays and the Queen’s birthday, and things like that. I think we should have that over here, as well, and in addition to our holidays, not in lieu of. I’ve often thought Victoria Day is something I should just get off, but I don’t. You must look at what your nation’s business days are, and by business days, we don’t mean that your controller is not there that week so you don’t count that as a business day. We’ve actually had that question before. Obviously, that’s absurd so it doesn’t play here.

Okay, what about the rule of excess cash, or the concept of excess cash? So, we said that you are only requesting funds for immediate need, that being funds you can use within three business days. Any amount of Title IV funds that are not disbursed to students by the end of the third business day, following the receipt of funds, becomes excess cash. You can probably tell by the sound of the term that we don’t like excess cash. It’s not something good. It means you’ve got some of our money that’s sitting in an account and not being used for its intended purpose, which is to disburse to students. Obviously, if you have excess cash and you identify it, the thing you need to do with it is to return it. It needs to either be used or returned. We’ll look at some of the consequences of excess cash in a moment, but first let’s take a look at the tolerance that we have.

We do understand that requesting funds isn’t always an exact science. You’re anticipating the need for funds. You can do one of two things. You can, if you want to, and many schools do, domestic schools anyway – I don’t know how it works overseas as a rule – but many schools will post student accounts first. So,
they’ll do their postings first, and then determine how much they need to request from G5, and then request that amount of money to cover those postings. In that situation, you wouldn’t encounter an excess cash situation because you know exactly what you need to request, and you’ve requested that amount. However, if you are requesting funds in advance of actually posting student accounts, then you may run into an excess cash situation because you can’t always predict accurately exactly what that number is going to be. Some students may not attend. There could be differences in disbursement amounts.

So, any number of factors could come into play here that would result in your having requested more money than you needed. I don’t think it would be as big a deal with the type of students you’re dealing with because, generally speaking, you’re talking about international students coming to study abroad. It’s a fairly stable group of students. There probably aren’t a lot of changes that they’re going to have, so it’s probably not going to be a huge issue, but you do have to be aware of the fact that you may have requested more money than you need. To account for that possibility, we have provided you with an excess cash tolerance, and let’s take a look at what that tolerance is. You can retain for up to seven days an amount of excess cash that does not exceed 1 percent of the school’s total prior year drawdowns, and since none of you participated in Direct Loan last year, you would look at the total amount of loans guaranteed under the FFEL program for the previous year, and that would be what you would base your excess cash tolerance on.

So, what this allows you to do then is to draw down your funds, and say that you drew down, I don’t know, $100,000.00 and you’ve got $3,000.00 of excess cash sitting around that you couldn’t use, for whatever reason. Chances are that that $3,000.00 will fall under the 1 percent tolerance, which would give you an additional seven days, and where we don’t say business days, we mean calendar days. If we meant business days, we’d say seven business days. So, immediate need is three business days, and then the excess cash tolerance is seven additional calendar days that you could retain those funds. It’s up to ten days. Correct, up to ten days, but something I need to point out here. We don’t give you this tolerance so that you can build it in up front. You’re not supposed to say, “Well, I could look at three business days, but I won’t. I’ll project out that ten-day period and request cash for that.” This is on an as-occurring basis, so you projected your cash needs based on three business days’ need, and it just so happens that that was inaccurate for whatever reason. You have this
tolerance. The tolerance is not to be included up front, is what I’m trying to say, so you really don’t want to say ten days. You really want to look at it as three business days, then the additional seven calendar days.

You must return excess cash to ED immediately following the seven-day tolerance period, once that’s gone. So, when you’ve got this excess cash, what can you do with it? Well, you can either return it to us, or you could use it to pay other students. Remember that Direct Loan funds are not student-specific. So, if you’ve got cash on hand and you want to use it to pay other students, you may do that, but be certain that you take that cash on hand into consideration when you request additional cash. We’ll make it easy. I can’t do math on my feet very well. I don’t think I do math sitting at a desk very well, either, to be honest with you. But I always tell people, and I tell my daughter this: I got to Algebra I. I did well up to Algebra I. The ______ method I have down still. Once you get past that, I’m dead, so I have to try to be careful up here.

But say you requested $100,000.00 and you had $3,000.00 cash on hand as tolerance, and you needed to request an additional $10,000.00 because that’s what you need to pay students. You would net out what you’ve got on hand, which is $3,000.00, and only request $7,000.00, so you do have that option. You don’t have to do that. You can always return money as soon as it becomes excess cash. Say that you don’t want to bother with doing that, you just want to return the money right away, and certainly, that’s probably better for reconciliation purposes, but you do have this option of retaining the money. What about returning the money to the Department of Education? You would use the refund function in G5 if you have a U.S. bank account. If you have a U.S. account, that will work for you, and we don’t mean a foreign bank account delineated in U.S. dollars. It has to be an actual U.S. bank account. If you do not have a U.S. bank account, G5 now does facilitate a refund via wire transfer through the institution’s bank, and we will look at the screens in G5 that you will see if you’re in that situation when Jamie gets up here.

We also have the paper check option. ______ check. We do still have the paper check option? Right? I thought we did, but I wanted to make certain. Here is the address to which you can send a paper check. It’s not our recommendation that you use paper checks. It would always be our recommendation that you use the system in G5 set up for that purpose. It makes for cleaner accounting. However, if you want to use the paper process, you
can return checks via this that you see here. I know some nations don’t use checks anymore. When we were overseas this summer, I was amazed to learn that in the Nordic countries, apparently, they no longer use checks. It’s a thing of the past, so generating a check is just not possible. I learned a lot over there about those kinds of things. I didn’t know quite how to respond to that, you know? I said, “Well, it’s easy. You just write a check,” and then they told me, “Well, we don’t have any checks,” and I was totally stymied by that.

What about the possible consequences of excess cash should you not return the excess cash? Well, none of them are pleasant, as you can see up here. I don’t think we have to go into all of them. They’re all possibilities which you want to avoid: Liabilities being assessed; being transferred to cash monitoring or reimbursement; access to federal cash can be frozen; we can assess fines; future requests can be routed through the CFO; we can offset your requests until your debt is repaid. But I don’t think any of you are gonna get in this situation, so it shouldn’t be a problem. Before we go in and look at the GAPS screens themselves, let’s talk about your grant payment number, what it looks like when you actually go into GAPS. GAPS, I keep saying GAPS. We used to call it GAPS and now it’s called G5, and I’ve yet to make that transition, but I’m trying really hard, especially since the G5 people are here. I’m sorry to bring up the past. It’s not GAPS; it’s G5.

So, when you go into G5, what are you going to see? What number is going to designate the Direct Loan award from which you’re going to request funds? Well, you’re looking at one up here now, and this screen tells you how those numbers are set up or how the awards are set up. First, you see the CFDA principal office designator, and we call that the Catalog of Federal Domestic Assistance, I believe, number, and then we have the 268 identifier. That’s a suffix for Direct Loan, and then we have an alphabetic subprogram identifier, and the most important one, since for most of you, all you’re gonna have in there are Direct Loan numbers, the biggest concern is identifying the proper year. So, you see here that you’ve got an award for what, 09-10, the 09-10 award year, and you’ll note that the number you see, the year designator, is 10. The first two digits of the funding fiscal year, which is the second year of the award year, so you see 10 up there; that is 09-10, and 11 would be 10-11, and then the final four numbers, which you don’t have anything showing there except for X’s, would be the unique identifier for your particular institution.

What’s the difference between the way you dealt with FFEL and
the Direct Loan program? Under FFEL, there was no
authorization. The money came from banks, so you simply
certified the loan and the lender would transmit the money to the
school. What’s different under DL is that there is an authorization
provided for you in, for DL, rather, in G5. So, when you go into
the G5 system, you’ll see that program identifier number there or
award number, and an amount. Funds available in G5 are based on
actual accepted disbursements, so if you go into G5 and you’re
looking at your award number and you don’t see any money
associated with that award number, the problem would be that you
did not submit any disbursement records to us which were
accepted. Requesting and returning funds using the G5 system,
you must identify the amount of funds by program and fiscal year.
Direct Loan funds specific to award year for which the loan has
been processed, and remember to request no more than your
immediate need. So, when you go into G5, what you’ve currently
been doing now, you have to identify the amount of funds by the
specific program, which in most cases, will be Direct Loan, and by
the appropriate fiscal year.

Let’s take a look at the G5 system, which many of you have
probably already seen. This is the G5 log-on screen. It’s a Web-
based system that is for use by authorized recipients of the
Department of Education’s funds in support of grant management,
and to enter G5, you do have to log on properly. I’m gonna show
you that here, and hopefully all of you have already done that. The
next screen you see here is the training screen. We do have G5
online training. It’s very good, if you’ve ever taken the time to go
through it. Even if you’re not a G5 user – I’ll ask these gentlemen
here – if you had read-only access to G5, could you do the training,
as well? In most cases, it’s gonna be the business side of your
operation at your school that goes in and draws down funds;
however, they can give you read-only access to these screens,
which I think is nice to have, and although you couldn’t do any
functional things in G5, you could go on to this training area here,
which is a very good area to learn how G5 functions.

Next, we’ll take a look at the G5 screen My Awards, and this
screen here shows you the available awards. The picture screen
shows a school with several awards in it, and as discussed earlier,
your school is likely to only have Direct Loan awards, so that
should not be an issue, and if you’ll take a look at the first award
on here – yes? I’m sorry.

Brian: Worth mentioning. I was telling Jamie about this before we started
today. The My Awards screen right now is actually temporarily
disabled, so –
Brian: – it used to be that when you logged in you’d see the screen, which is a very helpful screen to see immediately. It has been disabled because it’s a resource hog, and we had some institutions that had hundreds and hundreds of grants, and when they logged in it would literally take minutes for the screen to pop up, to the degree that some of them couldn’t log in. Their session would time out before they could get in. So, right now, the My Awards screen isn’t available. We hope to have it back up. It was supposed to be back up with the launch of G5 Phase 3, which has been postponed, so I hope that My Awards will be fixed before that happens. But right now, it does not exist.

Greg: When it comes back up, it’ll look pretty much like what we see here?

Brian: It should look just like this, yes.

Greg: Okay. Thanks a lot. I appreciate that, Brian. The only thing I would want you to note about this particular My Awards screen is if you look at the first program number there, the first award number, that represents a Direct Loan award for the 05-06 year, so just showing – this particular institution that we show here as an example has many different awards. As Brian pointed out, some schools have upwards of what? You could have 100, right? You could have hundreds of awards. And this school, we can see, has quite a few of them, maybe not that many, but just to show you how it would look in this environment, the first one you see there is an actual Direct Loan award.

The next screen is one you’ll become well familiar with. Maybe not you personally, but whoever at your school is doing the drawdowns certainly will become familiar with this. It’s the Create Payment screen, and on this screen you would highlight payments, payment requests, create payments, Direct Loan. We’re going to actually create a payment on this screen. Once in the Create Payment request screen, you’ll see the payment summary and confirmation tabs for each Title IV award number, and in your case it’s gonna be a Direct Loan award number, since that’s all you’re going to have. You enter the payment amount, the desired deposit date, and the recipient reference, and you can see here that the student doesn’t go in and do anything. The school goes in and requests the amount of money based on whichever award they want to request funds from.

On this screen, you see that the payment amounts have already
been requested, or they’ve been entered, rather, so we’ve entered the payment amounts that we’re requesting, and you can see here, under the payment amount dollars, right next to the award number, we have requested $250.00 and we’ve requested $1,001.57, respectively. The deposit dates, they come with default dates, don’t they? The deposit dates? You want to address that, Brian?

Brian: I’m still figuring out the microphone. Yes, by default, the deposit date will be the earliest possible day that the money can be deposited. You have the ability to push back a deposit date by up to 30 days.

Greg: Thank you. So, we’ve put the amounts of money in here, we’re going to create our payment, and now we’re looking at the Create Payment Summary screen. When you hit Continue, you’ll be taken to the Summary tab. This displays a certification statement and allows you to review the payment, and then, at the bottom of this, you’ll see, “Are you sure you want to submit the payment request?” so it gives you one final chance to say, “No, I don’t want to,” or, “Yes, I want to continue with this,” and so we’re going to click Yes and move on, and then, as a result of that, we’re going to get our confirmation. Once it’s submitted, you can go to the Confirmation tab to ensure the request was properly submitted. Once you’re done here, you can click the Done button, and that will return you back to the homepage. So, we’ve just done a Create Payment, so now we’ll look at another function in G5, which is creating an adjustment. I’ll ask my G5 people here, in the situation before, in a school with only Direct Loan, will there ever be a compelling need to use the Create Adjustment?

Unknown Male: Probably the only time a school that only has Direct Loans is going to want to make an adjustment is if someone made a mistake and drew from the wrong Direct Loan award year. So, if you get into a situation where you drew from the 10-11 year when it was supposed to be from the 11-12 year, rather than requiring you to do a refund and then draw the money again, you can just make an adjustment.

Greg: That’s a good thing to know, because that can happen. Right now, probably all you’re seeing is one award in there, but you will eventually have more than one award. So, if you request from the improper award, then you can go back and make this adjustment. Here is a Create Adjustment Confirmation, sort of what we saw before with our Create Payment Confirmation, only this one is an adjustment confirmation. Okay, any questions on what we’ve covered so far? I apologize for the raspiness of my voice. I’m
going to turn it over to Jamie Malone, who will finish the rest of the session. Thanks, Jamie.

Jamie Malone: Thank you, Greg. Good afternoon, everyone. Me and my Diet Coke are here. Okay. In the G5 system, there are a number of reports that you can print out that you might find helpful in that process that’s kind of unique to Direct Loan called reconciliation. As Brian said, the My Awards screen isn’t there, but we’re looking at the top at the menu. If you click on Reports, then you’re going to get a dropdown box that’s going to show you a choice of External Award Activity or Draw Down adjustments, and if you click there, it will give you a listing of different reports. Maybe you want a report of all the draws that you’ve made in the last six months. Maybe you want a report of all the money that you’ve returned or your net activity. The next slide shows a report that’s specifically related to adjustments that you made, as Brian said, that you had some errors in drawing from an incorrect year. So, there are reports out there, and I do recommend that you go out and take a look and see what’s out there. Talk to your _______ officer, whichever side of the house is actually using G5 to draw funds, and talk about what type of information you need in the reconciliation process, and use the system for the information that it can give you.

Returning money, or refunding money, it is going to be necessary at certain times for the school to have to send Direct Loan money back to the United States government. It might be because of that student who withdrew and you had to do a return of funds, or an R2T4 calculation. It might be because the student decided that they wanted to cancel some or all of their loan. It might be that you found out that the student was eligible for more money after a couple months in the term, and the student wants to apply for that additional money. But refunds will be done under the payment menu. Refunds is the third dropdown box there, and then you have a choice of Create Refund, Inquire a Refund, or Cancel a Refund. So, what we’re going to do is we’re going to go to the Create Refund screen, and you see it’s relatively easy. You just go under Refund Amount and type the dollar amount that your school wants to return to the U.S. government, and, of course, as Greg said, you’re only gonna have one award number now because you’ve only got one award year’s worth of Direct lending funding. But, in future years, you’re gonna have multiple years, so you’re gonna need to make sure that you’re identifying that you’re returning it to the appropriate award year’s allocation. Now, for those of you that do – yes?

Audience: Does that work if you _______ foreign bank account –
Jamie Malone: That’s –

Audience: – _______ refund?

Jamie Malone: – I’m right here. Thank you. This particular screen is for schools that have a U.S. bank account. You have programmed into the system what type of a bank account you have, so if you have an international bank account, the system will know that and, when you go to refunds, it will take you to this Create Refund screen, as opposed to the one where you type in the numbers. Okay? This is the one that you will see, and then you select the little radio button there to tell the system that you want to refund money to that particular Direct Loan allocation, and when you do that, you will get this screen that you really have to print out and give to your bank, because the United States government cannot put our hand in your bank account and take the money out, which is what we do with U.S. bank accounts. Essentially, we electronically withdraw the funds. We cannot do that with an international bank account, so this is the information that you need to give to your lending institution so that they can wire transfer the money back to the Department of Education. It gives them all of the information that they’re going to need to do that. _______.

Audience: _______ domestic U.S. _______ our clients _______ technically U.S. –

Jamie Malone: Bank.

Audience: [Inaudible comment]

Jamie Malone: Yeah. She’s –

Audience: [Inaudible comment]

Jamie Malone: – asking about – yeah, she’s asking about the scenario where G5 deposits the money into a bank account for the school, and the school immediately removes that money and uses it for its intended purpose, and if G5 were to stick their hand in there to pull money back, there would be no money to pull back. We’re assuming that if you are going to return loan funds, you’re going to pull them off of the student account or off of your institutional charges and put them back into that bank account so that G5 can get their hand in there, or so that your international bank has money to wire transfer out. So, you’re right, there has to be money in there in order for that to happen. Brian?

Brian: I can speak to this, too. When you actually go in and do an electronic refund, and, again, this is only if you’re using a U.S.
bank account, there’s functionality within G5 that isn’t on the slide, if you go back a couple to where you went to the menu where you selected refunds, right there. The option after refunds, Maintain Refund Bank Accounts, you actually have the ability to specify the bank account. It does not have to be the same bank account that your funds are deposited into. So, if you have a separate account, an operating account that you want to pay refunds out of, you would set it up this way.

**Audience:** [Inaudible comment]

**Jamie Malone:** What she said was, “But I can’t do this to establish an international bank account.”

**Brian:** That is correct. We cannot debit an international bank account.

**Jamie Malone:** Thanks, Brian. Okay. So, again, it’s really important, if you have an international bank account that you want G5 to pull the refund out of, that you have this information. Do a print screen or do a print and make certain that you give that to your lending institution so that they can take care of that for you. Okay, let’s move away from the screens in the system and talk about the actual regulations and how the Direct Loan funds are to be handled by the institution. You have direct control over loan disbursements in the Direct Loan program because there’s no third-party lending institution that’s disbursing the money for you.

Of course, you have to make sure that you are disbursing Direct Loan money to an eligible student, and we talked yesterday about all the general student eligibility requirements, like the Social Security number, and the Selective Service registration, and the citizenship and all those things that are so much fun for you to verify for students. And then, of course, the program-specific eligibility, meaning that in the Direct Loan program, the student must be enrolled at least halftime in order to be eligible, and it is very important that on the date the money is disbursed, the date the money is credited to the student’s charges at your institution, that that student does show a registration or an enrollment of at least halftime, because that determines his or her eligibility.

Talk about how we disburse loans. A student applies for $5,500.00 for the academic year and you don’t give them one lump-sum disbursement. You’ve got to divide it into payments. Do I have a question or are you just walking? Oh, you’re just taking pictures. I’ll pose. My Diet Coke didn’t get in there. Take another one. Okay. So, you do have to divide your academic year into payment periods in order to disburse equal disbursements of the loan
money. If you are a standard term institution or a non-standard term institution, where your terms are substantially equal, meaning that no term is more than two weeks longer or shorter than another, then your term is the payment period. So, if you have semesters, fall semester is one payment period and winter or spring semester is another payment period. If you have quarters, maybe they’re fall/winter/spring. So, each of those quarters is a payment period, and you disburse an equal portion of that loan in each of those periods.

For those of you that do not have terms or have non-standard terms that are not substantially equal or vary by more than two weeks in length, in that scenario you are actually counting the student’s weeks of attendance and the credits earned or clock hours that the student has attended. The first payment of the loan is made, of course, at the very beginning, but then the second payment cannot be made until the student has actually earned half of the credit hours in the period, or attended half of the clock hours, and half of the weeks of instructional time in that loan period have actually elapsed. Disbursement is defined in our regulations as the point when the school credits the student’s tuition and fee account at the school. Are there any of you that charge no institutional charges whatsoever? I know we experienced that a little bit in June. Everybody here does charge something? Okay, so you do have an account that you’re going to post that money to.

But what we say is it is a disbursement when you post the funds to the student’s account and call it a Direct Loan or a Title IV disbursement in your accounting records. You do not have to have drawn the money from G5 in order for it to be considered a disbursement. I think Greg mentioned that many institutions use their own resources to credit the student account and put the credit balance in the student’s pocket, and they go to G5 at a later date and essentially reimburse themselves. So, we’re not looking for the definition of disbursement to the date that you took the money from G5. We’re looking at the date that it was credited to the tuition and fee account at your school as the date that that money was disbursed, and, again, that’s the date that the interest is going to accrue and the student retains all of the borrower’s rights and responsibilities.

You can only credit a student’s account for allowable charges at your institution, and those are defined as the current charges for tuition and fees, and if the student uses your dining halls, lives in your housing facilities, that would be contracted room and board expense, as well. Anything else that the institution may charge the
student that’s an educational cost can be paid with Direct Loan funds, but you do have to have the student’s written authorization to do that, for example, books and supplies. Maybe your institution has a bookstore, like many of the U.S. schools do, and the students can go there and essentially sign for their books, because the bookstore has a memorandum from the financial aid office or from your office that says that the student has the money in their student loans to cover their books, and so the school is going to reimburse the bookstore. That’s fine, as long as the student has given your written permission to allow that to happen. Maybe the student drives every day and there’s a parking permit fee, so you’re gonna put that on the account and you’re gonna use their loan fees to pay that. But, again, you’re gonna need the student’s written authorization in order to do that.

Did I go backwards? Program with multiple periods. Okay, I think I already said that, didn’t I? I’m sorry. Greg wrote these slides. I can blame it on him. The loan amount is evenly disbursed. So, for example, if you do a loan for the fall/spring period, you’ve got to disburse two equal disbursements. If you do a loan for three quarters, you’ve got to do three equal disbursements. But it is possible to do a loan for only one term, right? You can do a loan for the fall term or the winter quarter. In that scenario, you do have to do two disbursements of that loan, as well, meaning that you do half of that loan amount at the beginning of the term, and then the other half of that loan amount at the point that half of the calendar days in the term have actually elapsed. But there is an exception to that, and that is the scenario where you have a default rate of less than 10 percent for the last three years. In that situation, where you have that low default rate, you can do a one-time disbursement for a one-term-only loan, but that’s only for a one-term-only loan.

Entrance counseling, I think we talked about this. First-time, first-year borrowers, and remember that we said that four-year students who had previously borrowed an FFEL at your school or who had previously borrowed a Direct Loan at another school in the United States, you did not have to repeat the entrance counseling. It’s not a bad idea, especially if they’re going from FFEL to Direct Loan, because some of the conditions are a little bit different, the source of the money is a little bit different. When you send your students – yeah, Shawn?

Shawn:  

Thank you. Jamie, on the entrance counseling, we found that kids can’t get any disbursements at all if they’ve not done it online. I don’t know whether the online system discriminates between a
first-time borrower and just borrowing this money this time around.

Jamie Malone: So, you’re saying that any student who hasn’t done it online, COD will not approve the disbursement?

Shawn: Correct.

Jamie Malone: That’s not –

Shawn: Am I wrong?

Jamie Malone: I’m hoping that –

George: The COD system should not be –

Jamie Malone: – you are because that’s not supposed to –

George: – preventing you from disbursing any loans for a student that hasn’t done entrance counseling via studentloans.gov. You will need a P-note for the student in order to submit actual disbursements –

Jamie Malone: That may be it, that they haven’t signed –

George: – through the COD system, so that may be the issue.

Jamie Malone: – the P-note on studentloans.gov. Remember that studentloans.gov is our relatively new website that allows a student to go out and sign the promissory note and do the entrance counseling. COD is going to flag the record if there is no promissory note signed, and they’re not going to let you disburse it, but COD really doesn’t know whether the student is a first-time borrower and needs entrance counseling, so we leave that up to you to make sure that that’s actually done. Right? Makes sense? Okay, and, of course, you’ve got to make sure the counseling is done before the first disbursement of the loan, and when you go to studentloans.gov, we had a lot of confusion, at least domestic schools. I got a lot of emails about it, because it asks the student whether they are an undergraduate student, meaning associate’s/bachelor’s degree, or whether they’re a graduate professional student. The student makes a selection, and then, if they select undergraduate, they get everything they need to know about subsidized and unsubsidized. If they select graduate professional student, they get subsidized and unsubsidized information, but they also get grad PLUS, and some of our domestic schools were not real happy about that because some of the students hadn’t borrowed a grad PLUS. But it just gives them all the information that’s relevant to their particular
classification.

Of course, you can do exit counseling in person and with paper. In the old days, before we had the website, we used to recommend that you gather all the students in a classroom, and you stand up and you give your spiel and pass out all the paper. It’s really not necessary anymore for you to go to that trouble. It never hurts, when you talk to a student, to remind them that they have a loan and it does have to be repaid, et cetera, but our studentloans.gov website has the entrance counseling that specifically meets the requirements of the law and the regulation, so I definitely suggest that you use that. It is important that your students know, if they have a question, who it is at your school that they can call when they’re going through the entrance counseling and they don’t understand something. Maybe they want to make themselves a note or something, and there’s an email address for your officer, there’s a phone number, so that they can get in contact with someone and get their question answered.

We do allow Direct Loan money to be disbursed before school actually starts. The regulation is written that if you are a term-based institution, you can disburse money up to ten days before the first day of classes of the term. Now, I know the term officially starts on Monday, but some students don’t have Monday classes. They don’t start classes until Tuesday, or they don’t start classes until Wednesday; that’s okay. The first official day of the term. But a lot of our domestic schools, and maybe you’re going this way, too, they’re setting up modules within a term, so they’ve got a 15- or 16-week semester, but then they’ve got two 8-week sessions within that, and in that scenario, if the student isn’t taking any classes at all in that first 8-week session, then 10 days before is 10 days before the second 8-week session. So, we’re not picking days during the first week of school – does it start Monday, Tuesday, Wednesday – but if we’re talking about specific sessions that are late starting in the term, then you’d have to wait until 10 days before the start of that particular session.

**Audience:** ________ quick question ________.

**Jamie Malone:** Sure.

**Audience:** Is that 10 business days or 10 calendar days?

**Jamie Malone:** That’s 10 calendar days. As Greg said, our rules will always throw the word business in there if we mean business. If you just see 10 days, it’s calendar days. In this scenario, as well, it is calendar days. A student who is a first-year student, meaning a freshman –
so an undergraduate program – and has never before borrowed at any school in the FFEL or Direct Loan program is considered a “first-time” borrower. Okay? So, what the regulation says is that you cannot release any loan funds, you cannot even pay the institution with the loan funds until 30 days after the first day of the student’s program. Why? Well, the department did numerous studies and determined that when first-time students, especially students that go away to school, sometimes it’s not real easy and sometimes they can’t really make it work.

And we’ve determined that most of the kids who are first-time school attendees that aren’t gonna make it work are gonna figure that out within the first 30 days, and so what we’re gonna say is we’re not going to disburse any loan money in that 30 days so that if they walk away, there is no loan obligation that the student has to repay. But, of course, we do give an exception to that, and that is, again, for the schools who have the default rate of less than 10 percent for the three most recent years. Remember that that 10 percent goes up to 15 percent as of October 1, 2011, because Congress changed our default rate provisions and they increased that from 10 percent to 15 percent, and that applies to the one-term-only disbursements, as well. Yes?

**Audience:** That last comment that you just made –

**Unknown Male:** Hold on for the microphone, please.

**Jamie Malone:** The mic is coming.

**Audience:** That last comment that you just made, with the releasing 30 days for the first-year students if your default rate is less than 10 percent, correct?

**Jamie Malone:** You can do it within –

**Audience:** You can do it –

**Jamie Malone:** – the first 30 days. Otherwise –

**Audience:** – within the –

**Jamie Malone:** – you have to wait until day 31.

**Audience:** Okay, and you’re saying there that it has been published? Published where?

**Jamie Malone:** It has been published?
Unknown Male: _______ published defaults.

Jamie Malone: Oh, yeah. The Department of Education publishes –

Audience: Oh, it’s on their –


Audience: – okay, on their default rate.

Jamie Malone: Yeah. We calculate them from NSLDS, and they’re published internationally, and you are also notified electronically of what your default rate is. I believe it was this past September. We’re usually two years behind, so this past September we released default rates for the fiscal year 2008, so we’d go back three years – fiscal 2008, 2007, 2006. Were all three of those rates below 10 percent? If so, you don’t have to wait 30 days. Make sense?

Late disbursements. In the Direct Loan program, that is when the student is no longer enrolled at least halftime, and it may be that the student registered halftime, you awarded the loan, and the student is still in school but they’ve withdrawn from a particular class or dropped a particular class, and now they’re less than halftime. In that scenario, the student is technically still eligible for a first disbursement of a loan because he or she is still in school, and we’re assuming that he or she has and will incur educational expenses for that period of enrollment. You have up to 180 calendar days from the point that the student is no longer halftime or becomes ineligible to actually make that late disbursement, and it really is not an option. You must let the student know that they are still eligible for that disbursement, confirm whether or not they want those funds disbursed, and if they do, the school is required to make that disbursement. Yes?

Audience: Yes. What happens if the student actually applied for the loan, he started as a halftime student, but then, after he went to my office, he applied for the loan, we checked, he had withdraw classes and now he’s less than halftime? Then that means he’s not eligible?

Jamie Malone: Right. He has to be halftime at the point that you put the money on his account, so what he was when he applied for the loan doesn’t matter. It’s what he is when the money actually is applied to pay the institutional charges –

Audience: Okay. Thanks. I thought I was doing it wrong, then, but I’m doing it right.

Jamie Malone: You’re doing it right. All right. Yay, she’s doing it right.
Jamie Malone: Yeah, he’s got to be registered/enrolled in your school’s registration system on at least a halftime basis on the date that that money pays the tuition and fees. Now, it makes sense that you’re not going to put a loan in COD for him unless he’s enrolled halftime because he’s not going to be eligible, unless you know the enrollment is gonna change up into the very near future, so yeah. Okay. It is very important that if you do a late disbursement, when you originated that loan, when that loan became an award in the COD system, the student was registered and enrolled halftime, so that goes back to what we were just saying. Okay? You can’t make a disbursement of money to a student who is not halftime if they were not halftime when you originated the loan in COD, because if they were not halftime when you originated the loan in COD, we’re gonna assume they never met the eligibility requirement. Remember that you also have to have an ISIR with an EFC in order to disburse any subsidized or unsubsidized loan money, and to disburse graduate PLUS loan money, but if it’s a parent PLUS for a parent of a dependent student, the ISIR requirement is not there. This year, it will be there for the 2011-12 year.

Okay. We have these complicated rules about second and subsequent disbursements. When we talk about late disbursements, we say that you can always make the first disbursement of a loan as a late disbursement, but you can never make the second or subsequent disbursement of a loan as a late disbursement unless the student has graduated or successfully completed the period of enrollment. So, let’s take an example. For those of you that are semester schools and you have a loan period of fall/spring, the fall disbursement is the first disbursement, right? The spring disbursement is the second disbursement. So, a student goes to school in fall, everything is fine, you make that disbursement. The student starts school in spring but withdraws completely before you actually make the disbursement. You cannot make that disbursement as a late disbursement or as a post-withdrawal disbursement, because it is a second disbursement, and he did not successfully complete the period. Okay? Anytime the student withdraws and is due a second, or a subsequent would be a third disbursement in the quarter system, you cannot make it if the student withdrew or dropped out before completion of the period.
We have a lot of notices, or notifications that schools are required to provide to the students, and the first one is a pretty basic one about how much loan money will you be receiving? Is it subsidized loan money, is it unsubsidized loan money, and when does the school intend to disburse that? How does the student know that the money is disbursed? At the point of the disbursement, because the disbursements are really all electronic, the Department of Education is giving you the money electronically and you’re crediting your institutional account, so that’s kind of an electronic or a paper process, as well. At the time the money is actually disbursed, you must also notify the student that the money has been disbursed, and the logic here is that the student might have done the entrance counseling and signed the promissory note a few months before the money is actually disbursed, and maybe when they signed it and when you talked to them initially, they understood that there was a loan and they’re gonna have to pay this back.

But, three months later, they’re into their history term paper, and they had a fraternity party last night and all these other things, and now it’s not so clear in their brain anymore. Okay? And now, all of a sudden, that money is posted to their account and they have a definite legal loan obligation, and so the department believes that schools should notify the student again at that time as a reminder, “We have just disbursed X-amount of dollars of your subsidized loan, and we want you to know that it’s out there, and that you do have the right to say, ‘I want to cancel all or a portion of that loan.’” So, you do have to let the student know, and you can do it in electronic format or in written format, at the point that you credit the money to the student’s account, that the disbursement has been made, how much, whether it was sub or unsub, and include language in there that gives the student the right to come back to you and say, “I changed my mind. I don’t want this,” or, “I don’t want all of this money.”

Now, we have timeframes in there – is that where you’re going? Okay, let’s talk about timeframes. You must notify the student of the disbursement within 30 days of the disbursement date. That could be 30 calendar days before, or 30 calendar days after, if you do affirmative confirmation of loans. Affirmative confirmation of loans means that before the money ever comes in, the student is signing a piece of paper, or going to a website and physically filling out something that says, “I want a loan of this much money.” Okay? If you have that process established, then you’ve got 30 days on either side of the actual disbursement date to notify the student the money has been paid. If you don’t use that process,
if you just send the student an award letter that says, “We’re giving you $5,500.00,” and he or she has to do no signatures, no kind of a confirmation with you, then you’re not doing affirmative confirmation, and so then what the rules say is you have to notify the student up to 30 days before, but you only have seven days after the actual disbursement because this student didn’t get the gentle reminder of the affirmative confirmation, like the other students did. So, therefore, you’ve only got those seven calendar days after the disbursement to let those students know.

Of course, if the students respond to you, you will abide by their request. For the schools that do the affirmative confirmation, if the student responds to you within 14 calendar days and says, “Please send back my loan money,” you must send back the loan money. For the schools who do not do affirmative confirmation, the student has 30 days to respond to you, and you must honor their request. If they walk in on day 31 and say, “Send my loan money back,” you do not have to do it. At that point, it’s your choice. I usually tell schools it really doesn’t make sense not to do it, because the student, if they don’t want it anymore, is probably going to default on it, and so that’s going to affect your school in a similar way that it would affect if they ended up owing you a balance. But you only have to do it within the 14- or the 30-day timeframe.

Authorizations. I mentioned that to pay other than tuition and fees and contracted housing and dining, you do have to have the student’s written authorization. If the only money that there is for this particular student is a parent PLUS loan, the authorization has to come from that parent borrower. Notice it says student/borrower. We kind of assume that in 99 percent of the cases the student is the borrower, but that’s not true in the parent PLUS loan program. So, if that’s the only funds that there are, then you do have to have the authorization to pay the parking permit or to pay the library fees from the parent borrower. Okay? Some schools will take the excess money, maybe the student gets $5,500.00 and only needs $5,000.00 to pay tuition and fees, some schools will take that excess money and give it out to the student on a weekly basis to buy a subway pass, or something like that. That’s what we would call holding a credit balance. Other schools may have the student who owes them money from the previous year, and they would like to take that extra money from this year’s loan and pay off the balance that was owed from last year’s bill.

When we say credit balance, we really mean that the student has paid more in student loan funds than you charged the student. We
say Title IV funds on here, but in your case that’s just Direct Loan, and this is an example of a school that is charging the student $10,000.00. Nineteen-thousand dollars has been paid toward that $10,000.00, so the student has overpaid the school by $9,000.00, a $9,000.00 credit balance, but how much of that is a Title IV credit balance? Only $8,000.00, because what we’re looking at is the Direct Loan money versus the dollars charged, and that scholarship is not Direct Loan or Title IV money. So, we’re gonna add the subsidized and the unsubsidized together and say we have $18,000.00 of Title IV money against a $10,000.00 charge; we have an $8,000.00 credit balance. So, that means that our rules apply for $8,000.00 of that money the student has given you in excess of charges. What you do with that other $1,000.00 is not dependent on our rules at all. It may be dependent on the scholarship organization that provided it, it may be whatever you want to do with it, but we’re only looking at the Direct Loan funds against the charges when we’re determining whether there is a Title IV credit balance, and our rules for release of that apply, and what are our rules for release of that?

You must release the money to the borrower. So, again, if it’s PLUS loan money for parents, it has to go to the parent borrower within 14 calendar days after the credit balance hits your tuition account if you made the disbursement after the first day of the period. If you made the disbursement before the first day of school, you have 14 calendar days from the first day of school to release the money. Now, we don’t dictate what created the credit balance. For example, there the student had subsidized and unsubsidized. It’s up to you to decide, when you give that student that $8,000.00 credit balance, is all of it coming from the unsub, or are you giving him the whole subsidized and then only another $2,500.00 of unsub? You determine where the credit balance comes from. It’s not based on chronology of what came in where, it’s not based on the order that you posted it; it’s totally and completely based on you.

So, if there was PLUS loan money there and there was a credit balance, you could say that, “We pay credit balances first from sub, and then from unsub,” so the PLUS never gets paid out in a credit balance, and if the PLUS never gets paid out, you don’t need to worry about paying a parent any money, because the sub and the unsub are the student borrower. So, when you’ve got students who have sub and unsub, write your policy so that when you pay credit balances, when you pay students that have paid you too much money, you first pay it from sub or unsub, and then the other, and PLUS is last. And then, in most of those cases, the school will
keep the PLUS for the institutional charges, and you won’t need to have to worry about getting money back to a parent borrower.

Audience: I had a client recently who had a similar situation. Does that not mean that they pay back a loan that has less interest rather than a loan that has more interest? Do you see what I’m asking?

Jamie Malone: You’re asking about the interest on the loan?

Audience: Well, the PLUS loan has a higher interest rate.

Jamie Malone: The PLUS loan does, but they’re gonna pay it back anyway. Whether or not they put the loan money in their pocket or you keep it to pay the school, they’re still gonna pay it back, right? It’s just a question of whether they’re using it to go to McDonald's or whether they’re using it to pay tuition and fees, but the money is still being used, right? It didn’t go back to the Direct Loan program, so that really doesn’t make a difference. Yes, ma’am?

Audience: Just commenting on her question. I think I know where she’s going. I mean –

Jamie Malone: Go there for me, then.

Audience: Yes. I mean –

[Crosstalk]

Jamie Malone: As Shawn told me once, I'm not speaking the right language.

Audience: Yes. The way we do it, also, is that we first apply the sub and unsub and we leave the parent last, because at the end, if they determine that some of the money they really don’t need it, they can return that money because they pay more interest on that –

Jamie Malone: Well, that’s absolutely true –

Audience: – whereas if we were to collect the parent loan, then the parent ______, “Okay, we used all the money,” but then, you know, subsidized doesn’t pay any interest.

Jamie Malone: Oh, well that’s absolutely true, that if they want to cancel part of the loan, it makes sense to cancel the loan that has the higher interest rate. That’s absolutely true, but we’re talking about here is nobody is canceling anything. They’re borrowing from all three programs – sub, unsub and PLUS – and the question is just which of it are you gonna keep at the school to pay the school’s charges,
and which of it are you gonna give the student to pay their rent and go to McDonald's? But, either way, the interest and everything is gonna be the same because the money is still being used. I guess I can go a little bit further with that. If you were to give the student the sub or unsub in his or her pocket and retain the PLUS, then that actually I think helps in your scenario, because if the parent wants to send money back, you’ve got the PLUS loan in the school’s possession to send back. However, the student pocketed the sub and unsub, so now there’s a hole and the student owes you money.

Audience: [Inaudible comment]

Jamie Malone: Right.

Audience: [Inaudible comment]

Jamie Malone: Right. She’s talking about the exchange rate, and the fact that $100.00 can be $4,000.00-something in another institution. I mean we have that problem here in the United States, too, with schools that have a credit balance, and they see that money and they’re like, “Wow! Guess what I can do now?” They don’t realize the importance of it and what it means. But yeah, just to make sure they understand that if you’re giving the money, the credit balance, as PLUS loan money, you do have to give it to the parent. You have to release that money to the parent. You can’t write a check to the student or put it in the student’s bank account, and then, if the parent turns around to you and says, “I want to cancel this loan. I don’t want it anymore,” well they pocketed it, so you don’t have it to send back anymore. At that point, then they would have to send it back themselves. Once they’ve pocketed the money, you’re not responsible to send it back, because you don’t have it to send back. Make sense? Yes, sir?

Audience: Hi. Given that we have exchange rate problems, if I send the money back to America, there’s gonna be exchange rate issues. The parents are gonna have to send the money back to me, and there’ll be exchange rate losses again. Can I get the parent to sign the money over to their child, so they give me authorization ________ ________ send their money back to America and back to England?

Jamie Malone: I think what you’re asking is that you want the parent’s authorization to give the PLUS money directly to the student. Absolutely, and thank you for saying that because I had that in my brain before to mention. On studentloans.gov, if you tell your parents to go to studentloans.gov to go through that PLUS process, there’s a toolbox there where they can indicate that they want you
to give any additional PLUS loan funds to their student, and you will get that notification back in the system so you will have that, and the parent doesn’t have to sign anything else specific for you. So, if you want your parents to do that, encourage them to use studentloans.gov and mark that. Yes? Could we have a mic in the back, please?

Audience: [Inaudible comment]

Jamie Malone: Wait, Francesca, one second, because I can’t hear you. He’s coming with the mic.

Audience: Jamie, where does that notification go?

Jamie Malone: Doesn’t it get electronically put into the COD system? Do I have –

Unknown Male: That information is a part of the PLUS application. Next summer, in June, we’ll be adding more questions like that, which will be added to the PLUS application acknowledgment that gets sent to the school. It is a current question on the application right now, so it should be in the CRSP response that goes to your school.

Audience: Okay, because I had a parent that wanted that, and they actually put it in writing to me because they didn’t know how else to do it.

Jamie Malone: So, they go online in the PLUS application process, and there’s just like a question or a checkbox?

Unknown Male: There’s currently one credit balance question that’s available in the PLUS application. In June, we’ll be adding a few more credit balance questions that’ll provide more information and more direction for the schools about how to divvy up this extra money, but currently there is one where the parent can indicate that the money can go directly to the student.

Jamie Malone: Let me ask you this: When you’re notifying the school about that, that’s coming through the SAIG mailbox?

Unknown Male: That’s correct.

Jamie Malone: Yeah, so if you’re not pulling the information out of your SAIG mailbox –

Unknown Male: That’s correct, it goes to your SAIG mailbox. It’s also available, you can look up PLUS application information on the COD website –

Jamie Malone: Okay, so that’s –
Unknown Male: – so it's available in two places.

Jamie Malone: Okay. Great. So, you can go directly to the COD website and look up that PLUS information and it should be reflected there, and if the parent didn’t do it, just tell them to go back online and do it. It can easily be done later.

[End of Audio]