

Transitioning to Participation in the William D. Ford Direct Loan Program

U.S. Department of Education
and
National Association of Student Financial Aid Administrators

Checklist for the Transition to Direct Loans



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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Checklist for the Transition to Direct Loans

Prepared by _____ Date _____

Reviewed by _____ Date _____

Use the checklist to determine if your institution has completed the necessary steps for a successful transition to the Direct Loan Program. A yes response indicates you have completed a step; a no response indicates additional action is needed. For more information on transitioning to the Direct Loan Program, please visit <http://www.direct.ed.gov/professional.html>.

Question	Responsible Office	Response
I. Participation		
A. Has the institution reviewed the Direct Loan set-up document available at: http://www.direct.ed.gov/participating.html?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. Has the institution established contact with its primary customer service representative and/or transition liaison at the COD School Relations Center (1.800.848.0978)?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
II. Institutional Technology Readiness		
<p><i>Note: Institutions should utilize the COD Technical Reference as they modify institutional technology for the transition to the Direct Loan Program. The COD Technical Reference for the current and upcoming award years is available at http://www.fsadownload.ed.gov.</i></p>		
A. Is the financial aid office communicating regularly with the institution's institutional technology (IT) staff regarding the technology requirements for the transition to Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. If the institution uses a "home-grown" system to process financial aid, can it be modified to process Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
1. Is the financial aid office working with IT staff to identify needed changes to the system?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
2. Can the system import and export batches to and from the Common Origination and Disbursement (COD) System?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
➤ Has the institution determined how often it will import and export batches from COD?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

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Question	Responsible Office	Response
C. If the institution uses a system provided by a third-party vendor to process financial aid, has it installed Direct Loan functionality?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
1. Does the institution have a good understanding of the changes that will need to be made to the processing system?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
2. Has the institution tested newly-installed functionality to ensure it works properly, including communicating with COD?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
3. Has the institution taken advantage of training opportunities offered by its vendor?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

III. Communication with Students and Parents

A. Has the institution developed a communication plan to share information with students and parents about the school's participation in Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
1. Does the plan have a timeline to ensure the information is delivered before the institution begins awarding Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
2. Does the plan include all relevant campus offices?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. Does the communication plan include information on changes to the MPN completion process and entrance counseling procedures?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>

IV. Awarding Loans

A. Similar to Federal Family Education Loan Program (FFELP) loans, has the institution assigned identifiers (e.g. fund ids or award ids) to the various types of Direct Loans (subsidized, unsubsidized, parent PLUS, and grad PLUS) for the purpose of awarding funds?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
1. Has the institution created identifiers for multiple loans offered during the same award year?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
B. Has the institution changed its packaging terminology to reflect the awarding of Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>

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C. As with FFEL loans, has the institution determined if it will use an active or passive confirmation process for loan acceptance?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
1. Has the institution modified its correspondence to borrowers regarding the confirmation process to reference Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>

Note: The requirement for an active or passive confirmation process is at 34 CFR 668.165(a). More information about the confirmation process is in the 2009-10 FSA Handbook, pp. 4-3 to 4-5.

V. Award Revisions

A. Taking into account its software product and business practices, has the institution decided how to address award revisions prior to origination?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. Has the institution determined how to address award revisions after origination but before disbursement?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
C. Has the institution determined how to address award revisions after disbursement?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
D. Has the institution made any necessary system modifications to process award revisions?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
E. Does the institution's processing system pick up award changes for processing and notification automatically?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
1. If the institution's processing system does not automatically pick up award changes, does it have a process in place to manually flag award changes for processing and notification?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

VI. Originating Loans

A. Does the institution's system allow for batch originations?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
1. Has the institution tested batch loan origination functionality and resolved any problems?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>

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2. Has the institution determined the timing and frequency of batch processing?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. If the institution's system does not allow for batch originations, has the institution established procedures for manual originations?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
1. Has the institution determined the timing and frequency of manual originations?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
C. If the institution uses a financial aid system provided by a third-party vendor, has it tested the loan origination functionality?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
1. Has the institution resolved any problems with the origination process?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
2. Has the institution determined the timing and frequency of batch processing?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
D. Has the institution created procedures to monitor and review originations?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
E. Does the institution have a process in place to ensure it originates approved PLUS Loans within 90 days of the credit check?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<i>Note: Credit checks only occur prior to origination if someone from the institution initiates a credit check on-line.</i>		
1. Has the institution identified staff to monitor credit decisions?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

VII. Promissory Notes

A. Has the institution determined whether it will use the paper or electronic version of the Direct Loan Master Promissory Note (MPN)?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. If the institution will use the paper MPN:		
1. Will it print and mail the forms to borrowers?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
➤ If the institution chooses to print its own MPN, has it printed an example to submit to ED to confirm it is properly generating notes?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

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<ul style="list-style-type: none"> ➤ Has the institution obtained blank copies, of the MPN and accompanying materials, such as disclosures and addendums? 	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<p><i>Note: Blank copies of the MPN and accompanying materials, such as disclosures and addendums, are available from ED at http://direct.ed.gov/mpn.html.</i></p>		
<ul style="list-style-type: none"> ➤ Has the institution developed procedures to manifest and mail original completed MPNs to COD? 	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<ul style="list-style-type: none"> ➤ If the institution has chosen to store the MPN's, has a policy and procedure been developed for the storage of MPN copies, including correspondence from COD regarding the manifests of received notes? 	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<p>2. Will the institution have COD print and mail the forms to the institution or to the borrowers?</p>	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<p>C. Has the institution reviewed its paper MPN options and specifications in COD?</p>	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<p><i>Note: For more information about this step, please see Volume VI, Appendix Section 7, of the COD Technical Reference. The technical reference is available at http://www.fsadownload.ed.gov.</i></p>		
<p>D. If the institution will use the electronic MPN:</p>		
<p>1. Has it determined if its system will automatically load information from COD regarding completed notes?</p>	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<p>2. If its processing system will not automatically load MPN information from COD, has the institution identified staff to manually check COD for completed MPN data?</p>	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
<p>3. Has the institution established the frequency at which it will import or check for completed MPN data?</p>	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

Note: Borrowers may access the Direct Loan MPN at www.dlenote.ed.gov.

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Question	Responsible Office	Response
E. Has the institution established a process to communicate with borrowers regarding completing the MPN?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
F. Has the institution updated its correspondence to students to reflect changes to the MPN process?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>

VIII. Entrance Counseling

A. Will the institution require all borrowers, regardless of their loan history at the institution, to complete Direct Loan entrance counseling?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. Has the institution determined whether it will provide entrance counseling in person or on-line?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
C. If the institution will provide in-person counseling, has it obtained counseling materials from ED?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

Note: ED counseling materials may be ordered at <http://www.fsapubs.gov>.

D. If the institution will have borrowers complete entrance counseling on-line:	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
1. Has the institution established procedures to track borrowers who have not completed counseling?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

Note: Borrowers complete on-line entrance counseling at <https://www.dl.ed.gov/borrower/BorrowerWelcomePage.jsp>.

E. Has the institution updated its correspondence with borrowers to reflect changes in entrance counseling procedures?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
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IX. Delayed Disbursements

A. If the institution is subject to delayed disbursement requirements for first-year, first-time borrowers, has it modified its system to ensure that it meets the same requirements for the Direct Loan program?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>
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Question	Responsible Office	Response
1. Has the institution updated its correspondence with students to reflect participation in Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

X. Disbursement Process

A. Has the financial aid and business offices modified their systems (e.g. created new transaction codes) to disburse Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
B. Have the financial aid and business offices tested disbursement procedures to ensure Direct Loans are disbursed only if all Direct Loan requirements are met?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
C. Have both the financial aid and business offices updated their correspondence to students and parents, including disbursement notifications and authorizations, to reflect participation in Direct Loans?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

XI. COD Reports

Note: These reports are separate from internal institutional reports.

A. Has the institution determined which COD reports it will use?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
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For more information about COD reports, please see Volume VI, Section 8, of the COD Technical Reference. The technical reference is available at <http://www.fsadownload.ed.gov>.

B. Has the institution determined the frequency with which it will review COD reports?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
C. Has the financial aid office developed procedures to review COD reports and resolve errors?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>

XII. Obtaining Funds

A. Has the institution developed a procedure to determine the amount of Direct Loan funds it needs to draw down?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
1. Will the institution determine the funds it needs to draw down before or after loans are disbursed?	_____	yes <input type="checkbox"/> no <input type="checkbox"/> n/a <input type="checkbox"/>

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B. Has the institution developed procedures and identified staff responsible for drawing down Direct Loan funds?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>

XIII. Publications

A. Has the institution developed a plan to update publications and Web sites referring to the FFEL program to now reference the Direct Loan program?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
1. Does the plan have a timeline to ensure all publications and Web sites are updated in a timely manner?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>
2. Does the plan include all relevant campus offices?	_____	yes <input type="checkbox"/> no <input type="checkbox"/>