



2.0 COMMON ORIGINATION AND DISBURSEMENT

Today's version of originating and disbursing federally managed Title IV programs is run through three distinct processes: one for Pell Grants, another for Direct Loans, and yet another for Campus-Based programs. In addition, their processes are supported by three distinct systems: RFMS, LOS, and CBS, respectively. These processes and systems are extremely expensive, costing the taxpayers \$55.5 million a year to administer. This amount is the total of the vendor invoice amounts and does not include SFA personnel cost. The current process requires the Department and the schools to focus on the managing of the systems, rather than serving the students these programs are designed to support.

In an era of information – collecting, analyzing, and using it to better understand the who, what and how of federal Title IV programs – the Department is unable to fully utilize its data. It collects a great deal of information; yet it does not allow for ease of access to that information. Data is stored in many places, causing data integrity problems. There is no easy process for anyone to retrieve school and student data and use it for any kind of analysis. The current systems do not allow for the relationship building and reduction of redundant data necessary to support a robust data warehouse.

Perhaps the most disturbing fact of the current system is that there are too many ways that financial integrity can be compromised. Schools are currently able to draw down funds without reporting students. The Department cannot accurately account for funds without timely reporting of student level disbursements from schools. This means that the Department cannot ensure that all funds are directly “working” for students. This has put the federally managed Title IV programs at great risk.

This analysis of the current processes led to the development of common origination and disbursement. The design of a new Common Origination and Disbursement Process takes the best ideas from the old and new processes (such as Project EASI and Access America), and the lessons we have learned from the implementation of RFMS and LOS, to accomplish three goals: decreasing the cost of delivering financial aid, increasing customer satisfaction, and increasing employee satisfaction. A common process and system to support origination and disbursement will be a critical piece of the Department enterprise-wide solution that will provide real-time data to students, schools, the Department, and financial partners via portals.

First, to **decrease the cost** of delivering these federally managed financial aid programs, the department can lower the system operating costs. For example, cost savings could be achieved by implementing the reengineering options that involve combining the current RFMS, LOS, and CBS into one system. In addition to the cost savings of only maintaining one system, costs will also be saved from having to provide customer service for one system, with special program-specific support also available. With the focus concentrated on one system, instead of splitting the attention between three systems, enhancements can be made more easily. Students and schools will have easier access to their own data. With improved functionality and improved access to systems data, the Department can more effectively focus on oversight activities. Tightened fiscal controls will mean less dollars owed to the Department by schools and fewer after the fact adjustments, while continuing to ensure rapid flow of money from ED to the student.



Common Origination and Disbursement Process Reengineering Options and Analysis

Second, a Common Origination and Disbursement Process will support **improved customer service** to students and schools in many ways. The development of a common record and consistent data definitions across programs will support access to real-time, or near real-time, accurate and complete data, accessible via the Students and Schools portals by parties who have a need to know. An integrated process will allow a student or school to pull up the student's entire federal financial aid history at once (no more going in and out of several program-specific databases). Schools will benefit from streamlined processes at their end, fewer modifications over time, and a simplified means of processing changes. Staff will spend less time managing systems and more time serving students. Schools will get faster, better answers to questions because SFA will be working from a single interface that provides a real-time, full picture of the school and/or student. This will allow school staff to get one-stop answers to technical questions, so they can turn their attention to financial aid questions.

Finally, the common process will improve how employees utilize their time, thereby **increasing employee satisfaction**. A simpler process of looking up school/student data will increase the value that employees will derive from their time. Instead of waiting for reports to be run and given to them, employees will have access to the program data when they need it. The learning curve will become less steep. Employees will have greater mobility between different program areas due to the fact that they will now spend more time learning the programs, or learning requirements for other programs, as opposed to learning one program and one system. One system will help break down the "cultural differences" that currently exist between units, due to the differing knowledge base required for each system. More time will be spent on providing better customer service. Reports of how schools spent their drawdowns will be easier to create. The common system would allow for there to be one account manager team per institution, instead of one per type of aid per institution. With one, simpler system, the Department will more easily discern and address school reconciliation issues.

The following pages represent a walkthrough narrative and flowchart describing the common origination and disbursement process, as well as a mapping of high level business requirements from the current processes to the new common process. The boxes around the text represent new or changed functionality. The numbers in bold within the brackets correspond to the numbers on the conceptual design flowchart that follows page 2.0.7:



Application

The process begins with the student filing the Free Application for Federal Student Aid (FAFSA). [1] A student sends the FAFSA to the U.S. Department of Education (“ED”) either on-line or via mail. ED then receives the application, processes the application and mails an acknowledgement to the student. [2]

ED processes the application, editing the data, matching data with outside institutions, and calculating the Expected Family Contribution (EFC). Any records rejected in this process are sent back to the students and schools for correction and resubmission. As student application records are processed, they are also transmitted electronically to all the schools the student indicated on the FAFSA [3]. ED transmits the data and the results to the student (Student Aid Report [SAR]) and electronically to all schools (Institutional Student Information Records [ISIR]) that the student indicated on the FAFSA [3]. The schools receive this information and load to their institutional systems (EDExpress, third party vendor, home grown application).

Eligibility

Upon receiving the results of student applications from ED (i.e.: ISIR), the school confirms general student eligibility. The school confirms eligibility primarily via review of the results of the matches conducted during ISIR processing. In addition, the school assesses financial need and confirms a student’s eligibility by verifying financial data, ensuring satisfactory academic progress, checking enrollment status, and ensuring the student is participating in an eligible program. For records that are not flagged with potential eligibility issues, the students move forward in the process [4]. For those records with eligibility holds, the school reviews the students and confirms eligibility.

At this point in the process, the school will have the option of correcting the student record and submitting the revised record via a batch process or do an immediate, on-line correction [5]¹ (exceptions from data mismatches with external agencies will not be part of this process). The on-line correction will result in real-time feedback (i.e.: near immediate receipt of a higher transaction ISIR with a new official EFC).

Determining Aid Package

Next, the school determines the amount of funds for which the student is eligible within each program [6]. These funds are put together in a financial aid package for the student. At many schools, this packaging process takes place within the school’s institutional system. The school sends a notification award package to the student to inform him/her of the aid offered.

The school will be able to access the student’s federal financial aid history profile, allowing them to access student aid history to counsel the student and make awarding decisions [7].

Communication of Disbursement

Upon determining the student’s financial aid award package, the school communicates a scheduled disbursement (i.e. the intent to disburse these funds, at a later date) to ED.

¹ Cooperation from Central Processing System (CPS) is needed for this functionality



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The school will communicate these scheduled disbursements to ED through a common process [8]. In other words, the school sends information for Pell awards via the same transmission process for Direct Loan awards, with all data elements defined consistently across programs. FFEL data will be incorporated in a similar format (NACHA's work).

In addition, the common record eliminates the process of two separate records for origination and disbursement. A school may choose to submit the common record early to pre-screen for edits. Conversely, a school may choose to wait to submit the common record immediately prior to disbursement when the funds are needed (see "Disbursement" section on page 2.0.5). A school may submit scheduled disbursements via batch at any time, and ED will return acknowledgements within hours [9a]². A school may also submit scheduled disbursements on an individual basis and receive real-time acknowledgements [9b].

Resolving Rejects

Upon receipt of rejected common records, the school must resolve and resubmit a new common record.

All edits in current systems will be reviewed to determine whether they are required or provide value. The end result of this analysis will be a smaller group of edits. In the common process, those edits that are the same across programs will be standardized. As with the initial submissions, records may be reported via batch at any time, with acknowledgements returned within hours. They may also be reported on an individual basis with real-time acknowledgement.

Pre-Disbursement Eligibility Checks

As a typical part of the financial aid process, the school confirms that no changes have taken place that impact the students' eligibility for their awards prior to disbursement (e.g.: enrollment status, cost of attendance, satisfactory progress).

The school will send a file containing key student data (e.g. SSN, transaction number, EFC) used to determine the scheduled award via their portal to ED to obtain a determination of whether student eligibility, as indicated on the ISIR, has changed. This may take place at any time during the processing cycle (e.g.: for a school with a long lag time between ISIR receipt and packaging, prior to packaging; for a school with a long lag time between packaging and disbursement, prior to disbursement).

² Cooperation from Central Processing System (CPS) is needed for this functionality



Disbursement

A school must take action to report the population for which they want to disburse.

A school that has not previously reported common records will complete the following process:

- (1) Four days prior to disbursement, submit aggregate batch of common records

The timeframe for submission of these confirmation records will hinge upon the 3-day maximum timeframe for holding funds prior to disbursement. It is anticipated that this timeframe will be four days prior to anticipated disbursement date. Upon receipt of the records, ED authorizes and transmits amounts for students who the school has confirmed. These funds are transmitted directly to the school's bank account via ACH or FedWire transaction. If no records have been received, no funds will be transmitted.

It is noted that the capacity to access funds via drawdown will be maintained for exception use in the case of an emergency – natural disaster, technology downtime, interface failures, unique problem at school, etc.

A school who has previously reported common records has the following options for completing this process:

- (1) submit aggregate batch of common records, replacing any previous transmissions;
- (2) review 'ready to pay' file posted to school's portal and confirm students, amounts and dates as appropriate; or
- (3) download 'ready to pay' file, identify changes and transmit changes to ED (changes are transmitted via the same common record but identified as change record). These records, on a student-by-student basis, replace previously transmitted records.

The timeframe for submission of these confirmation records will hinge upon the 3-day maximum timeframe for holding funds prior to disbursement. It is anticipated that this timeframe will be four days prior to anticipated disbursement date. Upon receipt of the confirmation records, ED authorizes and transmits amounts for students who the school has confirmed. These funds are transmitted directly to the school's bank account via an ACH or FedWire transaction. If no confirmations made, no funds will be transmitted.

It is noted that the capacity to access funds via drawdown will be maintained for exception use in the case of an emergency – natural disaster, technology downtime, interface failures, unique problem at school, etc.

Change Records

Change records will be submitted via the same record layout and process for reporting disbursements. Changes can be submitted at any time, either between pre-screening edits and disbursement, or after disbursement.



Close Out/ Reconciliation

After each disbursement of cash, schools will send an electronic file indicating those students for whom funds were released. Schools will also send monthly reconciliation reports, indicating student activity for the month, as well as beginning and ending balances by fund and other pertinent reconciliation data.

Additionally, schools will have the option of requesting these reconciliation reports at any time as either a year-to-date or date range electronic file.

At end of the award year, schools will submit detailed student disbursements for FSEOG, Federal Work Study and Federal Perkins loans. These records will be reported via the common origination and disbursement process.

Access to Data

Via their portal, schools will have the capacity to access data about their school and their students. This data will be accessible for downloading to desktops or institutional systems at the school. In addition, for schools that wish to do complex analysis, the data will be structured in such a way to be easily accessible via On-line Analytical Processing (OLAP) query and reporting tools (if the school chooses to invest in OLAP) for more complex data analyses without downloading.



School Examples: Reporting and Disbursement Options

Example 1:

School 1 is a large institution utilizing an institution-wide integrated software package. Based upon logic provided by ED, their system has been programmed to run all the edit checks required to accept common records. Because of their confidence in these edits, School 1 chooses not to report any student records to ED until they have determined their pre-registered population and confirmed all awards. Upon finalization of their pre-registration process and completion of packaging for all students, School 1's system runs a stored procedure to extract a batch file of common origination records for both Pell and Direct Loans. This file is transmitted via the School 1 portal to ED four days prior to anticipated disbursement. Three days prior to reported disbursement dates, funds for the students reported are transmitted directly to the school's bank account via an ACH/FedWire transaction.

Example 2:

School 2 is a large institution with fluctuating enrollment. School 2 has a homegrown system that shares information across offices via nightly batch jobs. Although some common record edits are coded to their system, their internal system checks are not sufficient to catch all potential issues. Therefore, School 2 chooses to report common records for the batches of students as they are packaged in order to identify required changes and/or resolutions. School 2 disburses funds to students two days after confirmation of enrollment (the end of their official 'add' period). Upon confirmation of enrollment, the school makes adjustments to awards and then transmits common disbursement records for all enrolled students to be paid. This file replaces previous files submitted and does not require School 2 to produce change records for previously transmitted records. Funds for the students reported are transmitted within twenty-four hours to the school's bank account via an ACH/FedWire transaction.

Due to the fact that School 2 has open registration and is accepting and enrolling students during the first few weeks, the process allows them, if needed, to resolve eligibility issues real-time via their School 2 portal. Additionally, those students who are packaged for the first time after enrollment confirmation (i.e.: the school is ready to disburse), are reported only once (assuming their record is accepted).

Example 3:

School 3 is a small institution with classes of students who enroll monthly. They operate utilizing different systems for their key processes: a small business accounting application, a homegrown registration application and EDExpress for financial aid. Upon packaging a new class, School 3 reports common records for these packaged students via an extract from EDExpress. Through this extract they are able to identify required changes/ resolutions. School 3 then reports disbursements by accessing a web-based 'ready to pay' file and selecting those students who are enrolled/modifying amounts, dates, etc. as necessary. Three days prior to reported disbursement dates, funds for the reported students are transmitted directly to the school's bank account via an ACH/FedWire transaction.



Common Origination and Disbursement Process
Reengineering Options and Analysis

High Level Business Processes

Processes	“As-Is”			“To Be”
	Pell	Campus-Based	Direct Loan	Common Origin. & Disburs.
Establish and maintain eligible institution data	X	X	X	X
Track waivers for Title III, community service, and under use of funds		X		X
Calculate initial obligation levels¹	X			
Calculate tentative campus-based awards		X		X
Receive eligible applicant data	X			X
Receive and acknowledge originations²	X		X	
Receive and acknowledge change records²			X	
Process COD records real-time				X
Process COD records via batch transactions				X
Credit checks (PLUS only)			X	X
Receive/ print and process Direct Loan promissory notes			X	X
Store Direct Loan promissory notes			X	X
Receive and acknowledge disbursements²	X		X	
Forward complete loans to servicing			X	X
Image documents²			X	
Transmit images to other places¹			X	
Send data to other ED systems¹	X	X	X	
Adjust obligations during award year¹	X			
Support common student identifier – School and ED assigned				X
Provide students and schools real-time access to data (current and historical)				X
Transmit electronic notifications/ correspondence via TIV WAN or to IFAP	X	X	X	X

¹ Indicates that the process will not be needed in COD

² Indicates that the process will be replaced by new functionality in COD



Common Origination and Disbursement Process Reengineering Options and Analysis

Processes	“As-Is”			“To Be”
	Pell	Campus-Based	Direct Loan	Common Origin. & Disburs.
Print and mail documents/correspondence			X	X
Manage cash with GAPS/FMS	X	X	X	X
Balancing (on-going reconciliation) with schools	X	X	X	X
Balancing (on-going reconciliation) with other ED systems¹	X	X	X	
Establish and run computer production cycles	X	X	X	X
Maintain system – including security, disaster recovery and internal controls	X	X	X	X
System updates	X	X	X	X
Interface with other systems	X	X	X	X
Support independent QC	X	X	X	X
Generate reports/respond to data requests	X	X	X	X
Ship documents			X	X
Maintain student detail data 5 years, 3 months after close-out	X			X
Provide conference support	X	X	X	X
Maintain FISAP data		X		X
Allocate/re-allocate campus-based funds		X		X
Calculate and process ACA	X	X		X
Provide Access to data for institutional research				X
Process FISAPs²		X		
Process web-based application for Campus-Based funds				X
Process post-deadline adjustments at student and school level	X	X	X	X
Annual requirements	X	X	X	X
Reference Materials (provide and maintain)	X		X	X
Facilitate cancellations: general and teacher		X		X
Support DRAP		X		X
Correspondence	X	X	X	X

¹ Indicates that the process will not be needed in COD

² Indicates that the process will be replaced by new functionality in COD



Common Origination and Disbursement Process Reengineering Options and Analysis

Processes	“As-Is”			“To Be”
	Pell	Campus-Based	Direct Loan	Common Origin. & Disburs.
Provide training/customer service (eg: help desk for schools – functional and technical; applicant support)	X	X	X	X
Provide skip-tracing services		X		X
Compile and publish cohort default rate book		X		X