



1.0 INTRODUCTION

This deliverable describes a Common Origination and Disbursement Process. It addresses schools' concerns that they need to support different processes, systems and skill sets when processing financial aid. The Department is concerned primarily with the operational costs of operating separate systems with software running on different platforms and maintained by different contractors, the service levels they are providing the schools and students, and the reconciliation of program disbursements.

A common process will give schools one way to provide origination and disbursement data to the Department. This common interface, with common edits, will support all Title IV programs that involve funds drawn through the Department. It also provides the schools one way to receive payment. From a fiduciary standpoint, a common process will allow for student-level detailed reporting for all Title IV programs. One of the major process changes is a "Just-in-Time" funding model; the schools notify the Department when they are going to pay the student, and the Department funds the school based on the disbursement record for that student. Finally, with the application of Portals and Internet technology, schools will have the ability to view rejected records and correct them real-time, if desired. Otherwise, they can view the records and make error corrections on the school's system and send those corrections to the Common Origination and Disbursement Process in batch.

Currently, we are evaluating six options to implement the Common Origination and Disbursement Process:

1. Acquire a financial services industry COTS package
2. Acquire a FFELP/Guarantee agency software package
3. Custom develop a system for Common Origination and Disbursement using an existing ED/SFA owned system (either RFMS or LOS is used as the 'base' system and the other two systems are incorporated into the 'base' system)
4. The Campus-Based, Pell, and Direct Loan systems are left 'as is' and integrated with middleware
5. The Campus-Based System is reengineered and absorbed by either RFMS or LOS and the latter two systems are integrated with middleware
6. Custom develop a new system for Common Origination and Disbursement from scratch to completely replace RFMS, LOS and CBS

At this point, no option has been eliminated, as we are beginning discussions regarding terms and conditions.

Given the anticipated timeframe to implement the Common Origination and Disbursement Process, there is no recommendation to retire any of the legacy systems in fiscal year 2000 or fiscal year 2001. The Common Origination and Disbursement IPT will provide input to another Modernization Partner deliverable, the Legacy Contract Transition Plan, as it is developed.

The implementation of a Common Origination and Disbursement Process brings many benefits to both the schools and the Department. The path to realize these benefits bears some significant risks, however. The major risks include:



Common Origination and Disbursement Process Reengineering Options and Analysis

- Many schools will be hesitant to move toward the Just-In-Time funding model:
 - Currently, fewer than 20 schools are using JIT with the Pell Program (although approximately 80 schools want to move to JIT during this award year)
 - Currently, fewer than 10 schools are using JIT with the Direct Loan Program
- Many of the benefits of the new process are "off-balance sheet" for the Department. Many of the benefits accrue to the schools.
- There are over 6,000 schools who will need to change the way they interface with the Department, both from a technical viewpoint and a functional one.
- There is an extended conversion timeline for everyone to reach the 100% "Just-in-Time model."

The challenge is to implement changes that prove the success of the Common Origination and Disbursement concept early. Early success will build excitement and give the Department the momentum to fully transition to the Common Origination and Disbursement Process. This is the way we plan to meet our goal:

Get the right funds,
to the right students,
at the right time.