

D R A F T

Direct Loan Servicing System

Detail Design

Direct Loan Simplification (CDS Retirement)

Section 1.0 - Introduction

**Direct
Loans**

William D. Ford Federal Direct Loan Program

June 30, 2000



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2 **Detail Design**
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5
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5
6 **1.0 INTRODUCTION**
7

8 This document describes the requirements and detail design to retire the Central Data System
9 (CDS) portion of the Direct Loan Servicing System (DLSS). It is organized as follows:
10

11	Section 1	Introduction	discusses the reasons for this release	(Why)
12	Section 2	Requirements	discusses the requirements for this release	(What)
13	Section 3	Design	discusses how Loan Servicing will satisfy	
14			the requirements	(How)
15	Appendices	A - R	supply supporting information	(Details)

16
17 **1.1 Purpose**
18

19 The purpose of this document is to describe the functions, requirements, and design needed to
20 be supported within Loan Servicing after CDS is retired.
21

22 **1.2 Background**
23

24 The Student Loan Reform Act of 1993, enacted on August 10, 1993, established the Direct
25 Loan Program under the Higher Education Act of 1965, as amended (HEA). The name of the
26 program was changed to the William D. Ford Federal Direct Loan Program by HEA
27 amendments contained in the Improving America's Schools Act of 1994. The Secretary of
28 Education was directed to implement the program in accordance with the statute to provide
29 Direct Loans to qualified students and parents at selected post-secondary institutions
30 beginning July 1, 1994. As of May 1, 2000, an estimated 1,230 institutions were
31 participating in direct lending.
32

33 In 1993, Affiliated Computer Services Government Solutions Group, Inc. (ACS GSG),
34 formerly known as Computer Data Systems, Inc. (CDSI), was selected as the primary
35 contractor to establish and maintain a separate database dedicated to servicing the Direct
36 Student Loan Program. Teaming partners include AFSA Data Corporation (AFSA),
37 Andersen Consulting, Digital Equipment Corporation and Deloitte & Touche.
38

39 In 1998, the Office of Student Financial Assistance (SFA) was formed as the first federal
40 Performance-Based Organization (PBO). SFA, as a PBO, is dedicated to providing
41 outstanding customer service while simplifying, integrating, and reducing the cost of
42 administering the federal student financial assistance program. These goals are documented
43 in the Modernization Blueprint, Customer Service Task Force, and the Five year Performance
44 Plan.
45

1 In 1999, SFA selected Andersen Consulting and a core team of pre-existing contractors as its
2 Modernization Partner. This group was charged with improving the service level provided
3 by SFA, while reducing the overall cost of operations.

4 5 **1.3 Overview of CDS Retirement**

6 7 **a. Description**

8
9 In support of the objectives documented in the Modernization Blueprint, the Modernization
10 Partner, in conjunction with SFA resources, identified CDS as a component of the Direct
11 Loan system infrastructure that could be retired without negatively affecting the program.

12
13 CDS was originally designed to support multiple Loan Servicers by managing the flow of
14 transactions between the Loan Originators and the various Servicers. Even though the
15 Department decided to postpone and then cancel multiservicer processing, CDS was retained
16 as the router for the Direct Loan system.

17
18 CDS provides the link between Loan Originators (LO)/Consolidators (LC) and Loan
19 Servicers (LS). CDS accommodates all Direct Loans independent of the origination source
20 or servicer. It accepts and processes updates to Direct Loan data from Loan Servicing and
21 Loan Originators. In addition to serving as a central repository of certain student loan
22 information, CDS also performs processing functions such as file transfers, online
23 processing, accounting, reconciliation, and reporting. CDS interfaces with several entities
24 including Loan Originators, Loan Servicers, the Internal Revenue Service (IRS), Electronic
25 Debit Account (EDA) Vendors, the Postsecondary Education Participant System (PEPS), and
26 the Financial Accounting and Reconciliation System (FARS).

27
28 CDS has primary responsibility for twelve main functions, including the primary functions of
29 ordering incoming transactions from Direct Loan interfaces, performing approximately 1,800
30 edits on incoming data, and routing outgoing data to the appropriate interface. The complete
31 list of twelve functions includes:

- 32
- 33 • Order of Incoming Transactions
- 34 • Edits
- 35 • Data Stores and Transformation
- 36 • EDA
- 37 • Delinquency Reporting
- 38 • Transaction Routing
- 39 • Routing LO/LC Cash Transactions and Drawdowns
- 40 • Income Contingent Repayment (ICR) Waivers
- 41 • School File
- 42 • System Balancing
- 43 • Interface Support
- 44 • LO/LS Images

45
46 For the requirements of CDS Retirement, each of the twelve main functions was analyzed to
47 determine the specific processes CDS performs and the business reasons behind each

1 function. The processes were then compared to functionality existing in other Direct Loan
2 system components in order to determine whether each function needed to be re-platformed
3 and which interface should take ownership of the function. This analysis included multiple
4 Joint Application Design (JAD) sessions with EDS (Loan Consolidation and Loan
5 Origination) and ACS (Servicing). Representatives from all three components described
6 their current processing cycle including the functions currently performed and the impact of
7 incorporating the CDS functions into their existing operations. The product of the functional
8 analysis and JAD sessions was a detailed set of requirements, provides sample screens and
9 reports where necessary, and identifies the new owner of the functionality.

10
11 Two of the twelve functions are functionally unchanged by the elimination of CDS. Both the
12 ICR Waiver and LO/LS Images processes will continue as is after CDS Retirement. In both
13 of these processes, the only role CDS performed was transaction routing. Since Transaction
14 Routing is a separate functional area that will be incorporated into the remaining Direct Loan
15 subsystems, no specific requirements are required for ICR Waiver and LO/LS Images.

16
17 The remaining ten functions are described in this detailed design document in terms of their
18 functional and system requirements; technical analysis for implementing the functionality
19 into the Servicing system; and an analysis of the affected letters, statements, notices,
20 transaction layouts, reports, screens, deliverables, and programs and modules.

21 22 **b. Process Flow**

23
24 The following statements describe the expected flow of information and processing through
25 the Servicing System.

- 26
27 1. Loan Servicing will receive transactions directly from Loan Origination and Loan
28 Consolidation for financial (booking, non-booking, and funds) transactions and for
29 non-financial (institution, other non-financial, and general) transactions.
- 30
31 2. Loan Servicing will receive payment related transactions directly from the EDA
32 vendor.
- 33
34 3. Loan Servicing will edit incoming transactions and store the applicable data from
35 accepted transactions to its database.
- 36
37 4. Loan Servicing will provide confirmation of booking transactions to LO/LC.
- 38
39 5. Loan Servicing will route disbursement payoff transactions and consolidation payoff
40 transactions directly to LO/LC.
- 41
42 6. Loan Servicing will create General Ledger (G) Records for the funds transactions and
43 route them to the Financial Accounting and Reporting System (FARS).
- 44
45 7. Loan Servicing will produce system balancing reports for all interfaces.
- 46
47 8. Loan Servicing will provide research and online capabilities to the interface group.
- 48

- 1 9. The Data Warehouse application, part of the Direct Loan Modernization effort and
2 not part of CDS Retirement, will extract delinquency data from Loan Servicing and
3 produce the Delinquency Reports/data files to be sent to the schools and ED.
4

5 **c. Benefits**
6

7 The retirement of CDS will support the same set of Direct Loan business objectives at
8 reduced processing and maintenance costs. The proposed approach will result in the
9 following benefits:
10

- 11 • Retire redundant CDS functions to reduce costs
- 12 • Move retained functions to the Loan Origination Systems and/or to Loan Servicing
- 13 • Implement a Data Warehouse for better, more flexible reporting capabilities
- 14 • Simplify editing and error resolution
- 15 • Simplify system balancing
16

17 **1.4 Assumptions and Limitations**
18

19 The following sections describe the assumptions and limitations associated with the
20 requirements presented in this document.
21

22 **1.4.1 Assumptions**
23

- 24 a. The types of transactions processed through the Direct Loan system will not change.
25
- 26 b. Major changes to Trading Partners' production schedules will not be necessary to
27 incorporate the requirements.
28
- 29 c. Functions will be transferred in whole or in part to one or more Trading Partners.
30 Those functions will not be reengineered as part of the retirement effort.
31
- 32 d. All existing CDS edits that serve to protect the integrity of data in the Servicing and
33 Loan Origination/Loan Consolidation databases will be maintained. Edits designed
34 solely for CDS database related comparisons will not be maintained.
35
- 36 e. Functions existing on the IBM platform and exclusively outside CDS will remain
37 intact. These functions include Lockbox, DCS, NSLDS, FARS, IRS Adjusted Gross
38 Income, and Megarecords.
39
- 40 f. Existing transaction layouts in support of the Direct Loan trading partners will not be
41 altered other than the School transaction (DSD). The DSD transaction will be
42 received in Year 8 format, then transformed to the pre-Year 8 format for processing.
43
- 44 g. Distribution of Delinquency Reports using the Title IV Wide Area Network (TIV
45 WAN) will remain on the IBM mainframe.
46

- 1 h. Loan Servicing expects that Loan Origination will hold disbursement adjustment and
2 cancellation transactions (FLC and FLD) for one business day after the original
3 disbursement transaction (FLA or FLB) is sent.
4

5 **1.4.2 Limitations**
6

- 7 a. Existing reports, queries, and online windows in CDS are based in a mainframe
8 environment. Where the requirements indicate that such reports, queries, and online
9 windows are necessary, they will be incorporated into the technical environment of
10 the Trading Partner responsible for implementing the requirement.
11
- 12 b. Transaction level data from LO/LC, including megarecords, will not be pre-edited.
13 Loan Servicing may provide a pre-editing process for transmission and batch related
14 edits, but a complete pre-edit process at the transaction level would require a major
15 restructuring of the Servicing daily production process.
16
- 17 c. The Servicing School File or the FARS School File will not support MIS queries for
18 School Year data.