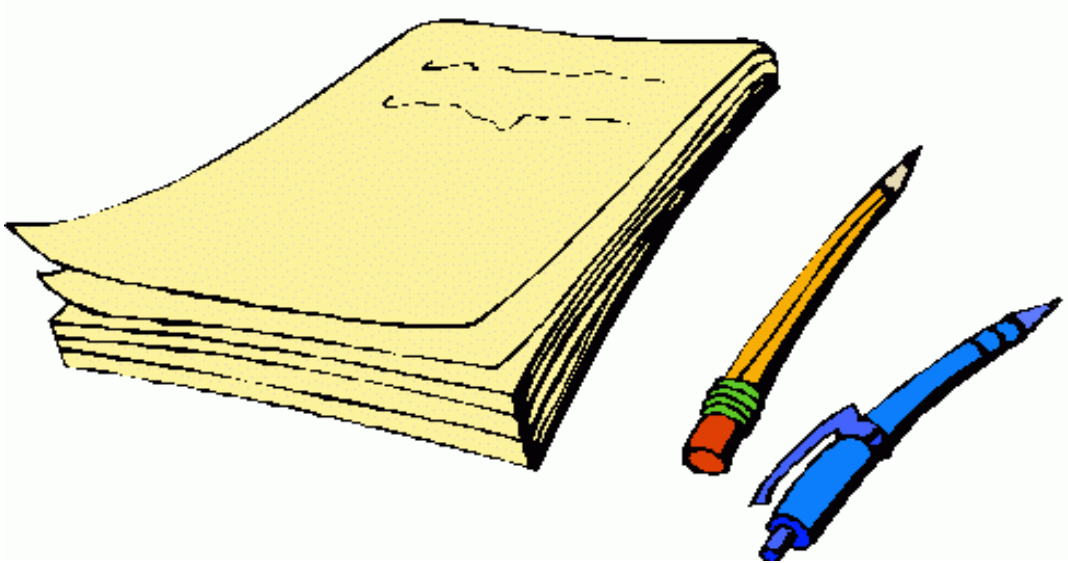


PCA Procedures Manual: 2009 ED Collections Contract



U.S. Department of Education

**Prepared by:
Federal Student Aid
Operation Services
Processing Division**

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“Resolving the past, today, for a better tomorrow”

Disclaimer

This *PCA Procedures Manual* is designed to enhance and expound upon contractual requirements as outlined in the RFQ and the Statement of Work. The Manual establishes many of the day-to-day procedures and policies necessary for Private Collection Agencies to collect defaulted federal student loans and grant overpayments under the U. S. Department of Education collections contract.

The Manual does not provide comprehensive guidance of all regulatory and contractual requirements. Nor does the Manual relieve private collection agencies and affiliated contractors of their obligation to comply with all of the statutory and regulatory provisions governing the statement of work. In addition, it does not relieve the above from compliance with all contract requirements and other statutes and guidelines (including specific processing/training manuals) that are applicable to the ED collections contract.

Table of Contents

[Introduction: Overview](#)

[Chapter 1: Laws and Regulations](#)

1. [Loan and Grant Programs](#)
 - A. Federal Family Education Loan (FFEL)
 - B. Federal Direct Loan
 - C. Federal Perkins Loan
 - D. Federal Pell Grant
 - E. Academic Competitiveness Grant
 - F. SMART Grant
 - G. TEACH Grant
 - H. Supplemental Educational Opportunity Grant (SEOG)
2. [Fair Debt Collection Practices Act \(FDCPA\)](#)
3. [Freedom of Information Act \(FOIA\)](#)
4. [Privacy Act of 1974](#)
5. [Gramm-Leach-Bliley Act](#)
6. [Credit Bureau Reporting](#)
7. [Collection Costs](#)
8. [Statute of Limitations](#)
9. [Restoring Title IV Eligibility](#) (borrower)
 - A. Federal Student Loan Programs
 - B. Grant Overpayments

[Chapter 2: General Collection Activities](#)

1. [Documentation of Collection Activity](#)
 - A. DMCS Updates
 - L103 screen (borrower demographics)
 - L102 Screen (collection notepad)
2. [Cell Phone Usage](#)
3. [Pseudo SSNs](#)
4. [Third Party Contacts](#)
5. [Federal Employees](#)
6. [Co-Maker Accounts](#)
7. [Suspension of Collection Activity](#)
8. [Cease Collection Activity](#)

Chapter 3: Correspondence & Borrower Complaints

1. Correspondence
 - A. Handling Correspondence
 - B. Sensitive Inquiries
 - C. Maintaining Documentation
 - D. Correspondence Report
 - E. Atlanta Regional Office Email Mailbox
2. Borrower Complaints (against PCAs)
 - A. Receiving Complaints
 - B. Complaint Submissions
 - C. Complaint Protocol
 - D. ED Tracking System
3. Appendix (Forms)
 - A. PCA Complaint Form

Chapter 4: PCA Letters

1. PCA Letter Approval and Usage
 - A. Contract Start-up
 - B. Revisions, New Letters
 - C. Letter Vendor Changes
2. Rehabilitation Agreement Letter
3. Consolidation Letters
 - A. Rights & Responsibilities
 - B. Waiver of Consolidation
4. Repayment Agreement Letters
 - A. Standard Language
 - B. Standard language with Credit Card Authorization
5. AWG letters
 - A. Pre-Garnishment Cover Letter
 - B. Pre-Garnishment Settlement Agreement
 - C. Post Garnishment Cover Letter
 - D. Post Garnishment Settlement Agreement
 - E. AWG Rehab Agreement Letter
 - F. AWG Rehab Agreement Letter (Perkins)
6. Misdirected Payment Letters
 - A. Borrower
 - B. Employer
7. Compromise Agreement Letter
8. Statement of Financial Status

Chapter 5: Internal Mail Forms (IMFs)

1. Written IMFs
 - A. General Account IMF
 - B. AWG IMF
2. Online IMFs
 - A. URL
 - B. Login
 - C. Initiating a Request
 - D. On-Line IMF
 - E. School-Based Discharges
 - F. Locating a Missing Pnote Request
 - G. Viewing Erroneous IMFs
2. Appendix (Forms)
 - A. General Account IMF
 - B. AWG IMF

Chapter 6: Account Repayment

1. Payment or Settlement in Full
2. Repayment Schedules
3. Special Assistance Unit (SAU)
 - A. Referrals
 - B. Borrower Calls

Chapter 7: Compromises

1. General Requirements
2. Standard Compromises
3. Discretionary Compromises
4. Non-Standard Compromises
 - A. Limitations
 - B. Netback
 - C. Notification
5. Required DMCS Notations
6. Compromises & TOP Payments
7. Compromises & AWG Payments
8. Return of Paid Compromises
9. Compromise Monitoring
10. Appendix (Forms)
 - A. Discretionary Compromise Coversheet

Chapter 8: Treasury Offset Program (TOP)

1. Overview
 - A. State Payments
 - B. Pre-Offset Process
 - C. PCA Responsibilities
 - D. Certification
 - E. Notification
 - F. Inactivation
2. Hardship Requests
 - A. Tax Refund Offsets
 - B. Injured Spouse Claims & TOP Reversals
 - C. Social Security Benefits/Monthly stipends
 - D. PCA Contacts
3. Appendix
 - A. DMCS Screen Shots
 - B. Sample Treasury Offset Notice

Chapter 9: Rehabilitation

1. Direct Loan Rehabilitation
 - A. Eligible Loans
 - B. Qualifying Payments
 - C. Acceptable Payments
 - D. Monthly Transfer Process
 - E. Exception Requests
 - F. Special Circumstances
 - G. Post-Submission Procedures
 - H. Non-Direct and Direct Loan Accounts
 - I. Minimum Payment Amounts Table
2. NDSL-Perkins Loan Rehabilitation
 - A. Eligible Loans
 - B. Qualifying Payments
 - C. Acceptable Payments
 - D. Monthly Transfer Process
 - E. Submission Procedures
 - F. Exception Requests
 - G. Special Circumstances
 - H. Judgment Loans
 - I. Post-Submission Procedures
 - J. Accounts containing Perkins and other debt types
3. FFEL Loan Rehabilitation
 - A. Eligible Loans
 - B. Qualifying Payments
 - C. Acceptable Payments

- D. Balance Sensitive Rehabs (BSRs)
- E. Weekly Transfer Process
- F. Submission Procedures
- G. Exception Requests
- H. Special Circumstances
- I. Post-Submission Procedures
- J. Pay off not Posted as Expected
- K. Accounts containing FFEL and Direct Loans
- L. Minimum Payment Amounts Table
- M. Lender Information
- 4. **Payment Count Program**
 - A. Manual Requests
 - B. Batch Requests
 - C. Retrieve Results
 - D. File Layouts

Chapter 10: Consolidation

- 1. **General Requirements**
 - A. Eligible Loans
 - B. Qualifying Payments
 - C. Acceptable Payments
- 2. **Forced-ICRPs**
 - A. Processing Steps
- 3. **Borrower Counseling**
 - A. Capitalization of Interest rates/Collection Costs
 - B. Fixed Interest Rates
 - C. Underlying Loans
 - D. Right to Consolidate
 - E. Credit Bureau Reporting
 - F. Title IV Eligibility
- 4. **Certification**
 - A. LVC Signing Authority
 - B. LVC Reviews
 - C. DMCS Updates
- 5. **Appendices**
 - A. LVC Responsibilities Certification
 - B. DMCS Screens
 - C. Fast-Track Procedures
 - D. Fast-Track Checklists
 - E. Fast-Track Caps
 - F. Fast-Track Edits
 - Edits
 - LCC Document Checklist
 - G. LVC (Excel Version)

- H. **Post Fast-Track Submission and Funding Issues**
Underfunding Correction Request Form
- I. **Borrowers who Consolidate Directly**

Chapter 11: Locating Promissory Notes

- 1. **Program Determination**
- 2. **Direct Loans**
 - A. Panagon Image Search
 - B. Direct Loan Website
 - C. On-Line IMF
- 3. **FISLs**
 - A. R105 Screen
 - B. Panagon Image Search
 - C. Panagon Non-Image Search
 - D. On-Line IMF
- 4. **NDSLs/Perkins Loans**
 - A. Panagon Image Search
 - B. Panagon Non-Image Search
 - C. On-Line IMF
- 5. **FFELs Guaranteed by NY and HEAF**
 - A. Panagon Non-Image Search
 - B. Panagon Image Search
 - C. On-Line IMF
- 6. **FFELs (NOT Guaranteed by NY and HEAF)**
 - A. Panagon Image Search
 - B. On-Line IMF
- 7. **Locating Promissory Notes - Checklist**
- 8. **Appendices**
 - A. Panagon Common Retrieval Navigation
 - B. Program Overpayment (POVR)
 - C. On-Line IMF - Missing PNote Steps

Chapter 12: Account Returns & Administrative Resolutions

- 1. **General Requirements**
 - A. SSU/Manifest
 - B. Transmittal Form
 - C. ED Monitor Review
 - D. Appeals
- 2. **Account Returns**
 - A. Cost Exceeds Recovery (CER)
 - B. Compromises (CPR)

- C. Paid-in-Full (PIF)
- D. Inability to Collect/Unable to Locate (INA/UNL)
- 3. **Death Accounts**
 - A. Required Documentation
 - B. PLUS Loans
 - C. Processing Steps
 - D. Resolving Mismatching Information
 - E. ED Death Letter
- 4. **Bankruptcies**
 - A. Cease Collection
 - B. Terminology
 - C. Documentation
 - D. Notification
 - E. Bankruptcies filed before 10/8/98
 - F. BK7 filed on or after 10/8/98
 - G. "Active" BK13 filed on or after 10/8/98
 - H. BK13 filed on or after 10/8/98 – discharged/dismissed
- 5. **Incarcerations**
 - A. Verification Documentation
 - B. DMCS Documentation
 - C. Processing Steps
 - D. ED Incarceration Verification Letter
 - E. State/prison websites
- 6. **Program Cancellation (CAN)**
- 7. **Total and Permanent Disabilities**
 - A. Required Documentation
 - B. 1845 Review
 - C. Submission Process
 - D. ED Review Process
 - E. Veteran Review Process
 - F. Additional Guidance
 - G. Disability Letters and Forms
- 8. **Appendix** (forms)
 - A. Single Sheet Update (SSU)
 - B. EFT Transmittal Form

Chapter 13: Involuntary Payment Programs (AWG & Litigation)

- 1. **Administrative Wage Garnishment (AWG)**
 - A. Authority
 - B. AWG Initiation
 - C. Minimum Account Requirements
 - D. Verification Requirements
 - E. DMCS Process
 - F. Voluntary Payments

- G. AWG Hearing Process
- H. New Debts
- I. Non-Compliant Employer

2. **Litigation**

- A. Overview
- B. Litigation Zip Codes
- C. Litigation Package Requirements
- D. Submission Quality Control
- E. Litigation Package Address

Chapter 14: Payment Processing

1. **National Payment Center** (NPC)

- A. Payment Address
- B. AWG Initiation

2. **Payment Types**

- A. Americorp and Department of Defense Loan Reimbursement
- B. Autopay/Speedpay
- C. Western Union
- D. Conditionally Endorsed Payments
- E. Debt Specific Payments

3. **Credit Card Processing**

- A. Pay.gov Website
- B. Credit Card Processing Team
- C. Registering New Users
- D. Password Issues
- E. Credit Card Payment Processing Instructions
- F. Recurring Credit Card Payments
- G. Chargebacks (refunds)
- H. Voiding Credit Card Transactions
- I. Contractor Responsibilities

4. **Unidentified Payments**

- A. Suspense Removal Request Form

5. **Fee Removal**

- A. Assigned Fees
- B. Returned Check and Unpaid Collection Cost Fees
- C. Administrative Fees added by ED
- D. Requesting Fee Removal

6. **Misdirected Payments and Post-Dated Checks**

Chapter 15: Invoice Processing

1. **Overview**

2. [Voucher](#)
3. [DMCS Reports](#)
 - A. Collections Detail
 - B. Collections Summary
 - C. Admin Resolution Detail
 - D. Admin Resolution Summary
 - E. Litigation Preparation Detail
 - F. Litigation Preparation Summary
4. [Voucher Processing](#)
 - A. When Voucher Received
 - B. Adjustments Memorandum Excel Workbook
5. [Invoice Submissions](#)
 - A. Sending Invoices
 - B. Proper Invoices
6. [Commissions on Compromises](#)
7. [Avoiding Adjustments](#)
8. [Requesting Adjustments](#)
9. [Allowable Deviations](#)
 - A. Current Contract
 - B. Previous Contracts
 - C. Requests

[Chapter 16: Training](#)

1. [Manuals](#)
2. [ED Training](#)
3. [PCA Training](#)
 - A. ED Information
 - B. Industry Training
 - C. Privacy Act
 - D. Security Awareness
4. [Training Documentation](#)
5. [Technical Assistant Visits](#)
6. [Training Certification Forms](#)
 - A. Privacy Act
 - B. Security Awareness

[Chapter 17: PCA Monthly Reports](#)

1. [General Requirements](#)
2. [Quality Control Report](#)
3. [Management and Fiscal Report](#)
4. [Project Staff Roster Report](#)

- 5. [Correspondence Report](#)
- 6. [Misdirected Payment Report](#)
- 7. [Security Awareness Training Report](#)

Chapter 18: Information Security

- 1. [Basic Requirements](#)
 - A. User ID Validation and Mapping of Position Descriptions
- 2. [Additional Security Steps](#)
 - A. Information Security Training
 - B. Physical Security
 - C. PCA System Security
- 3. [References](#)

Chapter 19: PCA Compliance (Inspections)

- 1. [Agency Reviews](#)
- 2. [Remote Call Monitoring](#)
- 3. [FISMA Certifications](#)
- 4. [Checks & Balances](#)

Chapter 20: Contact and Resource Information

- 1. [PCA Website](#)
- 2. [Regional Offices](#)
- 3. [Washington D.C](#)
- 4. [Customer Service](#)
- 5. [Payment & Correspondence Addresses](#)

Chapter 21: Ad hoc Files for PCAs

- 1. [TSO Files for PCAs](#)

ERRATA Section

- 1. Changes

COMMENTS

OVERVIEW

The U.S. Department of Education's Federal Student Aid programs are the largest source of student aid in America, providing nearly 70% of all student aid. For many, collection of defaulted student loans is one of the final steps in the financial aid process. We collect and service student loans that have been assigned or referred to ED (e.g., Perkins loans, defaulted FFELP loans, defaulted Direct Loans, converted TEACH grants), as well as, Pell, SEOG, ACG and National SMART overpayments.

A critical component in our collection efforts is the Private Collection Agencies (PCAs). Under the 2004 contract, 17 PCAs collectively each year recover billions of dollars in defaulted student loans. The Education collections contract is often seen within the Federal Government, as well as, the collection industry, as a best in business. ED strives to develop the best possible working relationship with the PCAs, while maintaining comprehensive oversight and a dedicated commitment to outstanding customer service.

One of the main areas that enable ED to achieve such high marks within our collection efforts is our Statement of Work, RFQ, PCA Procedures Manual, and AWG Hearings and Employer Compliance Manuals. The following procedures manual has been designed to assist PCAs with day-to-day processing necessary in working with, resolving, and closing borrower accounts.

An electronic version of this PCA Procedures Manual can be found on the PCA website (<http://www.fsacollections.ed.gov/contractors>).

This PCA Procedures Manual is considered a “living” document and will be updated as appropriate with new or corrected information. Any changes will be identified in the Errata section of the manual.

CHAPTER 1: LAW AND REGULATIONS

1. LOAN AND GRANT PROGRAMS

The U.S. Department of Education (ED), Federal Student Aid, Borrower Services, Default Resolution Group, performs collection and administrative resolution activities on debts resulting from non-payment of student loans and grant overpayments made under the various Title IV student aid programs.

A. Federal Family Education Loan (FFEL) Program:

➤ Stafford Loan Program

The Stafford Loan Program [formerly the Guaranteed Student Loan {GSL} Program] is authorized by Title IV, Part B of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. 1071 *et seq.*). Participating lending institutions using non-Federal funds make these loans. The loans are either guaranteed by state or private non-profit guaranty agencies and reinsured by the Federal Government, or are insured directly by the Federal Government. The guaranty agencies, lenders or subsequent note holders will adhere to the due diligence requirements in making, disbursing, servicing and collecting loans as outlined in the applicable regulations, 34 CFR 682.206-208; 34 CFR 682.411; and 34 CFR 682.507.

➤ Supplemental Loans for Students

The Supplemental Loans for Students (SLS) are authorized by section 428A of the HEA (20 U.S.C. 1087-1). Under the SLS Program, banks and other financial institutions make loans to independent undergraduate, graduate, and professional students with similar due diligence requirements for all note holders.

➤ FFEL Consolidation Loan Program

The FFEL Consolidation Loan Program is authorized by section 439(o) of the HEA (20 U.S.C. 1087-2(o)). Under the consolidation loan program, eligible lenders make loans to consolidate all of a borrower's education financed student loans, including FFEL, Direct Loan Stafford, PLUS, Perkins, and Health Professions Loans. Once these loans are granted, applicable due diligence is required of all note holders.

➤ Parent PLUS Loan Program

The Parent PLUS Loan Program [formerly Parental Loans for Undergraduate Students] is authorized by section 428B of the HEA (20 U.S.C. 1078-2). Under the Parent PLUS program, banks and other financial institutions make loans to parents of dependent students. Certain regulatory due diligence will be followed by all note holders.

➤ Graduate/Professional PLUS Loans

Under the Higher Education Reconciliation Act of 2005 (HERA), graduate or professional students became eligible to borrow under the PLUS Loan Program. The terms and conditions applicable to Parent PLUS Loans are also applicable to Graduate/Professional PLUS Loans. The holder of the note must adhere to all due diligence requirements as provided by applicable regulations.

B. William D. Ford Federal Direct Loan Program:

Under the William D. Ford Federal Direct Loan Program (Direct Loan), the Secretary makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school.

➤ Federal Direct Stafford/Ford Loan Program

The Federal Direct Stafford/Ford Loan Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.). Loans made under this program are referred to as Direct Subsidized Loans. This program provides loans to undergraduate, graduate, and professional students attending schools participating in the Direct Loan Program. The Secretary subsidizes the interest while the borrower is in an in-school, grace, or deferment period.

➤ Federal Direct Unsubsidized Stafford/Ford Loan Program

The Federal Direct Unsubsidized Stafford/Ford Loan Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.). Loans made under this program are referred to as Direct Unsubsidized Loans. This program provides loans to undergraduate, graduate, and professional students attending schools participating in the Direct Loan Program. The borrower is responsible for the interest that accrues during any period.

➤ Federal Direct PLUS Program

The Federal Direct PLUS Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.) and the HERA. This program provides loans to parents of dependent students and graduate or professional students attending schools that participate in the Direct Loan Program. The borrower is responsible for the interest that accrues during any period.

➤ Federal Direct Consolidation Loan Program

The Federal Direct Consolidation Loan Program is authorized by Title IV, Part D of the HEA (20 U.S.C. 1087a et seq.). This program provides loans to borrowers who consolidate their FFEL, and Direct Loan Stafford and PLUS Loans. Currently, Perkins Loans and Health Professions Loans may only be consolidated into a Direct Consolidation Loan if at least one FFEL or Direct Loan program loan is included in the consolidation. There are three types of Direct Consolidation Loans:

- Direct Subsidized Consolidation Loans. Subsidized Title IV education loans may be consolidated. Interest is not charged to the borrower during in-school and deferment periods.
- Direct Unsubsidized Consolidation Loans. Certain Federal education loans may be consolidated into a Direct Unsubsidized Consolidation Loan. The borrower is responsible for the interest that accrues during any period.
- Direct Plus Consolidation Loans. Parent Loans for Undergraduate Students, Federal PLUS, Direct PLUS, and Direct Plus Consolidation may be consolidated into a Direct PLUS Consolidation Loan. The borrower is responsible for the interest that accrues during any period.

C. Perkins Loan Program:

The Perkins Loan Program [formerly the National Defense/Direct Student Loans {NDSL} Program] is authorized by Title IV, Part E of the HEA (20 U.S.C. section 1087aa et seq.). Under this program, ED assists in the establishment and maintenance of revolving loan funds at institutions of higher education to provide low-interest, long-term loans to help financially needy students pay their educational costs. Students will apply directly to their schools to participate in the Perkins Loan program.

Perkins regulations, 34 CFR Part 674 Subpart C, require schools to exercise due diligence in the collection of Perkins accounts. However, in 1979, because of rising institutional Perkins default rate, ED implemented provisions of the HEA, whereby schools could submit defaulted loans to ED for additional collection activity (20 U.S.C. Section 1087cc (a)).

D. Pell Grant Program:

The Pell Grant Program is authorized by section 411 of the HEA (20 U.S.C. section 1070a et seq.). An individual student's award is based upon his/her enrollment status, the cost of attendance at the institution, and his/her Student Aid Index. Using this information and the Pell Grant Payment Schedule for the appropriate year, the financial aid officer at the institution calculates the student award.

When a student receives a grant greater than he/she is entitled to receive, he/she is considered to have received an overpayment. Overpayments may occur through incorrect calculation of an award, through incorrect information reported by a student on his/her financial aid application, a student dropping or withdrawing from class or a student's failure to make satisfactory academic progress. If the overpayment is not caused by an institutional error, the recipient is liable for repayment. In these cases, an institution will submit the debt to ED for collections as outlined in the Pell Grant regulations, 34 CFR 690.79, whenever the institution encounters difficulty in collecting the overpayment.

E. Academic Competitiveness Grant Program:

The Academic Competitiveness Grant (ACG) was created under the Higher Education Reconciliation Act of 2005 for full-time students at degree-granting institutions who are recipients of Federal Pell Grants and are U.S. Citizens. The student must be enrolled in the first or second academic year of his or her program of study and completed a rigorous secondary school program of study. As with the Pell Grant Program, if an overpayment occurs, an institution will submit the debt to ED should the institution encounter difficulties in collecting the overpayment.

F. National Science and Mathematics Access to Retain Talent Grant Program (SMART):

The National Science and Mathematics Access to Retain Talent (SMART) Grant was created under the Higher Education Reconciliation Act of 2005 for full-time students enrolled in the third and fourth academic year of his or her program of study at a four-year degree-granting institution. Additionally the student must be majoring in physical, life, or computer science, engineering, mathematics, technology, or a critical foreign language. As with the Pell Grant Program, if an overpayment occurs, an institution will submit the debt to ED should the institution encounter difficulties in collecting the overpayment.

G. TEACH Grant:

Effective July 1, 2008, the College Cost Reduction and Access Act (CCRAA) of 2007, established the Teacher Education Assistance for Higher Education (TEACH) Grant Program to provide assistance to students who plan to become teachers and teachers who are obtaining graduate degrees. In exchange for the grant, candidates must agree to serve as a full-time teacher at certain schools and within certain fields for at least four academic years within eight years after completing the course of study for which the candidate received the grant. If the candidate fails or refuses to carry out his or her teaching obligation, the amounts of the TEACH Grants received are treated as an unsubsidized Direct Loan and must be repaid with interest.

If an overpayment occurs, the grant will continue to be treated as a grant and an institution will submit the debt to ED should the institution encounter difficulties in collection the overpayment.

H. Supplemental Educational Opportunity Grant Program (SEOG):

The Supplemental Educational Opportunity Grant (SEOG) program is authorized under section 413A et seq. of the HEA (20 U.S.C. section 1070b et seq.). The program was initially authorized and incorporated into the Higher Education Act by the Education Amendments of 1972 (Public Law 92-318). It superseded the Basic Educational Opportunity Grants Program that was established in 1965 by the Higher Education Act. These grants are provided to undergraduate students with exceptional financial need, with priority given to Pell Grant recipients. As with the Pell Grant Program, whenever an institution encounters difficulty in collecting the overpayment, the institution will submit the debt to ED for collection.

2. FAIR DEBT COLLECTION PRACTICES ACT

The purpose of the Fair Debt Collection Practices Act (FDCPA) is to prohibit abusive, deceptive and unfair debt collection practices by debt collectors.

Any person who violates a provision of the FDCPA is found guilty of a misdemeanor and upon conviction is punishable by a fine of not less than \$100 nor more than \$1000 for each conviction.

Borrowers often allege that ED or the PCAs have engaged in acts or practices that violate the FDCPA. The FDCPA applies only to the collection activities of third-party debt collectors. The statute itself defines the term "debt collector" to exclude officers or employees of the United States, and therefore the FDCPA by its terms does not apply to the collection actions of ED employees. The FDCPA does, however, apply to the PCAs ED retains to perform collection services on student loans.

Because the FDCPA does not apply to ED, ED takes the position that it cannot be held liable for any FDCPA violations of its PCAs. In addition, there is a clause in each of ED's task order awards with a PCA that holds ED harmless for the acts of the collection agency.

3. FREEDOM OF INFORMATION ACT

The purpose of the Freedom of Information Act (FOIA) is to provide the general public the right to access government data and information. The general public may examine records and documents that the government stores and accumulates within the rules and guidelines set forth by the FOIA.

However, in the disclosure of such information there are nine exemptions. One of these exemptions is for records, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy. ED may choose to exercise this exemption. In exercising this exemption, we may look to the motives of the requestor and balance his or her right to know against the privacy rights of the individual to whom the records pertain.

Collectors may not make a disclosure regarding a borrower to a third party or to the general public when requested under the FOIA. People making requests for information under the FOIA should be instructed to put their request in writing and send all requests to:

U.S. Department of Education
Office of Management
400 Maryland Ave., SW
Potomac Center
Washington, D.C. 20202-4700
Fax – 202-245-6651

For more specific information, individuals should be directed to ED's website at www.ed.gov and then instructed to click on "FOIA" at the bottom of the page.

In addition, any written FOIA requests received at the PCAs must be forwarded to the above address within *1 business day* of receipt.

4. PRIVACY ACT OF 1974

Authority: 5 U.S.C. Sec.552a, 5 CFR Part 5b

The Privacy Act of 1974 prohibits ED's release of any information contained in ED's loan records except for routine uses of ED's records on that loan, without a signed written authorization from that debtor. Routine uses of student loan records include disclosure to a variety of parties that may have information about, or may assist in enforcing, the student loan obligation. Collection agency employees have access to this information on loans referred to the contractor by ED for collection, but are required to use this information under the same safeguards as ED.

The Privacy Act permits ED to furnish information from the borrower's loan records to the following entities in order to enforce the loan and permit servicing or collection of the loan:

- Federal, State, or local agencies.
- Private parties such as relatives, present and former employers, business and personal associates.
- Public entities such as guarantee agencies, educational and financial institutions, credit bureaus, collection agencies, and agency contractors.

Before releasing information from ED loan records to an attorney representing a borrower, the borrower must authorize the release of account information.

References:

- Privacy Act Guide (PCA Collection Website - Library)

5. GRAMM-LEACH-BLILEY ACT

In 1999, Congress enacted the Gramm-Leach-Bliley Act (Public Law 106-102). This Act requires that lenders provide certain information to their customers regarding the collection and use of nonpublic personal information.

In general, the categories of nonpublic personal information collected about student loan borrowers from their applications, educational institutions, and consumer reporting agencies, includes their address and other contact information, demographic background, loan and educational status, family income, social security number, employment information, collection and repayment history, and credit history.

We disclose nonpublic personal information to third parties only as necessary to service their loan and as permitted by the Privacy Act of 1974. We do not sell or otherwise make available any information about student loan borrowers to any third parties for marketing purposes.

We protect the security and confidentiality of nonpublic personal information through physical safeguards, security systems and trained personnel.

6. CREDIT BUREAU REPORTING

The HEA contains specific exceptions to the limitation periods imposed by the Fair Credit Reporting Act (15 U.S.C. §1681(c)(4), (6)) for reports of adverse information on other debts. The HEA permits credit bureaus to disseminate information on student loan defaults for a seven-year period that differs from that permitted for reports on other consumer loans. For FFELP loans, a credit reporting agency may now make a report containing default information received from a guaranty agency or the Department of Education regarding the default status of a borrower's loan for up to 7 years from the date on which the guaranty agency or the Department paid a default claim on that loan. 20 U.S.C. § 1080a(f)(1). If the borrower reenters repayment on a defaulted loan and then redefaults, the HEA provides that the credit bureau can include information on that new default in reports issued for up to 7 years from the new default date. 20 U.S.C. § 1080a(f)(3). A borrower "reenters repayment" for purposes of this rule if the borrower's loan is rehabilitated.

The HEA further provides that credit bureaus may now report default information on a Perkins loan until the loan is repaid in full. 20 U.S.C. § 1087cc(c)(3). The HEA does not adopt specific rules for reports of Direct Loans, but provides that Direct Loans have the same terms, benefits and conditions as FFELP loans. 20 U.S.C. §1087e(a)(1). Accordingly, the 7-year period during which default status of a Direct Loan can be reported by a credit bureau extends until the end of the 7-year period that begins when the Department transfers a Direct Loan to its Default Resolution Group.

The Department transmits loan information electronically to national credit reporting agencies on a monthly basis. The credit reporting agency typically uses this information to update its records, and therefore includes the updated record in reports it issues. A loan that has been paid in full or settled in full is reported by most credit bureaus as a "paid collection account." A loan that is paid off by a Consolidation Loan will also be reported by most credit bureaus as a "paid collection account." Collectors must not state or imply to borrowers that the default information reported by the original lender (e.g., the bank that made the FFEL) or by the guaranty agency or Department will be deleted or expunged before the applicable 7-year period has run.. Adverse information (default status) reported by a guarantor or the Department will be expunged earlier only if the loans has been rehabilitated. Adverse information reported by the original lender will not be expunged or excluded from credit reports before the 7-year period that runs from the lender's report of that default, even if the loan is rehabilitated.

ED will not remove an account from credit bureau reporting unless Education reported the loan as in default in error, or the loan is rehabilitated. After a loan is rehabilitated, ED will notify the

credit bureaus to expunge any adverse information ED had reported on that loan. The lender that purchased the loan from ED will report the loan to credit bureaus as a current loan.

ED currently reports to TransUnion, Equifax and Experian (formerly TRW). Borrowers who have a disagreement with the information that is shown on their credit report should file a dispute with the credit reporting agency that is showing the incorrect information. If necessary, the credit reporting agency will contact ED for updated information (currently being handled by Vangent – Customer Center).

PCAs and Credit Bureau Reports

Whether the PCA can obtain a credit report is governed by the Fair Credit Reporting Act, not HEA or ED regulations. The FCRA allows the Credit Bureau to furnish a consumer report “to a person which it has a reason to believe...intends to use the information in connection with a credit transaction involving the consumer on whom the information is be furnished and involving the extension of credit to, or ...collection of an account of, the consumer...” 15 U.S.C. §1681b(a)(3)(A).

In addition, a Credit Bureau may contact a PCA that has made an “inquiry” regarding that query. Debtors will often request Credit Bureaus to remove the notation of a PCA inquiry from their credit record because they do not recognize the company name and/or do not believe that the PCA has the right to review their credit history. A PCA that is contacted by a Credit Bureau regarding the PCA’s inquiry should respond directly to the Credit Bureaus and provide to the Credit Bureau any information needed to obtain information from the Bureau, and, if necessary, to explain its role and to support the validity of its inquiry. .

References:

- HEA:section 430A (for FISLs, GSLs and other GSLP loans, and for Direct Loans) (20 U.S.C. §§ 1080a, 1087e) and section 463 (for NDSLs) (20 U.S.C. 1087cc)
- DMSC Manual: Collection Users Manual, Appendix E Credit Bureau Status Codes (Collection Website – Library)

7. COLLECTION COSTS

Section 484A(b)(1) of the HEA, 20 U.S.C.1091a(b)(1), provides in pertinent part, "Notwithstanding any provision of State law to the contrary...a borrower who has defaulted on a loan...will be required to pay...reasonable collection costs." This provision enacted in section 16033 of the Consolidated Omnibus Budget Reconciliation Act (COBRA), Pub. L. 99-272, Apr. 7, 1986, applies with respect to all loans, whenever made. Promissory notes for many student loans contain terms obligating the borrower to pay collection costs as well.¹ Collection contractors charge ED a contingent fee for any

¹ Some late fees may have been charged by the prior holders, and if so, are included in the balance if not already paid.

payments made by the borrower on a loan placed by ED with that contractor. To the extent allowed, ED passes that cost on to the borrower². Because ED applies borrower payments first to defray collection costs, the outstanding balance owed on the loans it holds consists almost exclusively of unpaid principal and accrued interest.³

Some borrowers, after paying an amount equal to their initial outstanding principal and interest, mistakenly contend that their debts are satisfied. Although ED demand letters explain how payments are credited first to costs, these borrowers either misunderstand or dispute ED's authority to do so. As a practical matter, the amounts owed on loans referred to U.S. Attorney's Offices for collection consist almost entirely of unpaid principal and accrued interest; this dispute may present itself on these referred loans by way of an argument that ED had no authority to apply the payments to costs, and that the amount already paid by the borrower should have reduced or satisfied the debt referred for litigation.

Promissory notes for many student loans contain terms obligating the borrower to pay collection costs. Currently collection cost on an account assigned to a PCA is 24.34%. The percentage taken out of each regular payment is 19.58%. Example: a \$100 payment will reflect a collection cost of \$19.58. The ED System will show projected collection agency fees on the total balance of the account if the account is assigned to a PCA. Fees are actually only earned and charged to borrower if borrower makes payments on the account.

Please note: DMCS currently calculates projected collection costs incorrectly. The system calculates collection costs on any existing fee balances in addition to principle and interest. However, ED requires PCAs to calculate projected collection costs based only on outstanding principal and interest.

8. STATUTE OF LIMITATIONS

Section 3 of the Higher Education Technical Amendments of 1991, P.L. 102-26 eliminates any statute of limitations that has applied to enforcement actions to collect student loans made or insured under Title IV of the HEA. The amendment provides that a lawsuit may be commenced, a judgment enforced, or a garnishment or offset action taken by the Federal government to collect defaulted loans regardless of any Federal or State statutes of limitation that might otherwise have applied to these collection actions. The law also applies to actions by institutions and guaranty agencies to collect defaulted student loans.

Prior to this 1991 amendment, the limitation period for suits to collect student loans made or guaranteed under Title IV of the HEA was six years commencing from the date the government

² ED has used this authority to pass collection costs on to borrowers only after 1986, and only those costs incurred after the change in law.

³ ED's computer records display a payoff amount for each loan currently placed with the PCA. This amount includes both the unpaid principal and interest accrued through the date of the calculation, but an estimate of the amount of the contingent fee cost ED will incur, and pass on to the borrower, if that full principal and interest amount were to be repaid immediately (displayed as "projected collection agency fees"). These fees are actually earned and charged to the borrower only as the borrower makes payments on the loan.

paid a guaranty claim for FISLs, See U.S. v. Bellard, 674 F.2d 330 (5th Cir. 1982), or, under § 484A(a) prior to that amendment, for six years from the date the loan was assigned to ED for GSLs and for Perkins/NDSLs - 484A(a)(4) of the HEA, 20 U.S.C. 1091a(a)(4) (1990; since amended by P.L. 102-26, supra); U.S. v. Menatos, 925 F.2d 333 (9th Cir. 1991). The 1991 amendment modified Section 484A to expressly abrogate these prior limitations for each of these kinds of loans. The amendment provides that litigation may be commenced, a judgment enforced, or a garnishment or offset action taken by the Federal government to collect defaulted loans regardless of any Federal or state statutes of limitation that might otherwise have applied to these collection actions.

A commonly encountered defense raised in the face of this authority is the claim that prior limitations periods had expired, rendering the loan judicially unenforceable under the law. Both the statutory terms governing the effective date of the 1991 amendments and the case law forcefully reject this claim. The effective date provisions of the law expressly provide that this authority applies to all "pending actions" to collect loans whenever those loans were made, including loans made before April 9, 1986, the date of enactment of the prior version of § 484A. Pub. L. 102-26, 3(c), as amended by Pub. L. 102-325, § 1551 (removing November 6, 1992 sunset provision).

The amendment therefore empowers the government to collect ED-financed loans time-barred under other limitations provisions that previously applied - U.S. v. Phillips, 20 F.3d 1005 (9th Cir. 1994); U.S. v. Hodges, 999 F.2d 341 (8th Cir. 1993); U.S. v. Glockson, 998 F.2d 896 (11th Cir. 1993); U.S. v. Mastrovito, 830 F.Supp. 1281 (D. Ariz. 1993); N.Y. Higher Education Services Corp. v. Laudenslager, 616 N.Y.S.2d 135 (N.Y. Sup. 1994); § 484A as amended applies to suits to collect ED-financed loan brought by guarantor. Although this retrospective, resuscitative effect may appear unusual, Congress has the power to revive time-barred claims because statutes of limitations are procedural rules, and can be established, modified, enlarged or eliminated by the jurisdiction under which a debt is enforced without violating a defendant's constitutional or statutory rights - See U.S. v. Menatos, 925 F.2d at 335, n.2 (9th Cir. 1991) (addressing resuscitative effect of prior version of § 484A(a) enacted in 1986 by Pub. L. 99-272); Chase Securities Corporation v. Donaldson, 325 U.S. 304, 311-312 (1945); Davis v. Valley Distributing Co., 522 F.2d 827, 830 n.7 (9th Cir. 1975), cert. denied, 429 U.S. 1090 (1977); Osmundsen v. Todd Pacific Shipyard, 755 F.2d 730, 733 (9th Cir. 1985).

9. RESTORING TITLE IV ELIGIBILITY

A. Federal Student Loan Programs

A borrower that is in default on a loan held by ED is ineligible to qualify for additional Title IV student assistance due to the default status. For the borrower with loans to regain eligibility the borrower must enter into an agreed upon payment arrangement and make six consecutive, full, voluntary payments on time. On time is defined as within 15 days of the established due date. ***This benefit is available one time only per borrower.***

In order to maintain Title IV eligibility once restored, the borrower must continue to make the appropriate payments under the agreed upon payment arrangement. For more information about setting up payment arrangements please see Chapter 6.

The borrower will become eligible for additional Title IV financial aid after the sixth consecutive timely payment. The borrower should be warned that if he or she does not continue to make payments under “the repayment schedule in effect” (which may be modified from time to time as the borrower’s income and expenses may change), the borrower will lose their Title IV eligibility.

Requests for Title IV Reinstatement letters should be submitted to Vangent via an online IMF. For more information about this process, please see Chapter 5.

B. Grant Overpayments

Students with eligible program overpayments (POVRs) *only* may regain eligibility simply by entering into an acceptable repayment agreement. This means that the student is eligible to receive additional Title IV funds even BEFORE making their first payment. Eligible POVR debts are those debts where the funds were disbursed on or after July 1, 2000.

The one time only restriction is not applicable to grant overpayments.

Requests for Title IV Reinstatement letters should be submitted to Vangent via an online IMF. For more information about this process, please see Chapter 5.

References: 20 U.S.C. Sec.1091(p)(3); 20 U.S.C. Sec.1078-6(b); 34 CFR
668.35(a), (c)

CHAPTER 2: GENERAL COLLECTION ACTIVITIES (WORKING BORROWER ACCOUNTS)

When agencies receive and begin working borrower accounts, there is some basic information that pertains to all accounts, as well as, specific information germane to certain types of accounts. The following information provides general account guidance.

1. DOCUMENTATION OF COLLECTION ACTIVITY

The PCA will immediately record, on its own computer system, all collection activity occurring on an account, including, but not limited to, - documentation of all in-coming and out-going calls; complete, clear, accurate summaries of phone conversation; clear correspondence receipts and deliveries; etc. Industry standard abbreviations can be used. Please keep in mind that the purpose of the notes is to document what has occurred on an account, and the notes are often critical in the event of litigation, complaints, etc.

Aside from their own systems, the PCAs must also document the DMCS as required. PCAs must update the DMCS with borrower's name, address, home and work telephone number changes and information regarding the borrower's employment, i.e., employer's name, address and telephone number. In addition, PCAs are required to document the DMCS with specific program notations as required by different work activities such as EFTs, AWG, compromises, rehabilitations, consolidations, etc. Required documentation for these and other activities is detailed in the corresponding section of this manual or in greater detail in specific function training manuals (i.e. AWG, Litigation, etc.).

A. DMCS Updates

➤ L103 Screen (borrower demographics)

- Borrower Name
 - Typically, PCAs will request name changes through an IMF; however, *PCAs may change FEMALE borrower names, if only the last name is changing* (i.e. marriage, divorce, etc.)
 - Must document the L102 referencing the name change due to marriage, new TOP posting, etc.
- Borrower Address
 - Should be the same on the PCA System and the DMCS (L103 screen)
 - Ensures ED system letters and PCA letters are being sent to the appropriate address to initiate/support certain actions, i.e. AWG.

- If a PCA receives a "new" address from ED in their address extract file but determines that the address on their system is the correct address, then the PCA must update the DMCS address back to the PCA "valid" address.
- PCAs should ensure that their system, as well as DMCS, has the most current, correct borrower contact information.
- *If the PCA contacts the borrower at an address other than the last address known to ED, the PCA must reissue its first demand letter to the borrower at the new address.*
- Upon receipt of evidence that a borrower's current address of record is not valid, the PCA will change the address status field on the L103 screen to "U"
- Employer work numbers
 - Must be transferred as part of the employer location information listed in the reference section on the L103
 - May be placed in the day number of the borrower demographic section on the L103
- Employer Address
 - Employer address references on the L103 screen refer to the current employment location information for the borrower (physical location where the borrower works)
 - Includes company name, address and phone number
 - Employer location information is used during on-site and off-site account update reviews by Education.
- Employer address and AWG
 - For AWG purposes, we ask that the employment data on the L103 correlate with the information on the L140
 - If the name of the borrower's employment location (work address) on the L103 differs from the employer name on the L141, then there needs to be a notation on the L102 specifying the reason for the difference.
 - For example, if a borrower works at the Wal-Mart in Conyers, this information will be notated in the L103 screen. Since Wal-Mart's payroll/garnishment office is located in a central corporate location, a different address will be input on the L141 screen.
 - *PCAs should be maintaining the borrower's employer location information, as well as, the payroll/garnishment information separately (if not the same data) within their system.*

➤ **L102 Screen (ED notepad)**

The L102 screen is a basic collection notepad that is utilized to capture key information so that both PCA and ED staff are aware of important account information. Specific notations or line items required for certain PCA actions are listed under specific work functions throughout this manual, as well as, in additional functional procedures manuals. Please be aware that certain

notations must be input exactly as required in order for certain account actions to take place (i.e. ICRPs, rehab exceptions, incarceration queries, etc.).

As with any formal notation regarding an ED account/borrower (whether in DMCS or in the PCA system), ED expects professional and appropriate language to be used at all times in an effort to support ED's collection mission and provide the best customer service possible.

➤ **L106 Screen (Letter History)**

The L106 screen is the screen where the letter history is stored for the account. The history includes all ED and PCA computer generated letters sent on the account. The history shows the date a letter is sent, the letter code for the letter sent, and a portion of the address to which the letter was sent. Also included is an indicator code in the event that a letter is returned undeliverable. PCAs are responsible for ensuring that all the L106 accurately reflects the letters sent on an account along with the undeliverable code if the letter is returned as undeliverable.

References:

- SOW 2.6, 3.2 A
- DMCS User Manuals (Available from the COR)

2. CELL PHONE USAGE

Use of cell phones (personal or business) by regular collection staff is prohibited. A limited number of higher-level managers (*not to exceed three*) are allowed to use cell phones to contact borrowers or third parties under special or unusual circumstances. ED expects the use of cell phones within the ED collections contract to be rare occurrences. A list of authorized managers must be forwarded prior to any cell phone use to the COR and Assistant COR for approval. All calls must be properly documented in the PCA's system. Documentation must contain normal collection call data including:

- Cell phone number
- Date and Time of Call
- Manager who made call
- Complete Call Summary

PCAs must be able to distinguish and track all cell phone calls for review and/or reporting purposes.

The PCA must ensure cell phones are used according to all applicable federal, state & local laws regarding debt collection communications

Reference: SOW 3.2 A

3. PSEUDO SSNs

Pseudo SSNs include any accounts where the first three digits are not in the range of 001 through 765. Typically pseudo numbers are assigned when ED determines that a third party SSN (an incorrect SSN) exists on an account and the number is changed to a pseudo.* Pseudo SSNs are also found on some co-maker accounts.

Since PCAs are charged with actively locating and finding borrowers in their ED portfolio, agencies must try to locate borrowers whose accounts contain pseudo SSNs. If a PCA locates a borrower with an account listed under a pseudo SSN, the PCA must attempt to get the correct SSN from the borrower. The PCA must request the following from the borrower:

- Copy of valid state driver's license or other state issued identification showing date of birth (DOB)
- Copy of Social Security Card
- Copy of Birth Certificate

This information should be forwarded to the Atlanta Regional Office via an IMF with a request to correct the SSN.

If the borrower refuses to send verification of their correct SSN, the PCA must document their system.

Helpful Tip: The PCA may also request a copy of the promissory note and review the L102 to try to determine the correct SSN. If the promissory note indicates that the SSN was input incorrectly during assignment, and the L102 does not indicate that the SSN on the promissory note is incorrect, the PCA should send an IMF, along with documentation, to the Atlanta Regional Office for review.

** Accounts with Pseudo SSNs are excluded from the Rehab sale, consolidation and disability discharges.*

4. THIRD PARTY CONTACTS

If a PCA contacts a possible third party, the PCA should verify the following:

- That the person has never lived at the address(es) in DMCS
- Determine if the Person's Date of Birth is different than the DMCS
- Determine if the SSN is different, utilizing last four digits of the DMCS SSN

If the third party SSN matches, but other identifiers (i.e. name, date of birth) are different, the PCA should request that the person submit copies of their social security card, birth certificate, and driver's license/state ID. If the person is uncomfortable sending this information to the PCA, the third party should be directed to contact the ED Customer Call Center (1-800-621-3115) for assistance (*PCA should document DMCS with the referral*).

If a PCA determines that a third party was contacted, and the third party information was updated to the DMCS, the PCA should transmit information to the DMCS to overwrite the third party information. To completely remove the third party address from the address history:

- Submit an IMF to the Atlanta Regional Office requesting third party information be removed from the DMCS

5. FEDERAL EMPLOYEES

Periodically, ED performs matches with the Federal (FED) employee databases. If the account is not currently in repayment, ED retains the right to recall the account from the PCA.

The PCA is required to service FED accounts as they would regular accounts. FED accounts are eligible for consolidation, rehabilitation, and compromise. However, FED accounts cannot be submitted for AWG or Litigation.

If a PCA chooses to return a FED account (after any required time frames have elapsed) because of an inability to collect on it, the account should be returned as "INA."

6. CO-MAKER ACCOUNTS

A co-maker is a person who co-signs for another person's student loan. ED will have initiated collection efforts in pursuit of both the borrower and co-maker prior to transfer of accounts to the PCA.

In the situation of a co-maker, there are two account records stored in the database and both records are connected to the same debt record.* PCAs are required to keep the primary account and co-maker accounts linked. Thus one account cannot be returned to ED independent of the other account. Because the co-maker and primary accounts are linked to the same debt, both accounts will be assigned to the PCA in the same transfer of accounts. If the PCA returns one account without returning the other account, they should contact ED for assistance.

If the co-maker dies, becomes disabled, or files a dischargeable bankruptcy, the debt *will not* be written off. In such a case the co-maker would be released from the debt, but the borrower would still be obligated to pay. The debt should only be written off if the **borrower** dies, becomes disabled or files a bankruptcy that is dischargeable. If the PCA has information concerning an administrative resolution to a co-maker account, documentation should be submitted to the Atlanta Regional Office via an Internal Mail Form (IMF).

In February 2008, ED made a business decision to suspend collection against most co-makers and to terminate each co-maker's relationship to the debt. This termination project has *not yet been implemented due to system related issues.*

**Co-maker information can be found on the L101 and L109 screens.*

References:

- SOW 3.6 co-makers
- Contract Administrator Notice dated 2-8-08
(<http://www.fsacollections.ed.gov/contractors/pca2004/cotr/020808.htm>)

7. SUSPENSION OF COLLECTION ACTIVITY

The PCA will immediately suspend collection activity on an account and, *if necessary* (or requested by ED), refer the issue, (NOT RETURN THE ACCOUNT), to ED for resolution within *five calendar days* after any of the following occur:

- a) The borrower disputes the amount owed citing, for example, that the debt was never incurred, was paid off, or should have been canceled.
- b) The borrower raises a legal defense against repayment (for example: closed school, ability to benefit, fraud, or circumstances under which ED may be prohibited from pursuing collection)
- c) The borrower requests a written review or hearing in response to the 65-Day Notice of Federal Offset or 30-day Administrative Wage Garnishment Notice. The PCA will process all such correspondence in accordance with ED requirements and guidelines.
- d) The borrower files a written or verbal complaint against the collection activities of the PCA.
 - Includes written/verbal Congressionals, U.S. Attorney inquiries and media requests

Once ED has made a decision, the PCA will be notified to resume collection activity or close and return the account. Failure by the PCA to suspend collection activity as required will result in the recall of the account by ED.

The initial suspension should be for sixty (60) calendar days unless a decision is brought to the PCA's attention before then. If sixty (60) days have passed from the time that the PCA originally put the account in suspense and ED has not made a determination, the PCA has the option to request the return of the account via IMF to the Atlanta Regional Office or follow-up with ED for additional guidance.

Reference: SOW 3.5

8. CEASE COLLECTION ACTIVITY

Cease collection activity requires the PCA to stop all collection activity, letters, phone calls, and contact with the borrower or employer. Cease collection activity is different from the suspension of collection activity in that suspension is temporary. Ceasing collection activity typically occurs when the borrower requests in writing that the PCA stop all communications with them. In such cases the PCA is allowed *one final contact*. Please note that a request to discontinue phone calls to the employer, or a request to discontinue phone calls to the home telephone number is not considered a request to cease collection activities.

ED expects the PCA to evaluate these accounts for AWG or litigation. If AWG or Litigation is not possible, the PCA can request that ED recall the account. This request is sent in via an IMF to the Atlanta Regional Office, which must include a copy of the borrower's cease/desist letter (See Chapter 5 – IMFs for more information).

Reference: Fair Debt Collection Practices Act Section 805

CHAPTER 3: CORRESPONDENCE & BORROWER COMPLAINTS

Due to the high volume of accounts, various account resolutions and payment programs and the emotional nature of collections, ED collection accounts produce a lot of different kinds of correspondence, as well as, borrower complaints against PCAs. Both correspondence and borrower complaints must be handled timely and appropriately to ensure that proper account resolution occurs with the best possible customer service.

1. CORRESPONDENCE

Correspondence must be retained in the administrative office. *Correspondence includes any documentation related to a borrower's account, including the envelope.* Documents may include, but are not limited to, complaints, checks, death certificates, faxes, emails, etc.

PCAs must have the ability to image, electronically store and produce viable copies of all incoming correspondence and, if requested by ED, send secure imaged documents electronically. If maintained in hardcopy form, documents must be secured under lock and key.

A. Handling Correspondence

Upon receipt of any correspondence, the PCA will immediately date-stamp all correspondence. In most instances, date-stamps should appear on the actual document. In cases where it is deemed not appropriate to date-stamp the actual document (i.e. misdirected payment), date stamping a cover letter or copy of the actual document is acceptable.

The PCA will process and/or forward a response within *ten (10) calendar days of receipt*. In addition, the PCA must document on their system all applicable information related to the correspondence, including any actions taken.

- Accounts not Currently Assigned to a PCA
 - Forward to the Atlanta Regional Office via IMF
- PCA Handled Requests
 - On-line IMF requests
 - Request for PIF, SIF, reinstatement of TIV aid
 - Request for closed school, ATB, unauthorized signature and unpaid tuition discharge applications
 - Requests for promissory note copies
 - Appropriate names changes
 - Requests for payment histories

- Requests for payment arrangements
- Letters indicating inability to pay
- Changes in address & phone numbers
 - Must be updated on the PCA System & DMCS

➤ **Atlanta Regional Office Handled Requests***

- Complaints
- Discretionary compromises (see Chapter 7 for more information)
- Appropriate name changes
- DOB changes/additions
- SSN changes
- Payment issues
- Cease and Desist

*see Chapter 5 – Internal Mail Forms, for more information

➤ **Vangent Handled Requests**

- Disputes
- Completed closed school, ATB discharges, etc.
- Written AWG and TOP hearings
- Written congressionals*

*Written inquiries from the U.S Congressional Office (senators and representatives) or the White House must be sent by overnight service within 24 hours of receipt to:

CSB-Panagon System
U.S. Department of Education
6201 Interstate 30 Highway
Greenville, Texas 75402

Submissions should be sent “separately” with a cover letter/sheet indicating possible Congressional documentation.

For correspondence sent to Vangent, PCAs should monitor DMCS for notation. Responses may take up to 3 weeks for resolution. In addition, PCAs may view copies of response letters in the borrower’s Panagon file if desired. PCAs should not contact Vangent; instead, agencies should contact their main Point-of-Contact in the Atlanta Regional Office with any questions or concerns.

All mail for Vangent (IMFs, hearings, etc.) must be sent to Greenville. *Aside from Congressionals*, you may send a single shipment (e.g., a FedEx box) each day, so long as the various items are bundled together by type and clearly identified so that hearings get scanned into Panagon as such, etc. Appropriate Vangent addresses can be found in Chapter 20.

B. Other Sensitive Inquiries

- Letters or calls from U.S. Attorneys should be routed/sent to the San Francisco Regional Office.
- Letters or calls from the media should be directed to the Atlanta Regional Office.
- The PCA must forward a copy of any lawsuit referencing an ED account to ED within *twenty-four (24) hours of receipt* & document the L102 with this information.
- Telephone calls from a U.S. Congressional Office must be referred *via email* to the Atlanta Regional Mailbox within *24 hours*. Please see Subsection E below for more information.

C. Maintaining Documents

Unless otherwise stated in the Task Order, under the FSA Scheduling Contract or specifically instructed by ED, agencies must retain account information for the life of the contract.

D. Correspondence Report

On a monthly basis, the PCA must provide an electronic correspondence report listing all correspondence received for the previous month to the COR, Assistant COR and ED Monitor by the 15th of the following month. See Chapter 17 for more information.

E. Atlanta Regional Office Mailbox

The Atlanta Regional Office has created an email mailbox to receive certain types of correspondence or requests. The mailbox email address is FSAAtlantaContracts@ed.gov.

PCA correspondence directed to this mailbox includes:

- Requests for ED to fax W32 letters (stop AWG letters to employers)
- Congressional phone inquiries received at the PCA
 - Information to be sent in includes:
 - Borrower name
 - Debt ID
 - Name and Title of caller
 - Caller's phone number
 - Congressional Office involved
 - Name and phone number of PCA employee receiving the call
 - Date and time of the call
 - Brief call summary

Reference: SOW 2.8, 5.2(d)

2. COMPLAINTS AGAINST THE PCA

The PCA will ensure that all attempts to collect on accounts are fair and reasonable, and do not involve harassment, intimidation, or false or misleading representation. Unnecessary communication concerning the existence of any such debt information will not be given to persons other than the borrower or the borrower's attorney. Requests for information from third parties must be supported by borrower authorization.

A. Receiving Complaints

When ED receives a complaint from a borrower:

- ED will forward a copy of the complaint to the PCA
- PCA will suspend all collection activity on the account (Except AWG accounts)
- PCA will provide ED with a response, including collector notes, addressing all of the issues of the borrower's complaint within *five (5) business days* of receipt via IMF to the Atlanta Regional Office

When the PCA receives a complaint from a borrower, (verbal or written):

- PCA will suspend collection activity on the account
- Forward a copy of the complaint to the Atlanta Regional Office within *one (1) business day* via IMF
- PCA will forward a response, including collector notes, regarding the complaint to the Atlanta Regional Office within *five (5) business days* of receipt via IMF

If the complaint is addressed to the PCA, the PCA will prepare the final response. If the complaint is addressed to ED, ED will prepare the final response. All issues raised in the complaint must be addressed.

The PCA must not resume collection activity until the complaint is resolved. Failure by the PCA to suspend collection activity will result in ED recalling the account. ED will update the DMCS once the account is resolved/finalized and will forward complaint responses to the agencies if applicable.

B. Final Complaint Submissions

Final complaint submissions should be sent in via IMF with the following information:

- PCA complaint form
- Complaint
- Agency response letter and/or response summary (explanation of events)
- Agency notepads; and,
- Any other pertinent documentation.

PCA Complaint Form must have the following information (copy can be found in this Chapter's Appendix):

- Agency Name & Number
- Date Complaint Received
- Date of Response
- Name, phone number & email address of person responding to complaint
- Borrower's Name & SSN or Debt ID#
- Borrower's Phone Number (if not yet updated on ED L103 screen)
- PCA employee(s) named or responsible for complaint
- Type of Complaint
- A listing of all borrower complaint issues
- Complaint response summary that addresses all of the borrower's questions & concerns

The PCAs' response summary (or response letter) must be detailed enough to ensure that the necessary response was sent or that the necessary response can be prepared by ED. PCAs may add additional pages to the PCA Complaint Form or may use a separate summary response to fully capture all the details of the complaint.

With regards to PCA notepads, it is often very helpful to monitors when PCAs highlight key conversations, phone attempts, and correspondence issues and also spell out key codes, phrases and/or collector IDs.

C. Complaint Protocol

- PCA must designate a specific fax number for complaints
- PCA must have at least 2 personnel designated to receive and manage complaints
- If the complaint is initially received by ED and forwarded to the PCA, the PCA must send confirmation of receipt of complaint to the Monitor by email, phone or fax.
- Extensions - if additional time is needed to respond to a complaint, the PCA must contact the appropriate Monitor and request a reasonable extension. Requests must be in writing (email acceptable), explain the reason for the extension, and set a submission deadline.

Note: ED reserves the right to request from the PCA a copy of any applicable recorded conversations on a borrower account if available.

D. Complaint Tracking System

ED maintains a complaint tracking system of all verbal and written complaints. Complaints are tracked by the following:

- Borrower Account
- Agency Name
- Receipt date and resolution date
- Individual Collector Name
- Nature of Complaint

Complaints are analyzed for recurring complaint issues, multiple complaints against individual personnel, and repeated violations of Customer Service issues or the FDCPA. Complaints may be incorporated into agency reviews.

If ED receives one or more complaints against a specific collector of a type or violation that is of a concern to ED, ED may remove the collector from working the ED Task Order.

Reference: SOW 2.4

3.

APPENDIX

A. PCA Complaint Form

PCA COMPLAINT FORM

AGY#: _____ Date complaint received: _____

Complaint written or verbal: _____ Date of response: _____

Respondent's name/phone #/email address: _____

Borrower's Name: _____ SSN/Debt ID: _____

Borrower's phone number (if not YET updated on L103): _____

PCA employee(s) named OR responsible for complaint: _____

TYPE OF COMPLAINT:

- RECEIVED BY THE PCA ADDRESSED TO THE PCA
- RECEIVED BY THE PCA ADDRESSED TO ED
- RECEIVED BY ED ADDRESSED TO ED
- VANGENT COMPLAINT

LIST BORROWER'S COMPLAINT ISSUES

- ✓ _____
- ✓ _____
- ✓ _____

PCA RESPONSE _____

- ✓ _____
- ✓ _____

PCA RESOLUTION/ PREVENTIVE MEASURES

- ✓ _____
- ✓ _____
- ✓ _____

Document the L102 with issues and responses
And provide collector notes and borrower letters with this form

Revised April 2009

Chapter 4: PCA LETTERS (AND FORMS)

This chapter will discuss the PCA letter approval process (sending letters out under the PCA letterhead for Education accounts) and proper letter usage.

In addition, starting with *Section 2*, this Chapter provides standard letters or partial text for inclusion in some PCA letters. Currently, ED provides text for letters related to rehabilitation, consolidation, repayment agreements, certain Administrative Wage Garnishment letters, financial statements, misdirected payments, compromises, and agreements for recurring credit card payments.

References:

- SOW 2.5 - Collection Letters and Forms
- Coupon Specifications
- Letter Code Table
- EFT Mailed Letters File and Returned Letters File

1. LETTER APPROVAL AND USAGE

Key points regarding PCA letter approval and usage include:

- PCAs must obtain ED's approval of all collection letters (and forms) used by the PCA, and/or generated from the PCA's own computer system, prior to usage.
- Any letter requesting repayment must be generated with a coupon, and the PCA's coupon must have passed ED coupon testing prior to use.
- ED will issue standard language for select contractor letters (*located at end of Chapter*).
- PCA attorneys must approve all contractor letters/forms (and any changes) prior to submission to ED and proof of acceptance by the Contractor legal counsel must be provided to ED along with the letter submission.
- Each PCA will be issued a set of letter codes, which will be used on the DMCS to identify letters sent by the PCA.
 - PCAs will transmit to the ED computer contractor weekly files of letters sent and any return mail so that the ED letter history is updated.

A. Contract Start-Up

The PCA must submit their letters to ED for approval as soon as possible after contract award but *no later than 90 days* from Task Order award. Each PCA will be assigned designated ED staff who will review their letters.

PCA letter packages should include the text of the letters to be used, and any disclaimers that are to be printed on the letters.

Contractor letters must be submitted in the following format:

- In Word and be editable (no PDF or password protected letters)
- Font Size no smaller than 12
- Via email to the designated ED letter contact(s)
- PCA should identify each letter with an ED letter code
- Each submission of letters to ED for review must be accompanied by proof of acceptance by the Contractor's attorney.
 - Acceptance may be a letter, email or memo.

ED staff will review the PCA's letter(s) and forward to ED's Office of General Counsel for final review and approval. ED will notify the PCA by email when the letters are approved, or if any revisions are necessary.

Within ten days of approval, the PCA will provide to ED an electronic copy of their letter index and an electronic copy of the production version of all approved letters. (The format for the letter index is provided in the references below.) The copies should be provided to the ED letter contact, the COR, and the Assistant COR.

B. Revisions to Approved Letters, and New letters

It is expected that new letters and changes to existing letters will be necessary over time. If revising an existing letter, the PCA must provide to their ED letter contact an electronic copy of the approved letter, and an editable Word version of the proposed letter. The language being changed should be highlighted in the proposed letter. Any new letter(s) proposed by the Contractor should also be submitted to the ED letter contact in an editable version of Word.

ED may also require that the PCA to modify previously approved letter(s). The Contractor must have all changes/corrections made and submitted to the ED letter contact for review and approval *within 30 days*. If the PCA does not comply with this timeframe, transfer of accounts will be withheld until the letters are approved.

In both cases, the PCA must submit proof of acceptance by the Contractor's attorney. When approved, the contractor shall update their letter index and provide ED electronic copies of the index and production letter(s) *within 10 days of approval*. The copies should be provided to the ED letter contact, the COR, the Assistant COR and the designated Monitor.

C. Letter Vendor Changes

If a PCA changes letter vendors after initial coupon testing, the contractor must contact the Assistant COR to arrange retesting of coupon letters.

2. REHABILITATION LETTERS

The standard rehabilitation agreement letter must include the following language:

This letter confirms my acceptance into the loan rehabilitation program and my agreement to repayment of my defaulted Federal Family Education Loan (FFEL) program student loans held by the U.S. Department of Education. I understand that compliance with this agreement is a prerequisite to the sale of my loans to an authorized lender.

Please check the appropriate paragraph:

- () I understand that I must make at least nine (9) monthly payments in the amount of \$«Insert», beginning «Insert», with each payment due on the same day each month thereafter. I must make the full payments in the agreed amount within twenty (20) days of their monthly due dates over a ten month period. If I fail to make the required number of on-time payments in a ten (10) month period, I will need to begin a new series of agreed upon payments in order to qualify for rehabilitation of my loans.
- () I am currently making monthly payments. I understand that these payments, if timely, will be included in the calculation of the required minimum number of monthly payments. I will continue to meet my established monthly payment due date.

I also understand and agree to the following terms and conditions:

1. I understand that this agreement is null and void if I do not honor the terms of this agreement by making a full payment within twenty (20) of the monthly due date every month for a minimum of nine (9) months. Should this occur, I will need to begin a new series of agreed-upon payments in order to qualify for rehabilitation of my loans.
2. I cannot change the monthly payment amount without ED's agreement or the agreement of the collection agency servicing my account.
3. I may have to provide a new financial statement in order to support a request to change my monthly required payment amount.
4. I must continue to make monthly payments to ED beyond the required minimum period until I am notified in writing by ED or my new lender that the sale has been completed and that I am to begin making payments directly to my lender.
5. Any interest that I owe at the time my loan(s) is sold will be capitalized by the lender. In addition, the Department may add collection costs equal to 2% of the amount of principal and interest that I owe to the loan balance. Any outstanding interest and collection costs will be capitalized by the lender. This means that the lender will add any unpaid interest and collection costs to the principal that I owe on the loan(s), and this combined amount will become the new principal balance on the loan(s). Interest will then accrue on this new higher principal balance.
6. After the sale of my loan(s), any payments made to ED will be forwarded to my lender for credit to my account. Any involuntary payment (Treasury offset) or post-dated check will be refunded to me at the address on my billing statement.
7. My new lender will establish a new due date and will calculate a new monthly payment amount based upon the balance owed at the time of sale. The amount of the required monthly installment payment may substantially increase.

I have read the above and agree to the terms and conditions of the loan rehabilitation program and this repayment agreement.

Signed: _____ Date: _____

Please return this repayment agreement to:

3. CONSOLIDATION LETTERS

A. Consolidation Responsibilities Letter

The following language must be included in the Consolidation Responsibilities letter:

We have recently discussed the possibility of consolidating your loans. Consolidation is a good program for many borrowers and offers a number of benefits. However, it is not the best choice for everyone. Before you use this option, please understand the following, especially if you believe that you are disabled or are contemplating filing bankruptcy.

Borrowers who cannot work and earn money as a result of an injury or illness that is expected to continue indefinitely may qualify for a discharge of their student debt if certified by a doctor of medicine or osteopathy. If you think you may qualify for a disability discharge, you should apply for a disability cancellation now, and you should not pursue taking out a consolidation loan until the Department of Education rules on your application.

Borrowers may also be able to have their loans discharged in bankruptcy. However, the consolidation loan is a new loan; depending on the age of your current outstanding debt(s), bankruptcy law may make it more difficult to obtain a discharge of the consolidation loan than of your current debts.

It is important to understand that by signing the promissory note for a consolidation loan, you are affirming that you owe and intend to repay the consolidation loan, regardless of any objections you have to repaying the student debts you now owe that may be paid off by the consolidation loan. With limited exceptions for borrowers who attended closed schools, or whose eligibility was falsely represented by the school, your obligation to repay the consolidation loan will not be affected by any objections you have to repaying the loans you intend to consolidate.

You should also understand that your new loan will have a larger principal balance than the combined principal balance of the loans paid off by that consolidation loan. All principal and interest of the loans being paid off, as well as collection fees totaling 11.1% of the current outstanding principal and interest, will become the principal balance of your new consolidation loan. As a result, interest will accrue on a higher principal balance.

The interest rate on your direct consolidation loan will be the lesser of:

- ◆ The weighted average of the interest rates on the loans being consolidated (as of the date we receive your application), rounded to the nearest higher one-eighth of one percent.

Or

- ◆ 8.25%

The interest rate on a direct consolidation loan is a fixed rate. This means that the rate will remain the same throughout the life of the loan.

B. Waiver of Consolidation

The following language must be included in the Waiver of Consolidation:

We request that you read the following carefully and sign and return this to the PCA listed below.

You are not required to return this waiver in order to obtain rehabilitation of your loan(s)

Waiver of Consolidation

I understand that the rehabilitation repayment terms do not require payments large enough to pay off my loans within a ten-year period. I understand that if I complete the required series of payments and my loan is sold, after that sale, my loans will be considered rehabilitated. After I make the required payments, I intend that the Department sell my loans to a lender.

I understand that the monthly payments I will then be required to make to the lender after the sale may be substantially larger than the payments I am now required to make.

I understand that in order to continue to make payments after the sale of the loan, I will need to obtain a Consolidation Loan for this debt to make use of the longer repayment periods allowed for Consolidation Loans.

I understand that I am free to apply for a Consolidation Loan at any time in the future. I hereby decline to apply, at this time, for a Consolidation Loan to payoff the defaulted loan(s), which I am now repaying to the Department of Education.

Signed: _____ Date: _____

Name (printed): _____ Social Security Number: _____

4. REPAYMENT AGREEMENT LETTERS

A. Regular (non-AWG) Repayment Agreement Letters

Standard repayment agreement letters must indicate that the repayment agreement is temporary and subject to periodic re-evaluation. The following is language to be inserted into PCA repayment agreement letters:

- “This letter confirms the repayment agreement on your defaulted account with the U.S. Department of Education. Your initial payment of <down payment> is due immediately, followed by regular monthly payments of <monthly payment amount>. This agreement applies for the next 6 months. After 6 months you may be required to

provide current financial information. Based upon this information your monthly payment amount may change.”

B. Regular (non-AWG) Repayment Agreement Letters with Credit Card Authorization

For those repayment agreements where the borrower has *given authorization to use a credit/debit card for multiple payments*, PCAs may insert the following suggested language into the repayment agreement letter or rehabilitation agreement letter (unless sending monthly reminder letters):

- “By signing and returning this letter to AGENCY NAME, you are confirming your authorization allowing AGENCY NAME to process monthly payments towards your student loan debt held by the U.S. Department of Education through the use of a credit/debit card.

The monthly payment amount is \$\$\$\$.. This amount will be processed on your card starting on DATE, and will continue to be processed on the DATE of each month or on the next business day.”

5. ADMINISTRATIVE WAGE GARNISHMENT LETTERS

A. Pre-Garnishment Cover Letter for Settlement Agreement

This notice regarding your account with the U.S. Department of Education is from (PCA). The Department has placed your account with us for collection.

You notified us that you wish to avoid garnishment of 15% of your disposable pay by making a voluntary arrangement to settle your defaulted student loan or grant obligation described in the notice of garnishment recently sent to you.

The unpaid portion of the balance is noted above. The principal portion of this balance will continue to accrue interest. The Department will apply a portion of each payment to defray costs incurred to collect this obligation.

Enclosed is a proposed Settlement Agreement that the Department has asked us to send to you. The Department will not direct your employer to initiate garnishment unless you fail to honor the terms of your settlement agreement. In addition, the Department will credit any payment received before the deadline stated below toward satisfaction of the compromise amount. The following two (2) steps must be completed by [Insert date] in order to settle your debt(s) or obligation(s).

1. You sign and return the enclosed **Settlement Agreement** back to the Department at:

< PCA Address >

2. The Department receives payments equaling the full amount stated in the enclosed **Settlement Agreement**.

Send Payments to the following address:

U.S. Department of Education
National Payment Center
P.O. Box 105028
Atlanta, GA 30348-5028

If both of these actions are not taken by your settlement deadline of [insert date], the Department of Education will issue a garnishment order requiring the withholding of your wages until the amount due has been paid in full. The Department will continue with any provision of any hearing you may have requested, unless you have already received a decision or have agreed to withdraw that hearing request.

Our business hours are: Monday- Thursday 8 am-9 p, Friday 8 am -12 pm (CST), and Saturday 8 am – 12 pm (CST). Our phone is 1 – 800- XXX –XXXX.

B. Pre-Garnishment Settlement Agreement

Settlement Agreement

Note: Read this entire agreement before signing. Retain a copy for you records. Return a signed copy to the address shown on the letter that accompanies this Settlement Agreement.

I agree with the U.S. Department of Education that I will repay a total of \$XXX.00 by [*mm/dd/yy – Insert date by which the final payment must be made*] to satisfy in full my obligation to the Department for the debts listed on the Notice of Proposed Wage Garnishment. The Department agrees to accept that amount, if paid according to the terms of this Agreement, as satisfying my obligation with respect to these debt(s) listed on the Notice of Proposed Garnishment recently sent to me by the Department, ***and not to start garnishing my wages unless I fail to honor this agreement.*** No other student aid debts are covered by this agreement.

- I will pay this amount in [two/three/four] installments of \$xxx.00.
- My first payment of \$xxx.00 is due on mm/dd/yy.
- [If, three or more payments: subsequent payments are due on the nth date of the Month]
- My final payment is due by mm/dd/yy.
- All payments are due as stated there is no grace period for these payments.]

Each payment made under this Agreement must be forwarded to –

U.S. Department of Education
National Payment Center
P.O. Box 105028
Atlanta, GA 30348-5028

I have been given an opportunity for a hearing to object to garnishment. Unless that hearing has already been provided, I now withdraw any request for a hearing that I have filed, and I release any claim I may have with respect to the collection of this debt(s).

- I agree that I owe the amount stated in the notice of garnishment or, if a decision on my objection (s) to garnishment has been issued, in the decision.
- The Department will consider any request for hearing or reconsideration I make in the future, but it will not delay or suspend garnishment while it does so;

I agree that if I do not honor this agreement, the Department can start garnishing my pay at the rate of the 15% of my disposable pay without giving me further notice or any new opportunity for a hearing before that garnishment starts. I understand that if the Department starts garnishing my wages in the future, I can only request a hearing or reconsideration of my objection(s) to garnishment on the following grounds --

- Garnishment would cause financial hardship to me and my dependents;
- I have not breached this agreement;
- I have not received credit for payments made on the agreement; and/or
- I am protected by law from garnishment;
- I may also apply for discharge relief that may be available with respect to this debt.

Signature: _____ Date: _____

[Sign and return this agreement to: < PCA Address > Keep a copy for your records.]

C. Post Garnishment Cover Letter for Settlement Agreement

This notice regarding your account with the U.S. Department of Education is from (PCA). The Department has placed your account with us for collection.

You notified us that you wish to settle your debt to the Department, described in the notice of garnishment previously sent to you by the Department.

The unpaid portion of the balance is noted above. The principal portion of this balance will continue to accrue interest. The Department will apply a portion of each payment to defray costs incurred to collect this obligation.

Enclosed is a proposed Settlement Agreement that the Department has asked us to send to you. If you accept this settlement proposal, **please note that the Department will not cancel the garnishment order until it has received the entire amount of the compromise offered in the proposal**, however, the Department will credit any payment received before the deadline stated below toward satisfaction of the compromise amount. The following two (2) steps must be completed by [Insert date] in order to settle your debt(s) or obligation(s).

3. You sign and return the enclosed **Settlement Agreement** back to the Department at:

< PCA Address >

4. The Department receives payments equaling the full amount stated in the enclosed **Settlement Agreement**.

Send Payments to the following address:

U.S. Department of Education
National Payment Center
P.O. Box 105028
Atlanta, GA 30348-5028

If both of these actions are not completed by your settlement deadline of [insert date], the garnishment order will remain in effect requiring the withholding of your wages until the amount due has been paid in full. The Department of Education will continue with any provision of any hearing you may have requested, unless you have already received a decision or have agreed to withdraw that hearing request.

Our business hours are: Monday- Thursday 8 am-9 p, Friday 8 am -12 pm (CST), and Saturday 8 am – 12 pm (CST). Our phone is 1 – 800- XXX - XXXX.

D. Post Garnishment Settlement Agreement

Settlement Agreement

Note: Read this entire agreement before signing. Retain a copy for your records. Return a signed copy to the address shown on the letter that accompanies this Settlement Agreement.

I agree with the U.S. Department of Education that I will repay a total of **\$XXX.00** by *[mm/dd/yy – Insert date by which the final payment must be made]* to satisfy in full my obligation to the Department for the debts listed on the Notice of Proposed Wage Garnishment. **I understand that the current garnishment of my wages will not be stopped until the settlement amount has been paid, and that all payments received will be credited towards the settlement amount.** The Department agrees to accept that amount, if paid according to the terms of this Agreement, as satisfying my obligation with respect to these debt(s) listed on the Notice of Proposed Garnishment recently sent to me by the Department. No other student aid debts are covered by this agreement.

- I will pay this amount in [two/three/four] installments of \$xxx.oo.
- My first payment of \$xxx.oo is due on mm/dd/yy.
- [If, three or more payments: subsequent payments are due on the nth date of the Month]
- My final payment is due by mm/dd/yy.
- All payments are due as stated there is no grace period for these payments.]

Each payment made under this Agreement must be forwarded to –

U.S. Department of Education
National Payment Center
P.O. Box 105028
Atlanta, GA 30348-5028

I have been given an opportunity for a hearing to object to garnishment. Unless that hearing has already been provided, I now withdraw any request for a hearing that I have filed, and I release any claim I may have with respect to the collection of this debt(s).

- I agree that I owe the amount stated in the notice of garnishment or, if a decision on my objection (s) to garnishment has been issued, in the decision.
- The Department will consider any request for hearing or reconsideration I make in the future, but it will not delay or suspend garnishment while it does so;

I agree that if I do not honor this agreement, the Department can start garnishing my pay at the rate of the 15% of my disposable pay without giving me further notice or any new opportunity for a hearing before that garnishment starts. I understand that if the Department starts garnishing my wages in the future, I can only request a hearing or reconsideration of my objection(s) to garnishment on the following grounds --

- Garnishment would cause financial hardship to me and my dependents;
- I have not breached this agreement;
- I have not received credit for payments made on the agreement; and/or
- I am protected by law from garnishment;
- I may also apply for discharge relief that may be available with respect to this debt.

Signature: _____ Date: _____

[Sign and return this agreement to: < PCA Address > Keep a copy for your records.]

E. AWG Rehab Agreement Letter

Repayment Agreement under the Loan Rehabilitation Program

I have been given an opportunity for a hearing to object to garnishment. I now withdraw any request for a hearing that I have filed.

This letter confirms my acceptance into the loan rehabilitation program and my agreement to repayment of my defaulted federal family education loan (FFEL) program student loans held by the U.S. Department of education (department). I understand that compliance with this agreement is a prerequisite to the sale of my loan(s) to the authorized, department-approved lender and rehabilitation of my loan(s).

Please check the appropriate paragraph:

() I understand that I must make at least nine (9) monthly payments in the amount of <month-pay>, beginning <due-date>, with each payment due on the same day each month thereafter. I must make the full payments in the agreed amount within twenty (20) days of their monthly due dates over a ten month period. If I fail to make the required number of on-time payments over a ten (10) month period, I will need to begin a new series of agreed-upon payments in order to qualify for rehabilitation of my loans.

() I am currently making monthly payments. I understand that these payments, if made on the same schedule noted above and at least in the amount stated above may be included in the calculation of the required minimum number of monthly payments. I will continue to meet my established monthly payment schedule

I also understand and agree to the following terms and conditions:

I agree that if I do not honor this agreement, the department can start garnishing my pay at the rate of 15% of my disposable pay or the installment payment amount then in effect, whichever is less, without giving me further notice or any new opportunity for a hearing before that garnishment starts. I understand that if the department starts garnishing my wages in the future, I can then object to garnishment, and the department will give me a hearing on my objection(s).

I agree that –

- The department will give me a hearing on objections I make in the future, but it will not delay or suspend garnishment while it hears and makes a decision on my objections;
- I can object in the future that garnishment would cause financial hardship to me and my dependents;
- I owe the amount stated in the notice of proposed garnishment I have just been sent, and I waive any future objection that I do not owe that amount;
- I can object to garnishment for reasons that arise after the date of this agreement;
- I can also object to garnishment, if I believe that I am entitled to have this debt discharged or that I am protected by law from administrative wage garnishment;
- I understand the agreement is void if I do not honor the terms of this agreement by making a minimum of nine (9) full monthly payments within twenty days of the monthly due date over a ten (10) month period. Should this occur, I will need to begin a new series of agreed-upon payments in order to qualify for rehabilitation of my loans;
- I cannot change the monthly payment amount without the department's agreement or the agreement of the collection agency servicing my account;
- I must continue to make monthly payments to the department beyond the required minimum period until I am notified in writing by the department or my new lender that the sale has been completed and that I am to begin making payments directly to my lender;
- Any interest that I owe at the time my loan (s) is sold will be capitalized by the lender, that is, the lender will add any unpaid interest to the principal I owe on the loan (s) and this will become the new principal balance on the loan(s). Interest will then accrue on this new higher principal. The department agrees to waive collection of any cost the department incurs as a result of the sale of my loan (s) under this rehabilitation agreement, unless I default on the loan(s) in the future and the department takes assignment of the loan(s). The department will collect as part of the debt then owed, the collection cost originally waived under this agreement. This will substantially increase the amount that will then be owed to satisfy the debt to the department;
- After the sale of my loan (s), any payments made to the department will be forwarded to my lender for credit to my account. Any involuntary payment (treasury offset) or post-dated check will be refunded to me at the address on my billing statement;
- My new lender will establish a new due date and will calculate a new monthly payment amount based upon the balance owed at the time of sale. The amount of the required monthly installment payment may substantially increase;

I have read the above and agree to the terms and conditions of the loan rehabilitation program and this repayment agreement.

Signature: _____ *date:* _____
[Sign and return this agreement to the address indicated below. Keep a copy for your records.]

Return signed agreement to: U. S. Department of Education
C/o: private collection agency address

Our business hours are: Monday-Thursday 8 am - 9 pm, Friday 8am-5pm and Saturday 8 am-12 pm (CST). Our phone number is 1 888 xxx-xxxx.

This communication is from a debt collector attempting to collect a debt and any information obtained will be used for that purpose.

Rehabilitation Checklist

Return your agreement notice immediately! Do not delay the process of your rehabilitation

1. Ensure your name is correct.
2. Ensure monthly payment amount and date repayment started is correct.
3. Ensure you sign and date agreement notice.
4. Ensure you sign exactly as your name appears at the top of page one of the agreement notice.
5. Do not mark up or make any changes to the agreement notice. This will invalidate the agreement notice and we will have to issue you another one.
6. If you have any questions regarding this agreement, call your account representative immediately at 1.888.XXX.XXXX.
7. Return your agreement notice immediately. Do not delay the process of your rehabilitation.

Two references are necessary to complete your application package. If you have not already given us two references over the phone, please complete them below using the following rules:

Both must have complete names (no initials, titles or nicknames)
Both must have different addresses from you & each other
Both must have different phone numbers from you & each other

Save time!! Fax your rehabilitation loan application today to: xxx-xxx-xxxx

This communication is from a debt collector attempting to collect a debt, and any information obtained will be used for that purpose.

F. AWG Rehab Agreement Letter (Perkins)

Repayment Agreement under the Perkins Loan Rehabilitation Program

Note: read this entire agreement before signing. Retain a copy for your records. Return a signed copy to the address shown at the end of this agreement.

I have been given an opportunity for a hearing to object to garnishment. I now withdraw any request for a hearing that I have filed.

I agree with the U. S. Department of education (department) that I will repay under the terms of this agreement my defaulted Perkins loans held by the department. I understand that compliance with this agreement is a prerequisite to rehabilitation of my loan (s).

() I understand that I must make 12 consecutive payments in the amount of \$«paymentamount», beginning «duedate», with each payment due on the same day each month thereafter until a minimum of twelve consecutive monthly payments have been made.

() I am currently making consecutive monthly payments. I understand that these payments, if consecutive and if made in amounts at least equal to the agreed-amount, will be included in the calculation of the required twelve consecutive monthly payments required for rehabilitation of the loan(s). I will continue to meet my established monthly payment due date.

I understand that I must complete a new series of twelve (12) payments in order to qualify for rehabilitation –

- If I fail to make the required number of payments over a twelve (12) month period,
- If I make any payment later than fifteen (15) days after its due date, or
- If a check is returned for insufficient funds.

I also understand and agree to the following terms and conditions.

- I cannot change the monthly payment amount without the department's agreement or the agreement of the collection agency servicing my account.
- The department agrees to waive collection of any cost the department incurs as a result of the rehabilitation of my loan(s) under this agreement, unless I default on the loan(s) in the future. The department will collect as part of the debt then owed, the collection cost originally waived under this agreement. This will substantially increase the amount that will then be owed and needed to satisfy the debt to the department.

If I do not honor this agreement, the department can start garnishing my pay at the rate of 15% of my disposable pay or the installment payment amount then in effect, whichever is less, without giving me further notice or any new opportunity for a hearing before that garnishment starts. I understand that if the department starts garnishing my wages in the future, I can then object to garnishment, and the department will give me a hearing on my objection(s).

I agree that –

- The department will give me a hearing on objections I make in the future, but it will not delay or suspend garnishment while it hears and makes a decision on my objections;

- I can object in the future that garnishment would cause financial hardship to me and my dependents;
- I owe the amount stated in the notice of proposed garnishment I have just been sent, and I waive any future objection that I do not owe that amount;
- I can object to garnishment for reasons that arise after the date of this agreement, and
- I can also object to garnishment if I believe that I am entitled to have this debt discharged or that, I am protected by law from administrative wage garnishment.

I have read the above and agree to the terms and conditions of the Perkins loan rehabilitation program and this repayment agreement.

Signature: _____ *Date:* _____

[Sign and return this agreement to the address indicated below. Keep a copy for your records.]

Return signed agreement to: U.S. Department of Education
C/o: PCA address

Our business hours are: Monday-Thursday 8 am - 9 pm, Friday 8am-5pm and Saturday 8 am-12 pm (CST). Our phone number is 1 888 xxx-xxxx.

This communication is from a debt collector attempting to collect a debt and any information obtained will be used for that purpose.

I understand that I cannot change the monthly payment amount without (agency name) approval

Signature: _____ Date: _____

6. MISDIRECTED PAYMENT LETTERS

A. Misdirected Payment Letter for Employer

The misdirected payment letter to the employer should provide some basic payment information to assist the employer when sending in future payments: identify the borrower/employee in question, all checks must be made payable to the U.S. Department of Education, proper address to send AWG payments (NPC, P.O. Box 105081, Atlanta, GA 30348-5081)

B. Misdirected Payment Letter for Borrower

The misdirected payment letter to the borrower should provide some basic payment information to assist the borrower when sending in future payments: all checks must be made payable to the U.S. Department of Education, proper address to send payments (NPC, P.O. P.O. Box 105028, Atlanta, GA 30348-5028)

6. COMPROMISE AGREEMENT LETTERS

Compromise agreement letters *must list all debt ID numbers* and include the following language:

- “This notice confirms our offer to accept \$_____ as full settlement and satisfaction of your obligation on this debt. To take advantage of this offer, you must forward secured payment (payment in the form of certified funds, cashier’s check or money order) along with the detachable coupon on this notice at the address on that coupon. This payment must be received by _____.

If we do not receive payment within this time period, this offer will be voided and you will be responsible for the full amount of your account plus all penalties and fees that may be added.

Please note the following exceptions to this compromise: If your account has been reduced by offset of any funds owed you by state or federal government, and that offset is reversed for any reason in the future, this debt will be restored to the extent of that reversal, and you will be required to pay the amount of any reduction caused by a reversal of that offset. Additionally, if the Department is successful in offsetting any federal funds due you through the federal offset program before your payment is received, the offset will be credited to the amount owed on this compromise settlement of your account. Should any such offset result in an overpayment of the agreed upon settlement listed above, the Department will refund the overpaid portion directly to you.”

7. RECURRING CREDIT/DEBIT CARD PAYMENT LETTER

When borrowers provide verbal authorization to use their credit/debit card for multiple payments (and language not inserted in the repayment letter), the following is language to be inserted into the PCA credit/debit card payment reminder letters:

- “This is to notify you that pursuant to your authorization on DATE, AGENCY NAME will process your credit/debit card payment in the amount of \$\$\$\$.\$\$ on DATE. If you have any questions/concerns, please contact AGENCY NAME at 888-888-8888 toll free.”

8. STATEMENT OF FINANCIAL STATUS

Though ED is not formally requiring a specific format for capturing financial data to determine regular (non-AWG) reasonable and affordable payment plans, an example of a standard statement of financial status can be found at <http://www.ed.gov/offices/osfap/dcs/forms.html>. Agencies need to capture enough financial information to make an accurate assessment of the borrower’s current financial statement.

CHAPTER 5: Internal Mail Forms (IMF)

Internal Mail Forms (both written and electronic) are informational tools designed to assist PCAs with borrower account maintenance. From asking questions, correcting account data and requesting borrower letters, IMFs are mechanisms to ensure that timely and proper customer service takes place with each borrower account.

1. Written IMFs

There are two types of written IMFs forwarded to the Atlanta Regional Office – General Account IMFs and Administrative Wage Garnishment (AWG) IMFs.

A. General Account IMFs

General account IMFs are handled by the Atlanta Regional. General account IMFs address a myriad of account issues that may arise when servicing borrower accounts. Items PCAs would use general IMFs for include the following:

- Account Adjustments
 - Audit Adjustment for Fees
 - Assigned fees are fees that show up on the R105, R106 and R107 screens under “Penalty”, “Admin” or “Fees”. These are always written off. If they have already been written off, they will normally show on the R103 screen as “AA EF”. Sometimes they will show as just an AA but it will match the assigned fee.
 - Fees that were erroneously charged to a debt are written off. For example:
 1. Penalty fees that were charged on the R103 due to an automatic payment credited from an erroneous checking account.
 2. Penalty fees charged on the R103 because the bank wrongly said insufficient funds.
 - Penalty fees and administrative fees due to bounce checks are not written off.
- Accounts that are not closed (compromise, discharge, etc.) in a timely manner. (Please do not submit until the computer has had time to close them.)
- Bankruptcy Issues
 - Requests for decertification of accounts from TOP offsets.
- Cease Collection Activity demands (Chapter 2, #8)
- Commission Adjustments
- Complaints
- Congressional Responses (telephonic)
- Credit Card Issues

- These should be sent in by e-mail to the Education persons designated to handle credit cards.
- Death Letters
- Discretionary Compromises
- DOB Changes
 - Appropriate evidence would normally be a copy of a valid state driver's license or state-issued identification card or alien registration card
- Incarceration letters
- Name Changes
 - Appropriate evidence would normally be a copy of a valid state driver's license, state-issued identification card, or court document ordering the name change
- NDSL rehabilitation
- NSLDS Report Request
- Payment Issues
 - Removal of payments from suspense
 - Provide a copy of the suspense report page.
 - Misapplication of payments
 - Provide documentation from employer with a list of persons to whom the payment should have been applied and how much should have been applied to each person.
 - Lost payments
 - Provide a copy of the front and back of checks.
 - For money orders have the money order traced and a copy of the trace sent to ED.
 - For Western Union send in transaction information including the MTCN.
- Requests for CAIVRS release
- Refunds
 - Refund requests based on routine overpayments should be requested via the on-line IMF.
 - Request a refund to the PCA for any refund the PCA sent to a borrower
 - Provide the PCA address for the refund
 - Provide proof that the refund was received and negotiated by the borrower
 - Request a refund to an employer for AWG payments withheld in excess of the correct garnishment amount
 - Include the request letter from the employer
- Rehab Exceptions
 - A copy of the rehab calculator must be provided.
 - Do not submit until all nine required payments are posted to the R103 screen.
 - Do not submit an IMF to close a paid rehab until after the computer has had time to properly close the rehab
- Returning accounts to PCAs
- SSN corrections
 - In order to change an SSN, the following types of documentations are required:
 - 1) Copy of a valid state driver's license or state-issued identification card
 - 2) Copy of a social security card
 - 3) Copy of a birth certificate

- Evidence supporting an entry error at time of assignment based upon Loan Application/Promissory note information.
(FYI-The L108 screen can be checked for prior SSN changes.)
 - Information obtained from the Internet and information on death certificates is not considered documentation supporting SSN corrections.
- Stop Wage Garnishment (SWG) Letters – Because of the need to send these out as soon as possible, these should be requested by e-mail to the Atlanta mailbox.

When completing the IMF, please complete all items in Section I, check the appropriate box in Section II and attach all supporting documentation to the IMF.

Completed IMF forms must be sent to the Atlanta Regional Office through normal mail, overnight mail services. Please ensure that each IMF is stapled/bound separately to improve internal distribution processes and reduce the possibility of misplaced or lost documentation. Documentation should be forwarded to the Atlanta Regional Office address listed in Chapter 20.

A copy of the General Account IMF form can be found in Section 3, Appendix A of this Chapter.

B. AWG IMFs

AWG IMFs are also handled by the Atlanta Regional. AWG IMFs address account issues related to updating AWG accounts, employer concerns, and AWG notifications. Items PCAs would use AWG IMFs for include the following:

- Correcting or updating new or pseudo FEINs*
- Requesting a merge of existing FEINs
- Re-issuing withholding orders
- Updating employer information on the L142 screen

*** Please remember that PCAs are NOT authorized to make any changes to existing Employer information.**

When completing the IMF, please complete all appropriate sections, attach all supporting documentation and update the DMCS L102 screen with any required notations.

Completed IMF forms must be sent to the Atlanta Regional Office through normal mail, or overnight services. Please ensure that each IMF is stapled/bound separately to improve internal distribution processes and reduce the possibility of misplaced or lost documentation. Documentation should be forwarded to the Atlanta Regional Office address listed in Chapter 20.

For a thorough breakdown and detailed discussion regarding AWG procedures, please see the AWG Compliance Branch PCA Training Manual (PCA Collection Website – Library)

A copy of the AWG IMF form can be found in Section 3, Appendix B of this Chapter.

2. ON-LINE IMFs

The on-line IMF website is the vehicle through which PCAs can request that certain account maintenance actions and updates be performed by the Department's CSB contractor (Vangent).

A. **URL:** <https://www.fsacollections.ed.gov/secure/imf/login.aspx>

B. **Login:** select your agency's "AG" number from the drop down menu, enter your password and then click the "login" button. Your password will be your agency's standard password as assigned by the Department.

The screenshot shows a web browser window with the title "COLLECTIONS - Financial Student Assistance (FSA)". The main heading is "IMF Requests - Add New Request". Below the heading are two links: "IMF Errors" and "Missing PNote Errors". The form contains the following fields:

- Reason:** A dropdown menu with "1 - Paid In Full Letter" selected.
- Debt ID:** A text input field.
- Borrower Last Name:** A text input field.
- Borrower First Name:** A text input field.
- Agency:** A dropdown menu with "546" selected.
- Employee Name:** A text input field.

At the bottom of the form are two buttons: "Submit Request" (in red) and "Cancel" (in red).

C. Initiating a request (adding an IMF)

- Populate each of the fields on the "Add New Request" form:
- Reason – see section D of this document for more detailed information on IMF types and requirements
- Debt ID – enter any debt ID from the account for which you are requesting action
- Borrower name – self-explanatory
- Agency – enter your three-digit AG number
- Employee name – enter your name as the IMF requestor
- Click "submit request" or "cancel" as appropriate

D. IMF Types (reasons)

- Paid in full (PIF) letter.
 - This should only be requested if the account has a balance below \$25
- Settled in full (SIF) letter (for compromises).
 - This letter should only be requested if the borrower has satisfied the terms of a compromise agreement
- Title IV reinstatement letter.
 - This letter should only be requested if either of the following is true:

- the borrower has made six consecutive on-time monthly payments of an approved amount, **or**
 - the borrower only owes a grant overpayment debt (debt ID begins with a P) *and* the borrower has established a repayment agreement (including a compromise agreement or promise to PIF)
 - *Note: PIF and SIF letters also contain language advising of renewed TIV eligibility so the reinstatement letter should only be sent to borrowers currently in repayment.*
 - The account should be on L103 billing, or a due date and amount should be clearly annotated on the L102 notepad.
 - This letter is sent to the borrower's school, not to the borrower, so the *L102 notepad must be documented with the full mailing address for the school.*
 - "Timely" is defined as within fifteen days of the due date.
 - Only voluntary payments (RG VO, RG DD & DP DI) may be counted toward this requirement; involuntary payments such as offsets and wage garnishments do not count.
 - *Prior to submitting this request the PCA should check the L106 letter history screen for previous issuance of the U26 letter code. If the U26 (reinstatement letter) was previously sent and the borrower then fell out of compliance with his payment plan, the borrower may no longer earn reinstatement except by resolving the defaulted loan (through rehab, consolidation, PIF, SIF or discharge). Once a U26 has been sent, the borrower must make a timely monthly payment every month thereafter to maintain his eligibility. If a borrower's eligibility is questionable, refer the issue to your Rg4 monitor*
- Closed school discharge application.
- This application should be requested if:
 - The school closed while the borrower was attending, or
 - The school closed within 90 days of the borrower's withdrawal *and* the borrower did not complete his program of study
 - Check the L102 notepad 5 working days after initiating this request to ensure that the borrower is eligible to receive an application. The CSB contractor may decline to send an application on the basis that the school is still open, etc., in which case the PCA should advise the borrower of his ineligibility and resume collection
- Ability to benefit discharge application.
- This application should be requested if:
 - The borrower did not have a high school diploma or GED at the time he attended the school for which the loan was borrowed *and* a diploma or GED was required for that program of study *and* the school did not test the student for his ability to benefit from the course of study, or

- The borrower did not meet his state's legal requirements for employment in the occupation for which the program of study was intended because of age, a physical or mental condition, a criminal record or other reason
 - *This application may be sent directly by the PCA to the borrower*
- Unauthorized signature discharge application.
 - This application should be requested if the borrower has reviewed the promissory note for the loan and disputes that it contains his signature
 - *This application may be sent directly by the PCA to the borrower*
- Unpaid tuition refund application
 - This application should be requested if the borrower admits he attended the school but for less than the full term for which the loan was borrowed
 - The borrower may have been entitled to a full or partial refund of his tuition, depending on the school's policy.
 - Possible results of this application are:
 - Total discharge of loan balance
 - Partial adjustment (reduction) of loan balance
 - No adjustment
 - *This application may be sent directly by the PCA to the borrower*
- Refund request
 - This type of IMF should be submitted in any instance where the PCA or the borrower believe a refund is owed, including but not limited to:
 - Accounts with a credit (negative) balance
 - Accounts where a payment was received after rehab cutoff date or certification for consolidation
 - AWG payments received after a favorable hardship determination had been rendered
 - Payments received while a borrower was in bankruptcy
 - Duplicate or erroneous "SpeedPay" type payments
 - *Except in cases of a credit balance, the PCA should enter a clear explanation for the refund request on the L102 notepad*
- Locate missing Pnote (promissory note).
 - See section F of this Chapter for more information
- Request new Pnote for NDSL with a judgment
 - See NDSL-Perkins rehabilitation procedures for more detail on this type of request (Chapter 9, section 2)
- Fix mixed +/- balance account.
 - A +/- balance account is one with a mixture of positive and negative (credit) balance debts, indicating that one debt was overpaid.
 - The overpayment needs to be resolved, possibly by either a refund or an offsetting reduction of the positive balance debts on the account.

- PCAs may only request this action in the following circumstances:
 - Borrower is in repayment (account must be on L103 billing or have repayment terms clearly annotated in the notepad)
 - AWG is being initiated (*must be clearly annotated on the notepad*)

E. School-Based Discharges

If a borrower claims that certain actions or regulatory violations by the school occurred, the PCA will advise the borrower of the criteria and method for applying for a loan discharge. The criteria for each circumstance are:

- School Closure
 - Loans Not Eligible: Loans made prior to 1/1/86 (although loans made prior to 1/1/86 could be eligible for pro-rata relief and should be sent an Unpaid Tuition Refund discharge application)
 - Closure must have been during, or within 90 days following borrower's enrollment and student did not complete the education at another institution.
- Ability to Benefit
 - Loans Not Eligible: Perkins; FFEL pre-1/1/86
 - Borrower did not have a high school diploma or GED; and
 - Borrower was not properly tested or evaluated before acceptance; and
 - There is corroborating evidence of ATB violations at the school at the time.
- Disqualifying Status Criteria
 - Loans Not Eligible: Perkins; FFEL pre-1/1/86
 - Borrower had a disqualifying physical or mental status, age or criminal record at time of enrollment.
 - Status prevents, by law or regulation, employment in the field of study.
- Unauthorized Signature Criteria (Signature not borrower's on PNote or check.)
 - If signature is disputed, 5 samples of borrower's signature on other documents, 2 within one year of the disputed signature, must be submitted with Discharge application.
 - If proceeds applied to borrower's attendance, not eligible for discharge.
 - *Note: ED policy - for defaulted loans, fraud, forgery and ID Theft claims are also considered under this category.*
- Unpaid Tuition Refund
 - All loan types eligible
 - Borrower did not complete course or loan period and did not receive a refund of unused tuition.

There are specific Loan Discharge Applications for each circumstance, which must be certified under penalty of perjury by the borrower and submitted with supporting documentation to:

Loan Discharge Unit
Federal Student Aid Room 8633
50 Beale St
San Francisco, CA 94105

The PCA may request the appropriate application be sent to the borrower by using the IMF online request. When the Loan Discharge Unit receives the application and it meets preliminary edits, the account will be recalled from the collection agency and moved to a discharge review location code. *This process may take up to 90 days.*

Reference: PCA Collection Website - Library

F. Locate Missing Promissory Note Requests

- PCAs should submit an IMF to request a promissory note only as a last resort after the PCA has completed all other steps for the type of loan involved. These steps are described in more detail in Chapter 11 - Locating Promissory Notes
- When you select option #9 “Locate Missing Promissory Note” from the “Add IMF” entry page, you will automatically be redirected to a new form for this type of request.

IMF Requests - Request for Missing PNote

[Back to Add New IMF](#)

Agency:

Borrower Last Name: Borrower First Name:

Reason for Pnote Request: Borrower Request Administrative Need (e.g. submit to rehab lender)

Note: if you select "Borrower Request" and the PNote cannot be located, the account will most likely be recalled and returned to the agency that assigned the loan to ED.

Complete Debt ID:

Additional Partial Debt IDs:

Debts for which a PNote is needed:	Debts added to your list:
<input type="text"/>	<input type="text"/>

- Populate the fields as follows:
 - Agency: your agency’s three-digit “AG” number
 - Borrower Last and First name
 - Reason for Pnote request: Select “borrower request” only if the borrower has demanded a copy of the note; if this reason is selected and no note is found,

the account will likely be recalled from the PCA and returned to the agency or school that assigned it.

- Complete debt ID: enter one complete debt ID from the account for which a Pnote is needed—this will be used to access the account
- Additional partial debt IDs: enter just the first letter and last four digits of any other debts in the account for which you need a promissory note. Click “Add to list” as you enter each one, and they will appear in the list below. *Note: debt IDs beginning with a P are grant overpayments and do not have promissory notes. The debt’s assignment form should be available in Panagon and can be used as validation of the debt.*

- Complete the Pre-Request Checklist by indicating whether you performed required steps or those steps are not applicable (N/A/) for the type of loan. Further details about these required steps are found in Chapter 11.

- Indicate whether you want the Pnotes, once located, sent to your agency or to the borrower.
- Enter any additional comments or instructions (this will be required if you encountered certain problems when trying to locate the notes yourself).
- Enter your name in the “Employee Name” field
- Click “submit request” or “cancel” as appropriate

G. Viewing erroneous IMFs

- From the “Add new IMF” page, click “IMF Errors” or “Missing Pnote Errors” as appropriate

COLLECTIONS - Financial Student Assistance (FSA)

IMF Requests - Add New Request

[IMF Errors](#) | [Missing PNote Errors](#)

Reason: 1 - Paid In Full Letter

Debt ID:

Borrower Last Name:

Borrower First Name:

Agency: 546

Employee Name:

[Submit Request](#) [Cancel](#)

- A report showing the errors will display. This data will be purged after approximately ninety days, so agencies should review their errors at least monthly. The account's L102 notepad will provide more detailed information about the error.

COLLECTIONS - Financial Student Assistance (FSA)

IMF Requests

Enter File Name: [Export Data to Excel](#)

Record	Submitted in Error?	Debt ID	Last Name	First Name	Reason Codes	Date Entered	Agency	Employee
32436	Yes	d200705000897701	parrott	dominic	3	2/29/2008	546	ksouth
32397	Yes	g200009009658001	kidd	bonnitta	3	2/27/2008	546	ksouth
31739	Yes	D199809012233901	Whitlock	Regina	11	1/14/2008	546	Bowersmith
30146	Yes	D200404013317601	LAKIESHA	MIRSKY	3	9/6/2007	546	Juliet Fisher

Note: Please see Chapter 11 – Locating Promissory Notes for more detailed information

3. APPENDIX (Forms)

A. General Account IMF

INTERNAL MAIL FORM (IMF)

SECTION I

FROM: AG ____ REQUESTOR'S NAME & TEL#: _____ - _____
BORROWER'S NAME: _____ SSN _____
DATE: _____

(circle one)

TO: ATLANTA SERVICE CENTER
ATTN: Contract Services Branch

TO: PIC
ATTN: Correspondence Unit

SECTION II

<input type="checkbox"/> Account Adjustments (Includes fee removal & negative balances)	
<input type="checkbox"/> Bankruptcy Issues (# sent _____)	<input type="checkbox"/> DOB Changes
<input type="checkbox"/> CAIVRS Release	<input type="checkbox"/> Incarceration Letters (# sent _____)
<input type="checkbox"/> Cease & Desist	<input type="checkbox"/> Name Change
<input type="checkbox"/> Commission Adjustments (# sent _____)	<input type="checkbox"/> NDSL Rehab
<input type="checkbox"/> Complaint	<input type="checkbox"/> NSLDS Report Request (#sent _____)
<input type="checkbox"/> Congressional (telephonic) Response	<input type="checkbox"/> Payment issues (other then credit card)
<input type="checkbox"/> Credit Card Issue	<input type="checkbox"/> Rehab Exception Request
<input type="checkbox"/> Death Letter (# sent _____)	<input type="checkbox"/> Return Account to PCA
<input type="checkbox"/> Discretionary Compromise	<input type="checkbox"/> SSN Correction
OTHER:	
EXPLANATION:	

ED RESPONSE:

SIGNATURE OF LOAN ANALYST
DO NOT ALTER THIS FORM

DATE
Revised June 2009

B. AWG IMF

**Administrative Wage Garnishment
Internal Mail Form (IMF) Employer Update**

Date: _____
Agency Name: _____ Agency Code: _____
Requested By: _____ Contact Ph#: _____ Ext # _____
Borrower Name: _____ SSN: _____

Federal Employer Identification Numbers (FEIN) Update Request

(Supporting Evidence Must Be Attached For All Update Request)

CORRECT FEIN / P-FEIN: _____
Corporate / Company's Name: _____
Attn (Dept & Contact's Name): _____
ADDRESS: _____
CITY/STATE/ZIP: _____
TELEPHONE #: _____ EMP FAX #: _____

Federal Employer Identification Numbers (FEIN) Merge Request

Attach L145 and L142 screens with supporting documentation

CORRECT FEIN / P-FEIN: _____

Issue / Re- issue Withholding Order(s)

**L102 Screen Must Be Clearly Documented With Reason The Order Must Be Re-issued
Check one:**

Fax Telephone Number: _____

- Employer Requested Borrower Name / SSN Changed _____
- Employer Name/FEIN Information Changed _____
- Borrower Intercepting Order _____
- Original Order Never Received By Employer _____
- Miscellaneous Reason See L102 Screen _____

Resend/Fax: Standard 15% Withholding Order (Y11): _____

Resend/Fax: Fixed Dollar Withholding Order (Y13): _____

Send/Fax: Special Withholding Order Directly To Owner Home: _____

Comments:

Revised June 2009

CHAPTER 6: ACCOUNT REPAYMENT

Obtaining payments and assisting the borrower towards account resolution is one of the main goals associated with the Education Collections Contract. Through repayment, borrowers are able to enter payment programs, improve credit, obtain additional financial aid and ultimately satisfy debts.

1. PAYMENT OR SETTLEMENT IN FULL

When attempting to obtain payments from borrowers, the PCA should first attempt to obtain payment in full. If the immediate payment in full is not possible, the PCA should attempt to obtain a settlement in full (See Chapter 7- Compromises) or establish a repayment schedule.

2. REPAYMENT SCHEDULES

When payment in full or settlement in full are not available, the PCA should work with the borrower to negotiate a mutually agreed upon reasonable and affordable repayment schedule. Repayment schedules may incorporate payment programs designed to assist the borrower reach account resolution. Payment programs include Rehabilitation and Consolidation. For more information, please see Chapters 9 and 10.

During the negotiation process, the PCA should include any and all repayment information covered by applicable regulations and statutes, including, but not limited to, the Higher Education Act and the Federal Claims Collection Standards (i.e. Rehabilitation program, Title IV reinstatement options, etc.).

If borrowers are unable to qualify for Rehabilitation or Consolidation, the PCA should attempt to set up a reasonable and affordable repayment schedule that will resolve the account in five years or sixty months or earlier from the first payment date. Though NOT required, initial down payments may help borrowers reach account resolution more quickly or enable borrowers to afford program payment amounts.

If a borrower is unable to make minimum payments to resolve the account within the 5 year time period, PCAs must forward the borrower a standard statement of financial status (see Chapter 4 Appendix J) to determine the borrower's ability to pay. In addition, though temporary repayment arrangements can be made based on verbal information, if formal financial information received later indicates that higher payments are possible, the PCA should work with the borrower to revise the repayment schedule.

For all repayment schedules, PCAs must send Repayment Agreement Letters (see Chapter 4 Appendix C) and set the borrower's account up to receive DMCS generated monthly billing statements (noted on DMCS L103 screen).

In addition, unless the borrower is in a formal payment program (i.e. rehabilitation), the PCA must review repayment agreements and borrower financial statuses every 6 months. Depending upon the information evaluated, PCAs may need to adjust repayment schedules based upon updated information.

PCAs must document all repayment information in their collection system notes.

If based on the financial information received, it is determined that the borrower is unable to pay, the account should be returned as “INA” (Inability to Pay at Present) at the next eligible time frame.

Please note: Gratuitous payments do not constitute an agreed upon repayment arrangement

Reference: SOW 3.2 B

3. SPECIAL ASSISTANCE UNIT (SAU)

PCAs are required to provide a designated contact number for a “Special Assistance Unit” (SAU) available to borrowers who have been unsuccessful in obtaining agency assistance to resolve their account. The SAU referral process reinforces the borrower’s responsibilities while simultaneously providing the borrower an avenue to reach a mutual agreement with the PCA and ED.

All Special Assistant Unit numbers (along with any specific names, if applicable) *should be forwarded to the Assistant COR for dissemination.*

Experienced individuals with superb customer service skills – often managers, should staff the Special Assistance Unit.

A. Referrals

When ED’s Customer Service Center (Vangent) receives calls where the borrower (caller) complains that FSA's contracted Private Collection Agency (PCA) is making unreasonable demands, Vangent will:

- Have the operator follow a modified talk-off script
 - “When your loan went into default it became due in full immediately. Therefore, the Department of Education requires its collection agencies to demand the largest amount that you can afford (or payment in full). If you cannot afford what they are demanding, the collection agency will work with you to negotiate an affordable payment arrangement, but they will need you to

provide proof of your financial situation. They may require you to provide copies of your pay stubs, bank statements and bills. They may also require you to provide proof that you have tried to get a loan and have been denied.

I'm going to give you the number for a special contact person at the collection agency who is specially trained to help borrowers like yourself. You can ask this person what information you must provide them to prove what you can afford to pay.”

- Code the call in a special way
 - Once the operator gives the talk-off and refers the borrower to the special PCA contact, the operator should annotate the L102 notepad screen as follows:

*****REFERRED TO PCA SPECIAL ASSISTANCE UNIT**

- Keep a log of the calls handled under this new procedure.
 - The log will contain the borrower's account number, the location code of the PCA ("AG" number), and the date and time of the referral.
 - Vangent will be able to provide the complete log, in electronic format (e.g., Excel), to FSA upon request within a few hours of the request.

B. Borrower Calls to PCA Special Assistant Unit

When a PCA receives a call from a borrower on their Special Assistant Unit hotline that has been referred by ED's Customer Call Center, the PCA must attempt to work with the debtor and explore all viable options. If the borrower simply refuses to work with the PCA or if after extensive discussions the borrower is unwilling to try and work out any possible resolutions, the *PCA must place a notation on the L102 outlining the attempts and options used to try and work with the borrower.* This notation will help the Call Center determine if the PCA has actively tried to work with the borrower.

Please note: If the borrower calls back after having been referred according to the procedures outlined above, and the borrower complains that the PCA's special assistant unit is still being unreasonable (and there is no solid indication that the PCA attempted to work with the borrower), Vangent will *log the call as a complaint.* The complaint reason will be listed as "Special Assistance Unit still unreasonable." However, Vangent will still advise the borrower to continue negotiating with the PCA until ED has a chance to investigate the matter.

CHAPTER 7: COMPROMISES

Compromises are account settlements whereby ED (through the PCAs) accepts a reduced overall payment to satisfy the debt(s) in full. *Compromises are not to be offered as the first option in collection negotiations.* The PCA should only discuss compromise settlements after negotiation of the borrower's ability to pay has progressed and under those circumstances allowed by ED.

1. GENERAL REQUIREMENTS

ED has three types of compromises:

- Standard compromises
- Discretionary compromises
- Nonstandard compromises

For all compromise types the PCA is responsible for:

- Documenting the compromise agreement in the required format on the ED notepad
- Sending the borrower an approved compromise responsibilities/agreement letter
- Following up on any paid compromises to ensure the account is properly closed.

PCAs must request that the borrower make his compromise payment(s) by certified funds (cashier's check, money order, certified personal check) or by credit card.

Compromise offers will be *valid for 90-days* from the date of the approved compromise notation on the L102 screen. If it is known that a payment will be coming in after the 90-day deadline, the PCA may request an extension through the Atlanta Regional Office. Extensions should be rare occurrences. A PCA that fails to request an extension on a late payment will lose commission on that payment.

Only in exceptional circumstances are accounts compromised at debt level. Accounts may be compromised at the debt level **ONLY** with the prior approval of ED. ED may approve a debt level compromise if desired actions on the account cannot be taken because of the status of a particular debt or debts. For example, ED may agree to compromise a debt with a judgment so that the remaining debts can be rehabilitated.

Any compromise errors made by the PCA may result in the loss of commissions on the compromise payments.

2. STANDARD COMPROMISES

Standard compromises are those compromises where the borrower:

- Pays only the current principal and interest (waiver of projected collection costs/fees)
- Pays at least the current principal and half the interest (50%); or,
- Pays at least 90% of the current principal and interest balance.

For example:

- Waiver of Collection Costs
Borrower owes \$2500.00 Principal, \$ 1000.00 Interest, and \$875.00 projected collection fees. The collector may offer the borrower a settlement as low as \$3500.00 (Principal and Interest) to fully satisfy the account.
- Principal and half interest
Borrower owes \$2000.00 Principal, \$1000.00 Interest and \$730.20 projected collection costs. The collector may offer the borrower a settlement as low as \$2,500.00 (principal + 50% interest) to fully satisfy the account.
- 90% principal and interest
Borrower owes \$2000.00 Principal, \$400.00 Interest and \$584.16 projected collection costs. The collector may offer the borrower a settlement as low as \$2160.00 (90% of principal + interest) to fully satisfy the account.

PCAS must use the R101 screen or the L101 screen when reviewing balances (principal/interest) to determine potential compromise amounts. Do NOT use the R110 screen since there is a potential for certain payments to not be accurately reflected on certain dates due to posting and effective date differences.

3. DISCRETIONARY COMPROMISES

Discretionary compromises are compromises where the borrower has offered less than the standard compromise amount. All discretionary compromises require prior approval by ED.

If the borrower offers a discretionary compromise, the PCA should obtain the following documents from the borrower:

- Letter from the borrower justifying the discretionary compromise offer
- If the basis of the discretionary compromise is financial hardship, the borrower should also supply:
 - A financial statement
 - Current pay stubs equal to one month's salary, or verification of unemployment
 - Copy of most current tax return and copies of W-2s
 - Other supporting documentation.
 - For example, if a borrower is claiming extraordinary un-reimbursed medical expenses, proof of those expenses should be provided

Upon receipt of the required documents from the borrower, the PCA should evaluate the offer and,

- Provide a credit report for ED to review
- Complete a Discretionary Compromise Coversheet (found in this Chapter's Appendix)
- Document the ED L102 with the following notation:
 - ***DISCRETIONARY COMP SUBMITTED FOR REVIEW: \$xxxx.xx (first initial and last name)
- Forward the complete discretionary compromise package via IMF to ED for review and approval/disapproval

ED will notify the PCA if the compromise is approved, disapproved, or if ED is making a counter-offer.

4. NONSTANDARD COMPROMISES

Nonstandard Compromises are compromises the PCA offers to the borrower that are not approved by ED, and are less than what the PCA can offer as a standard compromise.

A. Limitations

Contractors in the *unrestricted pool* may offer no more than 6 nonstandard compromises in any single quarter. Contractors in the *small business pool* may offer no more than 3 nonstandard compromises in any single quarter.

B. Netback

The Contractor is responsible for the netback difference between the nonstandard compromise settlement and the standard compromise settlement.

For example:

Borrower's total balance is \$13,125. The Contractor compromises in conflict with the Government's current compromise standards and collects \$8,000 and is initially paid a commission fee of \$1,400 (17.5%). The Government recovers \$6,600.

Under the applicable compromise standards, the Contractor would only have accepted a compromise agreement under which the borrower pays \$10,500. The resultant netback to the Government would have been \$8,662.50. The Government has lost \$2,025 (\$8,662.50 minus \$6,600 = \$2,062.50) therefore; the Government will deduct \$2,062.50 from the Contractor's next commission payment.

C. Notification

The Contractor is responsible for notifying the Assistant COR and any other designated ED staff via email when a nonstandard compromise is offered. *No commissions will be paid on any nonstandard compromise offered in excess of the 3 or 6 allowed nonstandard compromises.*

Reference: RFQ B.6.2

5. REQUIRED DMCS NOTATIONS

The Contractor must document the ED notepad screen L102 with the compromise information.

There are two lines of required documentation:

- The first line must be in the **exact format** shown below. ED uses queries to identify paid compromises and if this line of documentation is not exact, the account will not be recognized and evaluated as a compromise. The ED notepad must be documented exactly as shown below, with one space between the colon and the dollar sign and *NO commas in the dollar amount. The dollar value of the compromise begins in the 20th space on the line.*

*****COMP APPROVED: \$XXXX.XX**

- The second line of required documentation shows the account balance at the time of the compromise agreement, and the due date of the compromise. The second ED notepad line would look like the documentation below. *Please note that even if the Contractor specifies an earlier due date, the compromise will be honored for 90 days from the notepad entry date.*

**Balance \$XXXX.XX. \$XXXX.XXP, \$XXXX.XXI, \$XXXX.XXFees due mm/dd/yy
(first initial and last name).**

Failure to properly document a compromise may result in the loss of commissions on the compromise payments.

6. COMPROMISES & TOP PAYMENTS

A TOP payment will count toward a compromise if it effectively posts during the “life” of the compromise offer (90 days). Specifically, if it meets BOTH of the following criteria:

- The *effective* date or the *posting* date of the TOP payment is on or after the date on which the compromise agreement was made (L102 notation).
- The *effective* date or the *posting* date of the TOP payment is earlier than or equal to the expiration date of the compromise
 - Compromise time frame is the 90 day time period from when the agreement is made and documented on the L102.

If a TOP payment *underpays* a compromise, the borrower is still responsible for paying the remainder of the compromise amount by the due date. If a TOP payment *overpays* a compromise, ED will refund to the borrower any amount that exceeds the agreed-upon compromise amount minus the Treasury offset fee.

Borrowers who satisfy their compromise by a TOP payment, either in whole or in part, shall receive a Settled in Full (SIF) letter (i.e., the U26 or its equivalent). The U26 letter includes language that addresses the possibility of a reversal of the TOP payment. If a TOP reversal (i.e., injured spouse claim) subsequently posts, the borrower is responsible for the amount of the reversal.

7. COMPROMISES & AWG PAYMENTS

An AWG payment will count toward a compromise if it effectively posts during the “life” of the compromise offer (3 months). Specifically, if it meets BOTH of the following criteria:

- The *effective* date of the AWG payment is on or after the date on which the compromise agreement was made (L102 notation).
- The *effective* date of the AWG payment is earlier than or equal to the expiration date of the compromise
 - Compromise time frame is the 90 day time period from when the agreement is made and documented on the L102 (i.e., a compromise documented on April 10 is due by July 10)

If an AWG payment *underpays* a compromise, the borrower is still responsible for paying the remainder of the compromise amount by the due date. If an AWG payment *overpays* a compromise, ED will refund to the borrower any amount that exceeds the agreed-upon compromise amount.

8. RETURN OF PAID COMPROMISES

ED runs weekly queries designed to identify the majority of paid compromises.

Paid compromises identified by the query will:

- Be automatically recalled from the Contractor
- A paid compromise letter sent to the debtor
- Remaining balance written off

The compromise closure programs will almost never recognize or handle discretionary or non-standard compromises. Any compromises missing the required L102 notepad entry will also be overlooked by the query.

It is the responsibility of the PCA to return to ED any paid compromises not identified by the ED query. This would include:

- Accounts on which the PCA made an error, such taking a compromise payment prior to documenting the compromise, not documenting the compromise correctly, etc.
- May also include compromises where it is in the best interest of the government to accept a non-conforming compromise. For example, a compromise is paid one day late, or is short by a very small amount. *(In such instances the PCA should seek guidance from ED.)*

Compromised accounts not identified by ED’s compromise query should be put on a return file with a return reason code of CPR, and the file forwarded to the Atlanta Regional Office for review and approval through the Administrative Resolution (EFT) process (See Chapter 12). However, BEFORE utilizing the CPR return file, the PCA *should wait at least 21 days* from the date of the last compromise payment to allow sufficient time for the compromise query to process.

9. COMPROMISE MONITORING

ED systematically reviews all accounts returned as compromises to ensure an approved compromise letter was sent. No commission will be paid on accounts that were not sent an approved compromise agreement letter, and/or the letter was not transmitted to the ED letter history (DMCS L106 screen).

ED may review paid compromises to ensure the compromise amount was correct. Compromises less than the amount approved by ED, will result in a net-back compromise adjustment.

No commission will be paid on compromise payments if the compromise procedures were not followed.

10. APPENDIX

A. Discretionary Compromise Coversheet

DISCRETIONARY COMPROMISE COVERSHEET

DATE: _____ AGENCY CODE: _____ SUBMITTED BY: _____

SSN: _____ DEBT ID: _____

BORROWER’S NAME: _____

EMPLOYER’S NAME: _____

EMPLOYER’S PHONE: _____

PCA DOCUMENTATION CHECKLIST

Offer Amount: \$ _____

- _____ Borrower's Financial Profile
- _____ Borrower's letter for justification of compromise
- _____ Verification of unemployment
- _____ Copy of current W2 Form and current year's tax return
- _____ Last pay stubs for two pay period
- _____ Credit Bureau Report
- _____ Financial Statement-information completed and signed

LOAN ANALYST REVIEW AND RECOMMENDATION

WRITE OFF AMT \$ _____

Loan Analyst Concur/Approve _____

Loan Analyst Do Not Concur _____ Loan Analyst Counter Offer \$ _____

Senior Loan Analyst Concur/Approve _____

Senior Loan Analyst Do Not Concur _____ Senior Loan Analyst Counter Offer \$ _____

Branch Chief Concur/Approve _____

Branch Chief Do Not Concur _____ Branch Chief Counter Offer \$ _____

Approval of Regional Director: _____

Approval of Director: _____

COMMENTS: _____

REVISED 11/04

(B) BORROWER'S FINANCIAL PROFILE

BORROWER'S FINANCIAL PROFILE

Name: _____

Account number _____ - _____ - _____

1. **Health of Borrower** – Example: The borrower was diagnosed with bipolar disorder in 1992, per a statement from her doctor. In addition, her mother indicates in that the borrower had a mental breakdown in 1992. Due to her medical problems, the borrower has not worked in 10 years. The borrower also indicates her son was diagnosed with bipolar disorder in 1998 and has problems which prohibit him from being in a regular day care setting.
2. **Present Income** - Example: The borrower has not worked in 10 years.
3. **Future Potential Income** - Example: The borrower has no prospect of employment.
4. **Inheritance Prospects** - Example: There are no prospects for inheritance. The borrower's mother is giving her proceeds from the sale of her house to pay the loan.
5. **Current Credit Report** - Example: Only current credit is her Sister's credit card where she is an authorized user.
6. **Current Borrower Financial Status** - Example: The borrower is separated from her second husband and presently is living with her sister and mother. She has five children and receives \$600 per month child support. Of this amount, \$400 is used for food etc, for her children and the rest go to help with utilities, and other household expenses.

Joint Tax return included - Example: The borrower has been separated from her present husband since June of 2002

CHAPTER 8: TREASURY OFFSET PROGRAM (TOP)

1. **OVERVIEW**

Under the Treasury Offset Program (TOP), the Financial Management Service (FMS), Department of the Treasury (Treasury) offsets Federal and/or State payments owed to a borrower. While the most common type of Federal payment offset is Federal income tax refunds, several other types, including vendor and monthly social security benefit payments, are also eligible for full or partial offset.

In addition to defaulted debts held by ED, defaulted loans held by guaranty agencies (GAs) are also included in the process. ED acts as a “middle man” between the GAs and Treasury.

Other Federal and State agencies also certify debts for offset, but ED has historically been responsible for the largest volume of offsets. As a result, many tax professionals, and even the IRS, will automatically assume that an offset has been requested by ED when, in fact, it may have gone to some other Federal or State debt or to a student loan held by a GA.

TOP payments reduce the principal and interest owed on the account (and therefore the amount of collection costs the borrower owes), but *PCAs do not receive a commission for TOP payments.*

A. State Payments

State payments (e.g., State tax refunds and vendor payments), in addition to Federal payments, may be offset in the TOP. In 2006, the language was changed in the TOP 65-day notice letter to reference both Federal and State payments (prior to this change, the notice only referred to offset of Federal payments). In December of 2007, borrowers were identified on the database that received a notice in 2006 and/or 2007. Treasury was requested to offset both Federal and State payments on those accounts only. If the borrower last received a TOP 65-day notice between 1997-2005, Treasury was requested to just offset Federal payments (which may include Federal tax refunds, SSA benefit payments, vendor payments, OPM benefit payments, etc.).

Normally, a TOP 65-day notice is sent to eligible borrowers who are not currently certified in TOP and to currently certified borrowers who have a newly eligible debt. In 2008, however, a new TOP 65-day notice was sent to all eligible borrowers, which referenced offset of both Federal and State payments and any other payment allowable by law in the future. This will allow State payments to be offset on all of the accounts that are certified in TOP for 2009. Since there was a larger volume of notices sent than usual, the new notices were generated in the June – August 2008 timeframe.

In most respects, offsets of State payments will be just like offsets of Federal payments:

- State paying agencies will be just another paying agency into TOP similar to IRS and SSA;
- Borrowers will be notified of the offset (and the paying agency) via an FMS, Treasury Offset Notice;
- As always, we will not be able to identify the offset source on any of the DMCS screens (just as we cannot currently tell whether an offset is a tax refund or social security benefits);
- There will be a single Treasury offset fee for all offsets, whether from a State or Federal paying agency.

Initially, State offsets will be run as a pilot involving three states: Maryland, Kentucky and New Jersey. At this point ED does not know when or whether other states might become involved. The authority for this is the Debt Collection Improvement Act (Public Law No: 104-134), 31 U.S.C. 3716(h).

B. Pre-Offset Process

At least 65 days prior to certifying an account for offset, ED must send the borrower a TOP 65-day notice, which consists of a debt statement (the N18, N19, S18 or S19 system letters) and two inserts (Notice of Proposed Treasury Offset and a Request for Review form). This notice informs the borrower of his rights to:

- Inspect copies of the records that ED holds (including promissory notes)
- Enter into a voluntary repayment plan in order to avoid offset
- Request an ED hearing/review to dispute the debt
 - If the borrower requests a review/hearing within 65 days of the notice, *ED must conduct the review before certifying the account*

While PCAs should respond to any request for copies of records that ED holds, TOP regulations technically require that borrowers make this request in writing to a designated ED address in order to be protected from offset. Therefore, PCAs do not need to protect these accounts from certification nor keep special track of these requests. For borrowers who opt to avoid offset by establishing an approved payment plan, ED must *receive* their first voluntary payment within 65 days of ED's notice of intent to offset and must continue to make timely, consecutive monthly payments.

TOP 65-day notices are currently mailed once each year, usually around the July/August timeframe. ED will notify all system users when these notices are being generated. *Note: TOP 65-day notices will often show up with a blank address line on the L106 Screen; in these instances, the notice was sent to the address the IRS had on file for the borrower.*

C. PCA Responsibilities during the Pre-Offset Process

- Written requests for review must be sent promptly by overnight service to the U.S. Department of Education imaging center:

CSB – Panagon System
U.S. Department of Education
6201 Interstate 30 Highway
Greenville, TX 75402

Submissions should be sent “separately” with a cover letter/sheet indicating TOP RFR.

- Upon borrower request, promptly provide copies of promissory notes
- Protect accounts from certification if a discharge is imminent or a bankruptcy is active by changing the collector code to 88888 on the L103 screen

D. Certification

At the end of the 65 days, or shortly thereafter, ED will certify for offset eligible accounts where a dispute is not pending or where the borrower has not entered into an approved repayment agreement and started making payments. ED will notify all system users once certification has been completed each year.

After the certification selection programs have run, accounts that are selected for certification will have a status of "4" CERTIFICATION PENDING ACCEPTANCE BY TREASURY. After Treasury receives and processes the certification file from ED, the accounts that are accepted for certification will have a status of "5" CERTIFIED FOR OFFSET WITH TREASURY (on the L101, L109 and I100 screens). If an offset occurs, the status changes from "5" to "6" FEDERAL FUNDS HAVE BEEN OFFSET. The accounts that are not certified may have a status of "0", "1", "2", or "3" or may have a status of "9" REMOVED FROM FEDERAL OFFSET PROCESS. Accounts that were accepted for certification by Treasury but subsequently inactivated will have a status of "9" INACTIVE IN TOP.

Important: Once ED certifies an account for offset, that account will remain certified until the account is resolved, or inactivated as legally required by law (e.g. active bankruptcies). Once certified, borrowers **may not avoid offset simply by making voluntary payments**. Borrowers may avoid offset by resolving the account via payment in full, compromise, rehabilitation, consolidation, or discharge. *The most common complaint against PCAs that ED receives is that the PCA told the borrower offset can be avoided by making payments.*

E. Notification of Offset

Treasury will notify the borrower in writing each time an offset is processed. The borrower may receive this notice (see end of chapter) one to two weeks before the offset posts onto the ED payment history screen (R103). The date on the notice is typically the effective date of the offset.

F. Inactivation

Once an account is satisfied (e.g., paid in full, consolidated, rehabilitated, discharged, etc.), ED will notify Treasury to inactivate the account. However, if a GA also certified an account in TOP, the borrower should be referred to the GA to resolve the GA account.

Important: *There is about a three-week delay between when an account is inactivated on ED's database and when Treasury's system is updated. PCAs should stress to borrowers to wait three weeks before filing taxes and to confirm with FMS, Treasury 800-304-3107 that their account has been inactivated. By calling FMS, borrowers can also find out whether a State agency or a Federal agency, other than ED, certified their account in TOP.*

If an offset posts earlier than the consolidation or rehabilitation payment, the overpayment will be credited to the borrower's loan and the PCA's commission will be reduced.

2. HARDSHIP REQUESTS

A. Tax refund offsets

ED seldom refunds a portion of a borrower's income tax refund offset due to extreme hardship.

B. Injured Spouse Claims and TOP Reversals

Borrowers who file taxes jointly may have their entire joint refund offset—even the portion of that refund derived from tax payments made by the spouse that is not liable for the ED-held debt. The non-liable spouse may claim his/her portion by filing an injured spouse claim (IRS Form 8379 Injured Spouse Allocation) with the IRS. This form can be obtained from the IRS or from the ED Customer Call Center. Borrowers must file the form with IRS—not with ED—and ED has no role in its processing. Not all individuals will qualify, so PCAs should not make any representation as to an individual's eligibility. If the IRS honors the injured spouse claim, some or all of the original offset will be debited from the borrower's account balance in the form of a TOP reversal transaction.

Borrowers filing joint state tax returns should check with their State Department of Taxation to determine if similar relief is available for state refunds.

TOP reversals occur for reasons other than injured spouse claims as well (i.e., processing errors, or debts with a higher priority that should have received the offset, etc.). The borrower is responsible for the amount of the reversal, plus any interest and/or collection fees that are added because of the balance increase.

C. Social Security benefits and other monthly stipends

ED is much more lenient about reducing the amount of regular monthly offsets, such as offsets of SSA and OPM benefit payments, stipends, etc., in cases of hardship. Depending on the borrower's financial circumstances, ED may even temporarily suspend offset of a specific

payment stream altogether. In addition, ED may temporarily suspend offset while the borrower pursues a disability or other discharge.

PCAs may refer borrowers to ED’s Customer Call Center (800-621-3115) for further information about hardship claims. Note: **ED’s Customer Call Center will recall SSA offset accounts** from the PCA if there is no evidence that the PCA is actively working toward resolution, so PCAs should promptly annotate the ED notepad.

D. PCA Contacts

The Chicago Regional Office handles all TOP Hearings. Any questions or concerns about the TOP Hearing process should be directed to the Chicago Office (312-730-1477). When calling the main number, please ask to speak to a TOP Hearing Official.

3. APPENDIX

A. DMCS Screen Shots

TOP Status – L101 Screen (“05” is the process year, “4” is the status)

(L101)	ACCOUNT LEVEL INFORMATION			ED0291	11/17/04
	REGION: 05	ACCT OWNER: ED671	COLL NUM:		10:25
ACCT NO: S999999999	ED SSN VERIFICATION CODE:				
ACCT NAME: TAXES	, CARRIE			L	
ADDRESS: 100 MAIN ST					
CITY: CHARLOTTE		STATE: NC	ZIP: 28226		
BIRTHDATE: 12/26/78	DAY PHONE: (704)752-8492	NIGHT PHONE: (999)999-9999			
PREV LAST:	PREV FIRST:				
ED BALANCE: \$893.24	PRINCIPAL: \$882.48	INTEREST: \$10.76			
PENALTY AMT: \$.00	ADMIN: \$.00	FEE: \$.00			
	PROJ/ACT CA: \$223.31	CA BALANCE: \$1,116.55			
MONTHLY PMT: \$.00	PAST DUE AMT: \$275.00	TOTAL DUE: \$275.00			
LAST PMT DATE: 08/02/04	LAST PMT AMT: \$75.00	DUE DATE:			
DATE BOUN/RV :	LAST PMT BOUN/RV: .00	TOP STAT: 05 4			
	DDP:	ICRP:			

Offsets/Reversals – R103 Screen (“RG FO” - offset, “FF” - Treasury fee, and “FR” - reversal)

(R103)	ACCOUNT TRANSACTION SCREEN			ED0291	11/17/04	
	REGION: 09	ACCT OWNER: ED190			10:35	
ACCT NO: S999999999	ACCT NAME: TAXES		JENNY			
DATA HAS BEEN ARCHIVED ()				AMNESTY: N		
ED BALANCE: 90.87	PROJ/ACT CA: 0.00	CA BALANCE: 90.87				
TOTAL PMT: 4,979.70	NET ADJ TRANS: 93.43					
VOLNTRY PMT: 4,067.33	NET OTHER TRANS: 1,022.51					
----- PAGE 1 OF 2 -----						
EFFECTIVE DATE	TOTAL PAYMENT	TRAN TP RS	INSTRUMENT NUMBER	SEQ NUMBER	IN ORIG-B.SRC CRED POSTCL NBR SITE	POSTING DATE S
03/16/98	90.87-	FR	000000000000	013218	TOP TOP 97	03/12/98 _
05/05/97	373.00	RG FO	000000000000	009545	TOP TOP	04/29/97 _
05/05/97	7.02-	FF	000000000000	000000	POS POS	04/29/97 _

Guaranty Agency Information on I100 screen (both OH and WI certified this borrower in 1992)

```

( I100 )          FEDERAL OFFSET ACCOUNT INFO SCREEN      ED0291      11/17/04
                                                         11:20
                                     FMS IND:          A/I:
ACCOUNT NUMBER: S464840477      SUBAGENCY: WI WISCONSIN
PROCESS YEAR: 1992
ACTION:      (A TO ACTIVATE ACCOUNT)      PHONE: (608) 246-1535 LOCAL
           (I TO INACTIVATE ACCOUNT)      (800) 354-6980 INSTATE WI
           (D TO REMOVE A DEBT)          (800) 354-6980 NATIONWIDE
                                     SUBAGENCY SELECTIONS: WI OH
NAME: PAMELA R ANDERSON
DEBT NUMBER:
TOP ORIGINAL BALANCE:      $5,060.99      TOP CURRENT BALANCE:      $.00
LAST DECREASE DATE: 07/04/1992      DECREASE AMOUNT:      $5,060.99
LAST INCREASE DATE:      INCREASE AMOUNT:      $.00
REPLACEMENT DATE:      REPLACEMENT AMOUNT:      $.00
REFUND DATE:      ED/GA REFUND AMOUNT:      $.00
REVERSAL DATE:      TOP REVERSAL AMOUNT:      $.00
OFFSET DATE:      PROCESS DATE:      TOP OFFSET AMOUNT:      $115.00
6 - FEDERAL FUNDS HAVE BEEN OFFSET
    
```

B. Sample Treasury Notice of Offset

DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
PO BOX 1686
BIRMINGHAM, ALABAMA 35201-1686

THIS IS NOT A BILL – PLEASE RETAIN FOR YOUR RECORDS

07/03/08

JOE BORROWER
123 STREET
CITYTOWN, ST 11111-2222

Dear JOE BORROWER:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

U.S. DEPARTMENT OF EDUCATION
C/O GREAT LAKES HIGHER ED GUAR CORP
COLLECTION SUPPORT
P.O. BOX 7859
MADISON, WI 53707-7859
(608) 246-1535 (800) 354-6980
PURPOSE: Non-Tax Federal Debt

TIN Num: 999-99-9999
TOP Trace Num: P49899999
Acct Num: WI999999999
Amount This Creditor: \$146.40
Creditor: 05 Site: WI

The Agency has previously sent notice to you at the last address know to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. **If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above.** The U.S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

We will forward the money taken from your Federal payment to the Agency to be applied to your debt balance; however, the Agency may not receive the funds for several weeks after the payment date. If you intend to contact the Agency, please have this notice available. Please do not contact the Social Security Administration regarding this reduction made in your Federal payment.

U.S. Department of the Treasury
Financial Management Service
(800) 304-3107
TELECOMMUNICATIONS DEVICE FOR THE DEAF (TDD) (866) 297-0517

PAYMENT SUMMARY

PAYEE NAME: JOE BORROWER	PAYEE TIN: 999999999
PAYMENT BEFORE REDUCTION: \$976.00	PAYMENT DATE: 07/03/08
TOTAL AMOUNT OF THIS REDUCTION: \$146.40	PAYMENT TYPE: EFT
PAYING FEDERAL AGENCY: Social Security Administration	BENEFICIARY TIN: 999999999
CLAIM ACCT NUM: 999999999	

FOR OFFICIAL USE ONLY: 00

Notes:

- The Federal agency *receiving* the offset is U.S. Department of Education (Creditor: 05) , but it is for an account certified by Great Lakes (Site: WI)—Note that other Federal and State agencies certify debts for offset, and borrowers may incorrectly assume it’s ED
- The SSN of the borrower being offset is 999-99-9999—note that both spouses may owe a debt, and the offset in question may be applied to our borrower’s spouse
- This sample notice is in connection with an offset of an SSA benefit payment. Treasury currently offsets up to 15% of an SSA benefit payment (or the amount that brings the remaining payment to \$750.00, whichever is less). In this example, the amount of the offset is \$146.40 (which is 15% of the payment—15% x \$976.00).

CHAPTER 9: REHABILITATION

Rehabilitation is an ED “payment” program whereby an eligible borrower can, through appropriate and timely monthly payments, “rehabilitate” their defaulted loan(s) into good standing. Through the borrower’s efforts of making consistent payments on-time, the borrower is able to receive certain benefits based upon a showing of good faith and a commitment to pay off their debt. Benefits include – reduced collection costs, removal from credit bureau report and ability to take advantage of appropriate program benefits such as deferments.

This Chapter will discuss rehabilitations within Direct Loans, Federal Family Education Loans (FFEL) and the Federal Perkins Loan Program (formerly NDSL).

1.

DIRECT LOAN REHABILITATION

Reference: 34 CFR 685.211(f)

A. Loan Eligibility

- Only Direct Loans are eligible for Direct Loan Rehabilitation
 - These are identifiable by the first letter “D” in the debt identification number.
- Consolidation loans are eligible
- Loans rehabilitated prior to August 14, 2008 are eligible
 - A list of ineligible previously rehabbed loans will be created monthly under TSO dataset name ED0291.DLRH.REDEFAULT.TEXT. The debt ID is in positions 1-16 and the SSN is in positions 33-41 on this fixed-width (flat) text file.
- While there is no fixed minimum balance eligible for rehabilitation, balances that are less than twice the borrower’s monthly payment will not be rehabilitated.
- Direct Loans with judgments are not eligible for rehabilitation

B. Qualifying Payments

Borrowers must make (9) *nine full, timely, voluntary monthly payments of an approved amount in a (10) ten month period* in order to qualify for Direct rehabilitation. Borrowers may miss one payment in a ten-month period and still qualify for Direct rehabilitation.

- **“Full” payments**
 - Defined as those meeting the L103 billing amount.
 - The full amount of the L103 billing amount must be received in the form of a *voluntary payment within twenty days of the L103 billing due date*—no more than twenty days early nor twenty days late

- Involuntary payments (wage garnishments, offsets, DOJ payments, etc.) do *not* count toward this requirement.
- **Billing amount**
 - May be changed at any point in the qualifying process, but *all* payments will be evaluated based on the L103 billing amount as of the close of business on the last day of the calendar month.
 - Increasing a borrower's billing amount may lengthen the time for him/her to qualify, if earlier payments were for a lower amount
 - Decreasing a borrower's billing amount may affect the PCA's eligibility for commission, since ED uses the billing amount to determine if the minimum payment percentage has been met
- **“Split” Payments**
 - Borrowers may make payments weekly or monthly, so long as the cumulative amount of voluntary payments received within 20 days of every due date equals or exceeds the current L103 billing amount.
 - Note: see the “Exception Requests” subsection on split payments for additional information about when/whether an exception request may be required
- **“Timely” payments**
 - Defined as those received at the payment center (i.e., have an effective date on the R103 screen) within twenty days of the L103 billing due date—no more than twenty days early nor twenty days late.
 - Nine full payments must be received within twenty days of a *single* due date in order for the borrower to qualify.
 - Due date may be changed at any point in the qualifying process, but the timeliness of all payments will be evaluated based on the L103 billing due date as of close of business on the last day of the calendar month.
- **Bounced Payments**
 - Payments reversed or stopped do not count toward the series of qualifying payments
- **Current Payments**
 - Borrower must be current with his payments as of the last day of the calendar month.
 - Borrower must have made a timely full payment for the most recently expired monthly due date (i.e., the last monthly due date that is at least 20 days earlier than the last day of the calendar month) or for a subsequent due date that has not yet expired.
 - Example: if the sweep occurs shortly after January 31, and the borrower's due date is the 15th of each month, the borrower must have made a timely payment for either:

- His December payment (since on Jan 31 he still has time to make a timely payment for January), or
- His January payment, or
- His February payment

➤ **ED's Direct Debit Program (DDP) Payments**

- Count toward rehabilitation
- If the borrower is on DDP as of the last day of the calendar month, the DDP information will be used to calculate the borrower's billing amount and due date as follows:
 - The due date will be the 16th of the month (thus a payment received on any calendar day of any month will be timely for that month)
 - The billing amount will be the DDP amount multiplied by the number of payments debited per month (if debiting is weekly, the billing amount will be the DDP amount times 4, etc.)

C. Acceptable Payment Amounts

➤ **“Reasonable and Affordable” qualifying payments**

- Must be based on the amount owed and on the borrower's “total financial circumstances.”
- Based on the balance to be rehabilitated, monthly payments equal to a certain percentage of that balance may automatically be considered “reasonable and affordable”, based on the table in *Section 1, subsection I* of this Chapter (minimum payment amounts).
- The PCA does not need to obtain a statement of financial status if the borrower's payments meet the minimum percentages in Section 1, subsection I of this Chapter.

➤ **Obtaining a completed statement of financial status**

- The PCA must obtain a statement if
 - The PCA approves a monthly payment amount that is lower than the percentages stated in *Section 1, subsection I* of this Chapter AND if the borrower's payments are less than the greater of:
 - \$50.00, or
 - The amount of interest that accrues each month on the loan(s) being rehabilitated
 - If the PCA approves monthly payments that are less than the percentages stated in Section 1, subsection I of this Chapter, the PCA will be *paid an administrative resolution fee, rather than a commission*, for the rehabilitation.

➤ **Wage garnishment (or other monthly involuntary payment situation)**

- Borrower *may* qualify for rehabilitation by making voluntary payments *in addition to* his/her garnishment payments.

- The voluntary payments must meet all requirements as stated in this document; the fact and amount of the garnishment (or other involuntary) payments do not affect the requirements for rehabilitation.
- **Accounts with loans from multiple programs**
 - Since every loan program (Direct, FFEL & FISL, NDSL-Perkins) has its own rehabilitation program, a borrower's total monthly payment should be calculated as the aggregate of the minimum payments for each program's cohort of loans in the account.
 - Example: if the borrower has a one \$5000 FFEL and one \$5000 Direct Loan, for a total account balance of \$10,000, his monthly minimum *should not* be figured by using the minimum percent for a \$10,000 balance in Section 1, subsection I of this Chapter. Instead, a separate payment amount for the Direct Loan and FFEL should be calculated and added together. In this example, the borrower's total monthly payment would be \$129, whereas it would be \$114 if he owed \$10,000 of a single program type loan.
 - This is because the loans will be split up at the time of rehab, and the new loan holder will be calculating a new payment amount based only on the amount assigned to that loan holder
- **Additional considerations**
 - ED strongly recommends that PCAs establish payment amounts rounded up to the nearest five or ten dollars. It is easy for a borrower to transpose the digits on "precise" payment amounts—e.g., \$101.28—but the rehab evaluation programs will count a payment as missed even if it is one penny short.
 - The minimum acceptable payment percentages are just that—minimums, not necessarily the most desirable amount. Borrowers should pay the maximum they can afford, and PCAs should always build in a "cushion" above the calculated minimum to anticipate interest rate increases, etc.

D. Monthly Transfer Process

Unlike FFELs, Direct Loans are automatically considered rehabilitated once the borrower makes his/her final qualifying payment. Shortly after the end of each calendar month ED will identify rehabilitated Direct Loans and transfer them back to the Direct Loan Servicer.

Only accounts that were set up on billing on the L103 as of close of business on the last calendar day of the month will be reviewed for transfer. The borrower's final qualifying payment must have posted (be visible on the R103) as of the last calendar day of the month in order for the account to guarantee it will be reviewed for transfer. It is possible that borrowers who make their ninth payment very shortly after month-end will still get picked up in the sweep—depending on when the sweep program is run.

E. Exception Requests

An “exception” request is one where the account characteristics would appear to render the account ineligible for rehab. For example, a borrower’s voluntary payment was mis-coded as a wage garnishment payment. The systematic review programs would therefore reject the account as ineligible. *Note: changing the billing information retroactively does NOT require an exception request if the borrower has made the requisite payments according to that new billing information.*

➤ Processing Steps:

- Change the collector number on the L103 to 00165
- Annotate the specific reason for the exception request on the L102 (e.g. “payment effective 5-1-04 was miscoded as a wage garnishment payment)
- Route the request through Atlanta. If a PCA believes that circumstances warrant an account’s rehabilitation despite its apparent ineligibility, the PCA should route that request through ED. The ED monitor will annotate the notepad with the message *****REHAB EXCEPTION APPROVED** if the exception is approved.
 - This note must have been entered during the calendar month being reviewed (i.e., the month during which the 9th payment for non-exception accounts will have posted).
- Once the ED monitor indicates the exception request has been entered, the PCA must
 - Confirm that the note has been entered exactly as shown above—the programs will not recognize the exception approval if the notepad text is not verbatim

➤ Limitations

- **Judgment loans** are excluded by regulation so this requirement may not be circumvented by exception.
 - If ED determines that a Direct Loan does not have a valid/enforceable judgment, ED will have to remove the litigation indicator from the R116 screen.
 - The account must be on **L103 billing**.
 - The “**minimum balance**” requirement (two times the billing amount) cannot be circumvented by exception.
- Accounts with a **compromise** agreement annotated on the L102 within the 120 days preceding the end of the month will be excluded from the sweep unless the account is flagged for exception approval.
- **Split payments**
- In general, accounts with split payments *do not* require an exception unless all of the following are true:
 - The borrower skips a monthly payment, and
 - The first installment of the split payment for the following month is timely for the skipped month
 - Example: if the borrower’s due date is the 15th and he skips his September payment, an exception will be required if he makes a split payment in October and the first installment of his split payment is received between September 25 and October 5.

F. Special Circumstances

- The normal minimum payment amount requirements are modified in the following circumstances where the borrower's balance increases after his payment amount has been set:
 - New debt loaded during qualifying period.
 - Variable interest rate increase.
 - Treasury offset reversal increases the balance.
- The PCA may either raise the minimum payment balance to the new minimum, or:
 - Accept an admin fee for the rehab,
 - Advise the borrower to make a lump sum payment to pay the balance down to the point that the payment amount meets the acceptable minimum, or
 - Advise the borrower to make monthly payments for a longer period of time until the balance is paid down to the point that the payment amount meets the acceptable minimum. In this case, the PCA must change the collector code to 00160 to prevent the account from rehabbing after the ninth payment.
- If the billing amount is increased:
 - The borrower must make a minimum of three payments at this higher amount *and*
 - Must have made the requisite nine payments to qualify.
 - Example: if a new debt is loaded after the borrower's third payment, he should make the final six payments at the higher level and can still qualify after making a total of nine payments. If the new debt is loaded after the borrower's eighth payment, he would have to make three more payments—a total of eleven—at the higher level to qualify.
 - The PCA should set the billing at this higher level and must request exception approval from Atlanta.

G. Post-Submission Procedures

ED will begin reviewing accounts for transfer eligibility shortly after the month-end. Accounts that are approved for transfer will be recalled from the PCA at that time.

- **TSO file**
 - ED will create a (Rxx.DLREHAB2.TEXT) containing the accounts included in the transfer.
 - Note: "Rxx" is the PCA's unique three-character file prefix node associated with all files created for EFT.
 - These files will be over-written each month as new transfers are processed, so PCAs must download them in a timely fashion.
 - Once a transfer has been processed, files for previous months will no longer be available.
 - The file has six columns of data:
 - SSN

- Total transfer value of the rehabilitated loan(s) [note: this field, and the next two, have an implied decimal point two positions from the right]
 - L103 billing amount
 - Payment percentage
 - Indicator of whether the payment percentage was large enough to warrant a commission (“C”) or an administrative resolution fee (“A”)
 - “AG” code
- **Follow up on accounts accepted for transfer:**
- Stop any pre-scheduled payments (DDP, Speed-Pay, etc.).
 - Notify the borrower to send his/her next monthly payment to Direct Loans; advise borrower to expect contact from the Direct Loan Servicer and that payment due dates and amounts might change.
 - The Servicer may be reached at 800-848-0979. Payments should be sent to:

U.S. Department of Education
P.O. Box 530260
Atlanta, GA 30353-0260

- **Problems**
- Review payment history. Before assuming there is a problem with the programs or reporting it:
 - Determine what the billing amount and due date was on the last day of the month (the L108 records changes to the billing information)
 - Review every monthly due date to make sure that a full voluntary payment was received within 20 days of that date
 - Make billing change
 - If the borrower has made 9 payments but they are not timely according to the current billing due date, see if there is a due date for which all payments would be timely. If so, change the L103 due date; the account should be picked up for transfer at the end of the month in which you make the change.
 - Note: L103 address status may not be “U” in order to change billing info; you must ensure the address info is correct and update that to a “V”.
 - **Report any problems to - Amy.Louie@ed.gov and Jessica.Liu@ed.gov**

H. Accounts containing non-Direct and Direct Loans

The Direct Loan rehab process, which occurs automatically, dictates that the account be recalled. Thus, the PCA may not receive commission credit when the FFEL rehab payment posts, or a borrower with NDSL-Perkins loans may fall out of payment compliance.

Atlanta Regional Office will return these accounts to the PCA shortly after the account’s recall. PCAs should proactively identify and monitor these accounts to ensure that billing is re-established on the L103 once the account is returned.

Helpful Hint: The file that Atlanta uses to return accounts to the PCA so that remaining debts can be rehabilitated is a letter request file. Any account with an undeliverable address at the time of the rehabilitation will not be included on the letter request file and will not be returned to the PCA. PCAs should ensure that all accounts rehabilitated have current deliverable addresses.

I. Minimum Payment Amounts Table – Direct Loans

The following table shows payment amounts (as a percentage of the balance to be rehabilitated) that may automatically be considered reasonable and affordable *and* that will entitle the PCA to a commission on the rehabilitation balance transferred to Direct Loans. While borrowers may qualify for rehabilitation by making payments below this percentage, the PCA will earn a \$100 admin fee instead of a commission. If the borrower’s payment amount is less than the greater of

- \$50, or
- The amount of interest accrued each month on the loans to be rehabilitated

then the PCA must obtain from the borrower a completed statement of financial status (and associated supporting documentation) that justifies the payment is “reasonable and affordable”.

If the balance to be rehabilitated ⁴ is:	The minimum payment percentage is:
<= \$7500	1.29%
>\$7500 and <=\$10,000	1.14%
>\$10,000 and <=\$20,000	1.00%
>\$20,000 and <=\$40,000	0.87%
>\$40,000	0.76%

Example: if the borrower owes \$10,000 at the time of rehabilitation, his monthly payments must have been at least \$114 in order to be automatically considered “reasonable and affordable” and for the PCA to earn a commission.

⁴ The “balance to be rehabilitated” includes principal and interest, as well as any fees and collection costs that ED decides to charge. As of the writing of this document, ED does not include any fees or collection costs in the rehabilitation balance. This is subject to change, however, and note that collection costs may total as much as 18.5% of combined principal and interest.

2. NDSL-PERKINS LOAN REHABILITATION

Reference: 34 CFR 674.39

A. Loan Eligibility

- Only NDSL (National Direct and National Defense) and Perkins loans are eligible for this type of rehabilitation.
 - These are identifiable by the first letter in the debt identification number: “N”
- Loans with judgments may be rehabilitated if the borrower signs a new promissory note. See subsection H (Judgment Loans) of this section for more information.
- Previously rehabilitated loans *are not* eligible for rehabilitation
- There is no minimum payoff balance eligible for rehabilitation, but accounts where the balance is *less than twice the borrower’s monthly payment amount will not be rehabilitated.*
- Borrowers must sign and return to the PCA a rehab agreement letter (see Chapter 4 for more letter information)

B. Qualifying Payments

Borrowers must make a *full, timely, voluntary payment of an approved amount each month for 9 consecutive months* in order to qualify for NDSL-Perkins rehabilitation.

- **“Full” payments**
 - Defined as those meeting the L103 billing amount.
 - The full amount of the L103 billing amount must be received in the form of a voluntary payment within **fifteen days** of the L103 billing due date—no more than fifteen days early nor fifteen days late. *Note: this is different than for FFEL and Direct Loan rehabilitation, where timely payments are defined as those received within 20 days of the due date.*
 - Involuntary payments (wage garnishments, offsets, DOJ payments, etc.) do *not* count toward this requirement.
- **Billing amount**

- The billing amount may be changed at any point in the qualifying process, but *all* payments will be evaluated based on the L103 billing amount as of the close of business on the last calendar day of the month in which the final qualifying payment is posted.
 - Increasing a borrower's billing amount may lengthen the time for him/her to qualify, if earlier payments were for a lower amount
 - Decreasing a borrower's billing amount may affect the PCA's eligibility for commission, since ED uses the billing amount to determine if the minimum payment percentage has been met

- **“Split” Payments**
 - Borrowers may make payments weekly or monthly, so long as the cumulative amount of voluntary payments received within 15 days of every due date equals or exceeds the current L103 billing amount

- **“Timely” payments**
 - Defined as those received at the payment center (i.e., have an effective date on the R103 screen) within fifteen days of the L103 billing due date—no more than fifteen days early nor fifteen days late.
 - Nine full consecutive payments must be received within fifteen days of a *single* due date in order for the borrower to qualify.
 - The due date may be changed at any point in the qualifying process, but the timeliness of *all* payments will be evaluated based on the L103 billing due date as of close of business on the last calendar day of the month in which the final qualifying payment is posted.

- **Bounced payments**
 - Payments that bounce, are reversed or are stopped do not count toward the series of qualifying payments.

- **ED's Direct Debit Program (DDP) Payments**
 - Count toward rehabilitation
 - If the borrower is on DDP as of the last day of the calendar month, the DDP information will be used to calculate the borrower's billing amount and due date as follows:
 - The due date will be the 16th of the month (thus a payment received on any calendar day of any month will be timely for that month)
 - The billing amount will be the DDP amount multiplied by the number of payments debited per month (if debiting is weekly, the billing amount will be the DDP amount times 4, etc.)

C. Acceptable Payment Amounts

- **“Reasonable and Affordable” qualifying payments**

- Qualifying payments must be “reasonable and affordable” based on the amount owed and on the borrower’s “total financial circumstances”.
 - Monthly payments equal to 1.15% of the balance may automatically be considered “reasonable and affordable,” but the payment amount must be at least \$50.
 - The PCA does NOT need to obtain a statement of financial status if the borrower’s payments are at least \$50 and at least 1.15% of the balance.
- **Obtaining a completed statement of financial status**
- The PCA must obtain from the borrower a completed statement of financial status if
 - The PCA approves a monthly payment amount that is lower than:
 - \$50 or
 - 1.15% of the balance.
 - If the PCA approves monthly payments that are less than \$50 or less than 1.15% of the balance, the PCA will be *paid an admin resolution fee instead of commission for the rehab.*
- **Wage garnishment (or other monthly involuntary payment situation)**
- Borrower *may* qualify for rehabilitation by making voluntary payments *in addition to* his/her garnishment payments.
 - The voluntary payments must meet all requirements as stated in this document; the fact and amount of the garnishment (or other involuntary) payments do not affect the requirements for rehabilitation.
- **Accounts with loans from multiple programs**
- Since every loan program (Direct, FFEL & FISL, NDSL-Perkins) has its own rehabilitation program, a borrower’s total monthly payment should be calculated as the aggregate of the minimum payments for each program’s cohort of loans in the account.
 - Example: if the borrower has a one \$5000 FFEL and one \$5000 Direct Loan, for a total account balance of \$10,000, his monthly minimum *should not* be figured by using the minimum percent for a \$10,000 balance in Appendix A.
 - Instead, a separate payment amount for the Direct Loan and FFEL should be calculated and added together.
 - In this example, the borrower’s total monthly payment would be \$129, whereas it would be \$114 if he owed \$10,000 of a single program type loan. This is because the loans will be split up at the time of rehab, and the new loan holder will be calculating a new payment amount based only on the amount assigned to that loan holder.

D. Monthly Transfer Process

NDSL-Perkins Rehabilitation transfers will be processed monthly. Shortly after the end of each month, ED will review each account flagged for rehab by the PCA. Accounts should not be

submitted for any sale *until the ninth qualifying payment has actually posted and is visible on the R103 screen.*

E. Submission Procedures

- **Change the L103 collector code to 00167**
- **Establish/confirm billing on the L103 screen** (*not just on the PCA's internal collection system*).
 - The borrower's payments will be evaluated based on whatever the L103 shows as the billing amount and due date as of close of business on the last day of the month, so PCAs should review the borrower's R103 payment history to ensure that the full L103 billing amount was received within 15 days of each monthly due date for 9 consecutive months.
- **TSO Files**
 - Once ED's program evaluates accounts for eligibility, ED will create two TSO files for EFT retrieval:
 - Rxx.NDSL RHAB.TEXT (accounts included in the sweep), and
 - Rxx.NDSL RHAB.FLUNK.TEXT (accounts rejected from the sweep)
 - "Rxx" is the PCA's unique three-character filename prefix.
 - These files will typically be created with a few days of each month end. PCAs must plan to retrieve these files promptly each month. The files will be over-written with new data each month as new sweeps are conducted. Historical data will not be available once a new sweep has been processed.
 - These files are in ASCII text, not binary, format, so PCAs' IT staff should be aware of this. The full "text" extension is part of the file name, not "txt".
 - The layout of the "NDSL RHAB" file is:
 - SSN (positions 1-9)
 - Balance rehabbed (positions 11-18)
 - The layout of the "FLUNK" file is:
 - SSN (positions 1-9)
 - AG code (positions 11-15)
 - Reject reason (positions 81-100)
- **Submit rehab agreement letter**
 - Complete an IMF form with the comments "Scan to file only, no response required."
 - Send the signed rehab agreement letter to the Greenville *physical* address:

U.S. Department of Education
Attn: Warehouse/SSU
6201 Interstate 30
Greenville, TX 75403

F. Exception Requests

An “exception” request is one where the account characteristics would appear to render the account ineligible for rehab. For example, a borrower’s voluntary payment was mis-coded as a wage garnishment payment. The systematic review programs would therefore reject the account as ineligible. *Note: changing the billing information retroactively does NOT require an exception request if the borrower has made nine consecutive timely payments according to that new billing information.*

- Processing Steps:
 - Route the request through ED monitor.
 - If a PCA believes that circumstances warrant an account’s rehabilitation despite its apparent ineligibility, the PCA should route that request through ED
 - The PCA should annotate the notepad with the reason the exception is being requested
 - The ED monitor will manually recall the account, move it to location code ED712 and manually enter an invoice adjustment to give the PCA commission or admin fee credit.
 - *Note: this is different than either the FFEL or Direct Loan rehab programs, where the monitor annotates the notepad.*

G. Special Circumstances

- The normal minimum payment amount requirements are modified in the following circumstances where the borrower’s balance increases after his payment amount has been set:
 - New debt loaded during qualifying period.
 - Treasury offset reversal increases the balance.
- The PCA may either raise the minimum payment balance to the new minimum, or:
 - Accept an admin fee for the rehab,
 - Advise the borrower to make a lump sum payment to pay the balance down to the point that the payment amount meets the acceptable minimum, or
 - Advise the borrower to make monthly payments for a longer period of time until the balance is paid down to the point that the payment amount meets the acceptable minimum.
- If the billing amount is increased:
 - The borrower must make a minimum of three payments at this higher amount *AND* must have made the requisite nine payments to qualify.
 - Example: if a new debt is loaded after the borrower’s sixth payment, he should make the final three payments at the higher level and can still qualify after making a total of nine payments. If the new debt is loaded after the borrower’s eighth payment, he would have to make three more payments—a total of eleven—at the higher level to qualify.

- The PCA should set the billing at this higher level and must request exception processing from the Atlanta Regional Office.

H. Judgment Loans

- The judgment indicator for NDSL-Perkins loans is located on the R106 screen.
- Once the borrower has made at least six payments, submit an on-line IMF requesting that a new promissory note be prepared and sent to the borrower.
- Once the borrower signs and returns the new note, the CSB contractor will annotate this fact on the L102 notepad and will track the account. Once the ninth consecutive timely payment is made, the CSB contractor will notify Rg4 to manually process the rehab (as described in the exception procedures).

I. Post-Submission Procedures

- **Follow-up on rejected accounts:**
 - Notify the borrower of his/her status
 - If appropriate, either request exception processing or plan to re-submit the account once eligibility is established.
 - Change the collector code if the account is not being submitted for the next scheduled sweep.
- **Follow up on accounts accepted for sale:**
 - Stop any pre-scheduled payments (Speed-Pay, etc.).
 - Change the collector code back to 99999
- **Problems**
 - Account rejected. Before assuming a payoff is missing, the PCA should first check the reject list for the sweep in question.
 - If an account is flagged for rehab but does not show up on either the accepted or rejected accounts file, **contact Michael.Bryant@vangent.com**.

J. Accounts containing both NDSL-Perkins and other debt types

- **Issue**
 - The NDSL-Perkins rehab process requires that the account be recalled from the PCA for an extended period of time.
 - Therefore, the program will exclude any account with a positive balance debt of any other type; otherwise, the PCA would lose the opportunity to collect on the other debts.
- **Resolution**
 - If the PCA wants to effect the rehabilitation of the NDSL-Perkins loan even at the cost of losing the other debts, the PCA should request that Atlanta manually process the rehab as described in the Exceptions procedures above.

3. FFEL LOAN REHABILITATION

Reference: 34 CFR 682.405

A. Loan Eligibility

- Only GSL and FISL loans are eligible for FFEL Rehabilitation.
 - These are identifiable by the first letter in the debt identification number: “G” for GSLs and “F” for FISLs.
- The following GSL and FISL loans are not eligible:
 - Loans with judgments.
 - Judgments do not expire, so the R107 “judgment expiration date” is irrelevant.
 - Loans disbursed prior to 1/1/1967
 - Loans with an interest rate of 6%.
 - Note: loans disbursed after 8/3/1968 should *not* have a 6% interest rate. If you encounter such a loan, retrieve the file documents to determine the true disbursement date and submit to ED for interest rate correction as warranted.
- Consolidation loans are eligible
- Loans rehabilitated prior to August 14, 2008 are eligible
- The minimum payoff balance eligible for rehabilitation is \$300.
- Borrowers must sign and return to the PCA a rehab agreement letter.
 - Please see Chapter 4 for rehab agreement letters
- The following account conditions should be resolved before submitting the account for sale:

- **Mixed balances**
 - If the account includes a mixture of negative and positive balance debts, the negative balance debt must be resolved by the CSB contractor prior to submission for rehab. PCAs should submit an on-line IMF requesting that the +/- balance be resolved.
- **Tiny balance loans**
 - If the account includes any *loans with balances smaller than \$25*, the PCA should submit an IMF to the Atlanta Regional Office to evaluate whether or not the loan balance is valid.
- **Missing date of birth** (from DMCS)
 - PCAs must obtain at least one form of legal identification (driver's license, state-issued ID, birth certificate) showing the borrower's birth date, and submit this to ED via IMF.

B. Qualifying Payments

Borrowers must make *9 full, timely, voluntary monthly payments of an approved amount in a ten month period* in order to qualify for FFEL rehabilitation.

- **“Full” payments**
 - Defined as those meeting the L103 billing amount.
 - The full amount of the L103 billing amount must be received in the form of a voluntary payment within twenty days of the L103 billing due date—no more than twenty days early nor twenty days late.
 - Involuntary payments (wage garnishments, offsets, DOJ payments, etc.) do not count toward this requirement.
- **Billing amount**
 - The billing amount may be changed at any point in the qualifying process, but all payments will be evaluated based on the L103 billing amount as of close of business on the sale cutoff date.
 - Increasing a borrower's billing amount may lengthen the time for him/her to qualify, if earlier payments were for a lower amount
 - Decreasing a borrower's billing amount may affect the PCA's eligibility for commission, since ED uses the billing amount to determine if the minimum payment percentage has been met
- **“Split” Payments**
 - Borrowers may make payments weekly or monthly, so long as the cumulative amount of voluntary payments received within 20 days of every due date equals or exceeds the current L103 billing amount.
 - *Note: see the “Exception Requests” subsection on split payments for additional information about when/whether an exception request may be required.*
- **“Timely” payments**

- Defined as those received at the payment center (i.e., have an effective date on the R103 screen) within twenty days of the L103 billing due date—no more than twenty days early nor twenty days late.
 - Nine full payments must be received within twenty days of a *single* due date in order for the borrower to qualify.
 - The due date may be changed at any point in the qualifying process, but the timeliness of all payments will be evaluated based on the L103 billing due date as of close of business on the sale cutoff date.
- **Bounced payments**
- Payments that bounce, are reversed or are stopped do not count toward the series of qualifying payments.
- **Current Payments**
- *Borrowers may miss one payment in a ten month period and still qualify for FFEL rehabilitation.*
 - The borrower must be current with his payments as of the sale cutoff date.
 - This means that the borrower must have made a timely full payment for the most recently expired monthly due date (i.e., the last monthly due date that is at least 20 days earlier than the sale cutoff date) or for a subsequent due date that has not yet expired.
 - Example: if the sale cutoff date is January 31, and the borrower's due date is the 15th of each month, the borrower must have made a timely payment for either
 - His December payment (since on Jan 31 he still has time to make a timely payment for January), or
 - His January payment, or
 - His February payment
- **ED's Direct Debit Program (DDP) Payments**
- Count toward rehabilitation.
 - If the borrower is on DDP at the time of rehab sale, the DDP information will be used to calculate the borrower's billing amount and due date as follows:
 - The due date will be the 16th of the month (thus a payment received on any calendar day of any month will be timely for that month)
 - The billing amount will be the DDP amount multiplied by the number of payments debited per month (if debiting is weekly, the billing amount will be the DDP amount times 4, etc.)

C. Acceptable Payment Amounts

- **“Reasonable and Affordable” qualifying payments**
- Qualifying payments must be “reasonable and affordable” based on the amount owed and on the borrower's “total financial circumstances.”
 - Based on the balance to be rehabilitated, monthly payments equal to a certain percentage of that balance may automatically be considered “reasonable and

affordable”, based on the table in *Section 3, subsection L* of this Chapter (minimum payment amounts – FFEL).

- The PCA does not need to obtain a statement of financial status if the borrower’s payments meet the minimum percentages in Section 3, subsection L of this Chapter.

➤ **Obtaining a completed statement of financial status**

- The PCA must obtain a statement if
 - the PCA approves a monthly payment amount that is lower than the percentages stated in Section 3, subsection L of this Chapter *and* if the borrower’s payments are less than the greater of either
 - \$50.00, or
 - The amount of interest that accrues each month on the loan(s) being rehabilitated
- If the PCA approves monthly payments that are less than the percentages stated in Section 3, subsection L of this Chapter, the PCA will be *paid an administrative resolution fee, rather than a commission*, for the rehabilitation.

➤ **Wage garnishment (or other monthly involuntary payment situation)**

- Borrower *may* qualify for rehabilitation by making voluntary payments *in addition to* his/her garnishment payments.
- The voluntary payments must meet all requirements as stated in this document; the fact and amount of the garnishment (or other involuntary) payments do not affect the requirements for rehabilitation.

➤ **Loans sold at a discount**

- In certain circumstances, ED may choose to sell certain loans to a rehab lender at a discount.
 - E.g., if the balance owed at the time of rehab is \$10,000, ED may agree to sell the loan to the lender for \$9700 (a 3% discount).
- In this instance, the minimum acceptable payment amount will be calculated as a percent (Section 3, subsection M of this Chapter) of the total balance sold to the lender (principal, interest and collection costs) not as a percent of the amount received from the lender (i.e., the discounted sale price).
 - So in the example of the borrower owing \$10,000, the borrower’s monthly payment must be at least \$129 for a regular rehab or \$114 for a BSR in order for the PCA to earn a commission as opposed to an admin fee.

➤ **Accounts with loans from multiple programs**

- Since every loan program (Direct, FFEL & FISL, NDSL-Perkins) has its own rehabilitation program, a borrower’s total monthly payment should be calculated as the aggregate of the minimum payments for each program’s cohort of loans in the account.
 - Example: if the borrower has a one \$5000 FFEL and one \$5000 Direct Loan, for a total account balance of \$10,000, his monthly minimum *should*

not be figured by using the minimum percent for a \$10,000 balance in Section 3, subsection L of this Chapter.

- Instead, a separate payment amount for the Direct Loan and FFEL should be calculated and added together. In this example, the borrower's total monthly payment would be \$129, whereas it would be \$114 if he owed \$10,000 of a single program type loan. This is because the loans will be split up at the time of rehab, and the new loan holder will be calculating a new payment amount based only on the amount assigned to that loan holder.

➤ **Additional considerations**

- ED strongly recommends that PCAs establish payment amounts rounded up to the nearest five or ten dollars. It is easy for a borrower to transpose the digits on "precise" payment amounts—e.g., \$101.28—but the rehab evaluation programs will count a payment as missed even if it is one penny short.
- The minimum acceptable payment percentages are just that—minimums, not necessarily the most desirable amount. Borrowers should pay the maximum they can afford, and PCAs should always build in a "cushion" above the calculated minimum to anticipate interest rate increases, etc.

D. Balance Sensitive Rehabilitations (BSR)

- Rehabilitations where the borrower's approved payment amount and the acceptable minimum monthly payment amount (Section 3, subsection M of this Chapter) is less than 1.29% of the final payoff balance are considered "balance sensitive" rehabilitations.
- In general, borrowers in the BSR program consolidate their loans immediately after rehabilitation in order to take advantage of the longer-term repayment plans that are available on FFEL consolidation loans.
 - It is because they agree to consolidation that they can qualify for rehabilitation with smaller monthly payments.
- The minimum payoff balance eligible for BSRs is \$7500.
- If the BSRs are handled by a FFEL lender the borrower does not need to complete a consolidation application if all of the loans being rehabbed are defaulted consolidation loans.
- If the BSRs are handled through ED's alternative Direct Consolidation BSR process, the PCA must complete a Fast-Track consolidation package for every BSR borrower, regardless of the types of loans being rehabbed.

E. Weekly Transfer Process

Rehabilitation sales will be processed weekly and will be rotated among all participating lenders. ED will publish a schedule of loan sales and the associated rehabilitation lenders. It may be the case that some lenders may not offer BSR or may only offer BSR; the schedule will indicate which type of rehab accounts can be picked up in a given sale.

The “cutoff” date for every sale will be the Friday of that week, even if the Friday happens to be a holiday. In rare instances, when the month ends on a Thursday, the cutoff date will be that Thursday. *Accounts should not be submitted for any sale until the final qualifying payment has actually posted and is visible on the R103 screen.*

F. Submission Procedures

In order to have an account reviewed for inclusion in the week’s sale, the PCA must do the following by close of business on the cutoff date:

- **Change the L103 collector code to either:**
 - 00165 for regular (non-BSR) accounts, or
 - 00166 for BSR accounts
 - *Note: Only rehabs of the type being processed in a given sale will be picked up (e.g., if the lender handling the sale accepts only regular rehabs, accounts flagged with collector code 00166 will not be reviewed or included in the sale).*
- **Establish/confirm billing on the L103 screen** (not just on the PCA’s internal collection system).
 - The borrower’s payments will be evaluated based on whatever the L103 shows as the billing amount and due date as of close of business on the cutoff date, so PCAs should review the borrower’s R103 payment history to ensure that the full L103 billing amount was received within 20 days of each monthly due date for at least 9 months in a ten-month period.
- **Update the borrower’s address and phone numbers.**
 - There must be at least one valid phone number on the L103.
- **Update the address status field to “V”**
- **Update reference information**
 - There must be at least three current references on file.
 - The system will not allow for deletion or modification of references, only the creation of new ones. Each new reference you create will become the first reference in the account (i.e., the first page on the L103). We will send to the lender the first three references for any account.
 - Updating a reference: if information for an existing reference needs to be updated, you may type over the bad information and replace it with current information. This changed reference will then become the first reference for the account.
- The PCA must **update the L102** notepad directly to indicate that the account has been submitted for rehab sale as follows:
 - *****SUBMITTED FOR REHAB CUTOFF MM/DD/YYYY**
REHAB LENDER IS LENDER NAME
 (Where the actual cutoff date and lender name is stated)

- If the loan is being **sold at a discount**, the PCA must also annotate this fact on the **L102 notepad** as follows:

- **REHAB SOLD AT X% OF TOTAL BALANCE**
(Where the actual sale percentage is stated)

- **TSO Files**

- Once ED's program evaluates accounts for eligibility, ED will create two TSO files for EFT retrieval:
 - Rxx.RHABGOOD.TEXT (accounts included in the sale), and
 - Rxx.RHABBAD.TEXT (accounts rejected from the sale)
 - "Rxx" is the PCA's unique three-character filename prefix.
 - These files will typically be created by close of business on the first working day after the sale cutoff (typically the following Monday, but Tuesday if Monday is a holiday).
 - ED will also notify PCAs via email when a sale has been transmitted; at that point, the TSO files can be retrieved. PCAs must plan to retrieve these files promptly each week. *The files will be over-written with new data each week as new sales are created.* Historical data will not be available once a new sale has been processed.
 - These files are in ASCII text, not binary, format, so PCAs' IT staff should be aware of this. The full "text" extension is part of the file name, not "txt".
 - The layout of the "RHABGOOD" file is:
 - SSN (positions 1-9)
 - Debt ID (positions 11-26)
 - Principal balance (positions 28-37)
 - Interest balance (positions 39-48)
 - The layout of the "RHABBAD" file is:
 - SSN (positions 1-9)
 - Reject reason (positions 11-32)
 - In addition to records in the above layout, *two payment analysis records for every rejected account* will also be appended to the "RHABBAD" file (there will be two records because the analysis is done two ways since the most recent payment might have been timely for two different due dates). The layout for these records is:
 - Example
- 957781757 20080415 200.00 1-_ 2-Y 3-Y 4-_ 5-Y 6-Y 7-Y 8-_ 9-_ 10-Y 11-Y CURRNT=N
- SSN – positions 1-9
 - Last billing due date used – positions 11-18 (ccyymmdd format)
 - Billing amount – positions 20-25
 - 11 payment flags (e.g., "1-_" or "2-Y") – positions 27-71. Payment flag #1 represents the last billing date as displayed earlier in the record. A value of "Y" means a full timely payment was received within 20 days of that due date; a value of "_" means the payment was either not received,

was not timely or was not full. Payment flag #2 represents the next earlier month; if payment flag #1 was for February, then #2 will be for January, and so on.

- “Current” with payments flag – positions 73-80.

➤ **BSR accounts**

- PCAs should ship, via overnight delivery, the consolidation application package to the rehabilitation lender on the date ED creates the TSO files described above. (This requirement is waived if the BSR sale is being handled by an FFEL lender and only consolidation loans are being rehabilitated).
- The lender will reject from sale any accounts for which the required documents are not received.

➤ **Submit rehab agreement letter**

- Complete an IMF form with the comments “Scan to file only, no response required.”
- Send the signed rehab agreement letter to the Greenville *physical* address:

U.S. Department of Education
Attn: Warehouse/SSU
6201 Interstate 30
Greenville, TX 75403

G. Exception Requests

An “exception” request is one where the account characteristics would appear to render the account ineligible for rehab. For example, a borrower’s voluntary payment was mis-coded as a wage garnishment payment. The systematic review programs would therefore reject the account as ineligible. *Note: changing the billing information retroactively does NOT require an exception request if the borrower has made nine timely payments in a ten month period according to that new billing information.*

➤ **Processing Steps:**

- Route the request through ED
 - If a PCA believes that circumstances warrant an account’s rehabilitation despite its apparent ineligibility, the PCA should route that request through their ED monitor in the contract services branch.
 - Annotate the specific reason for the exception request on the notepad
 - Example - “payment effective 5/1/04 was mis-coded as a wage garnishment pyt”)
 - The ED monitor will annotate the notepad with the message *****REHAB EXCEPTION APPROVED** if the exception is approved.
 - This note must be entered *no earlier* than 30 days before the cutoff date
- Once the ED monitor indicates the exception request has been entered, the PCA must:

- Confirm that the note has been entered exactly as shown above
 - The programs will not recognize the exception approval if the notepad text is not verbatim;
 - Update the L103 and notepad as described above.
 - Accounts will still be rejected if the collector code is not changed to 00165/00166, or if billing is not set up, or if address, references or date of birth information is missing; and
 - Annotate the specific reason for the exception request on the notepad
 - Example - “payment effective 5/1/04 was mis-coded as a wage garnishment pyt”)
- Limitations
 - The **minimum balance** requirement (\$300 for regular, \$7500 for BSR) may not be circumvented by exception—this is a lender requirement.
 - Accounts with a **judgment** indicator may not be circumvented by exception—this is a regulatory restriction.
 - If ED determines that a loan does not have a valid/enforceable judgment, ED must remove the litigation indicator on the R107 screen.
 - **The account must:**
 - Be on L103 billing
 - Have at least three references
 - Have at least one valid phone number
 - Have a valid date of birth
 - Not contain any negative balance debts
 - *Loans excluded by virtue of **disbursement date or interest rate** may NOT be included even with an exception note*
- **Split payments**
 - In general, accounts with split payments *do not* require an exception unless all of the following are true:
 - The borrower skips a monthly payment, and
 - The first installment of the split payment for the following month is timely for the skipped month
 - Example: if the borrower’s due date is the 15th and he skips his September payment, an exception will be required if he makes a split payment in October and the first installment of his split payment is received between September 25 and October 5.

H. Special Circumstances

- The normal minimum payment amount requirements are modified in the following circumstances where the borrower’s balance increases after his payment amount has been set:
 - New debt loaded during qualifying period.
 - Variable interest rate increase.
 - Treasury offset reversal increases the balance.
- The PCA may either raise the minimum payment balance to the new minimum, or:
 - Rehab according to the original schedule and at the original payment amount.

- In this instance, the PCA will be *paid an administrative resolution fee instead of a commission.*
 - *ED does not encourage this option, since the borrower's required payment will increase after rehab.*
 - Advise the borrower to make monthly payments for a longer period of time until the balance is paid down to the point that the payment amount meets the acceptable minimum, or
 - Advise the borrower to make a lump sum payment to pay the balance down to the point that the payment amount meets the acceptable minimum payment required.
- If the billing amount is increased:
 - The borrower must make a minimum of three payments at this higher amount *and* must have made the requisite nine payments to qualify.
 - If the borrower has already made more than 6 qualifying payments, the borrower will end up making more than 9 payments before rehabilitation.
 - Example: if a new debt is loaded after the borrower's third payment, he should make the final six payments at the higher level and can still qualify after making a total of nine payments. If the new debt is loaded after the borrower's eighth payment, he would have to make three more payments—a total of eleven—at the higher level to qualify.
 - *In no instance may the borrower qualify for rehab with fewer than 9 payments.*
 - The PCA should set the billing at this higher level and must request exception approval from the Atlanta Regional Office at the time of rehab sale since not all of the payments made will meet the L103 billing amount.

I. Post-Submission Procedures

- **Follow-up on rejected accounts:**
 - Notify the borrower of his/her status
 - If appropriate, either secure exception approval for the next sale or plan to re-submit the account once eligibility is established
 - Change the collector code if the account is not being submitted for the next scheduled sale
- **Follow up on accounts accepted for sale:**
 - Remove the account from billing and stop any pre-scheduled payments (DDP, Speed-Pay, etc.)
 - Notify the borrower to send his/her next monthly payment to his/her new lender; advise borrower to expect contact from the new lender and that payment due dates and amounts might change
 - Change the collector code back to 99999
 - *Important Exception: Do NOT change the collector code on accounts submitted for BSR sale through the Direct Loans Fast-Track process until the payoff posts. If the collector code is not 00166 at the time the payment is received, it will post as a consolidation payment.*
 - On average, payoffs have typically posted between 18 and 21 *calendar* days after the cutoff date

J. Payoff not Posted as Expected

- Before reporting a problem, the PCA should first check the reject list for the sale in question and the account's L102 notepad screen for evidence it was rejected from the sale.
- If payment has not posted as expected, or the wrong amount was funded, send an email to Rosie.Estrada@ed.gov and Tamara.Chrisman@ed.gov (Region 9 – San Francisco)

K. Accounts containing both FFEL (including FISL) and Direct Loans

- Issue
 - The Direct Loan rehab process, which occurs automatically, dictates that the account be recalled. Thus, the account may be recalled before the PCA can flag it for inclusion in an FFEL sale.
- Resolution
 - The Atlanta Regional Office will return these to the PCA shortly after recall. PCAs should be proactive about monitoring these accounts and must reinstate the billing info on the L103 once the account is returned.

Helpful Hint: The file that Atlanta uses to return accounts to the PCA so that remaining debts can be rehabilitated is a letter request file. Any account with an undeliverable address at the time of the rehabilitation will not be included on the letter request file and will not be returned to the PCA. PCAs should ensure that all accounts rehabilitated have current deliverable addresses.

L. Minimum Payment Amounts Table – FFEL

The following table shows payment amounts (as a percentage of the balance to be rehabilitated) that may automatically be considered reasonable and affordable *and* that will entitle the PCA to a commission on the rehabilitation balance sold or transferred to the rehabilitating lender. While borrowers may qualify for rehabilitation by making payments below this percentage, the PCA will earn a \$100 admin fee instead of a commission. If the borrower's payment amount is less than the greater of

- \$50, or
- The amount of interest accrued each month on the loans to be rehabilitated

then the PCA must obtain from the borrower a completed statement of financial status (and associated supporting documentation) that justifies the payment is "reasonable and affordable".

If the balance to be

The minimum payment

rehabilitated ⁵ is:	percentage is:
<= \$7500	1.29%
>\$7500 and <=\$10,000	1.14%*
>\$10,000 and <=\$20,000	1.00%*
>\$20,000 and <=\$40,000	0.87%*
>\$40,000	0.76%*

Example: if the borrower owes \$5,000 at the time of rehabilitation, his monthly payments must have been at least \$64.50 in order to be automatically considered “reasonable and affordable” and for the PCA to earn a commission.

*Payments that are less than 1.29% of the payoff balance will only result in a commission if the account is handled as a “balance sensitive” rehabilitation (BSR); see section 4 of this procedures manual for additional requirements associated with balance sensitive rehabilitations.

M. Lender Information

➤ ACS

- Borrowers’ payments (after rehab cutoff date) should be payable to U.S. Department of Education and should be sent to:

Department of Education—Student Loan Servicing Center
PO Box 7063
Utica, NY 13504 - 7063

Phone: 800-508-1378

➤ Direct Loan Consolidation (Fast-Track Unit)

- Consolidation applications for BSRs should be shipped to:

Direct Loan Consolidation Center
Attn: Fast-Track Rehabilitations
10100 Linn Station Road, Fifth Floor
Louisville, KY 40223-3813

Contact: Debbie Osborne 502-326-1995

- Borrowers’ payments (after rehab cutoff date) should be payable to US Department of Education and should be sent to:

US Department of Education
P.O. Box 530260
Atlanta, GA 30353-0260

⁵ The “balance to be rehabilitated” includes principal and interest, as well as any fees and collection costs that ED decides to charge.

Phone: 800-848-0979

4. PAYMENT COUNT PROGRAM

In order to help PCAs monitor borrowers' progress toward rehabilitation eligibility, ED has established a process through which PCAs can request analysis of a borrower's payment history using the actual rehabilitation programs' logic.

A. Manual Requests

- To request analysis of an individual account
 - Change the collector code to 00164
 - The collector code must be updated prior to close of business on Friday in order to be picked up in the following week's analysis (typically run on Monday afternoons).
 - In any week where Thursday was the last day of a month, the collector code must be updated by COB on Thursday to be picked up in the following week's analysis.
- The programs will evaluate accounts using the billing amount and due date as they were on COB on the Friday preceding the run date. (or the Thursday preceding the run date, if that happened to be the last day of a month).

B. Batch Requests

- Create a request file
 - The request file should:
 - Be a flat (fixed-width) ASCII text file
 - Contain only the numeric nine-digit account number (SSN) without dashes
 - This should be in positions 1-9 on the file and each record should be separated by a carriage return
 - Have a record length of 40 characters
- Upload (transfer via EFT) the file to the TSO dataset name Rxx.PAY18 ("Rxx" is your agency's unique file name prefix)
 - The file should be transferred in text, not binary, format
 - *Note that the default transfer protocol assumes a record length of 80 characters, so remember to change this to 40 when transferring this file*
- The program will typically be run on Monday afternoon each week, so your agency's request file should be uploaded prior to noon central time each Monday.
- The programs will evaluate accounts using the billing amount and due date as they were on COB on the Friday preceding the run date. (or the Thursday preceding the run date, if that happened to be the last day of a month).

- *When transferring your agency's first file, please notify Mike Bryant (Michael.Bryant@vangent.com, 319-665-7618) after transmission so Mike can test the file.*

C. Retrieve Results

- Results files will typically be available on Tuesday morning.
- The results will be written to two fixed-width format text files:
 - Rxx.PAYCOUNT.NEWREHAB.TEXT (Direct and FFEL rehab rules)
 - Rxx.PAYCOUNT.TEXT (NDSL-Perkins rehab rules)

D. File Layouts

➤ **Rxx.PAYCOUNT.NEWREHAB.TEXT:**

- Example

957781757 20080415 200.00 1-_ 2-Y 3-Y 4-_ 5-Y 6-Y 7-Y 8-_ 9-_ 10-Y 11-Y CURRNT=N

- SSN – positions 1-9
- Last billing due date used – positions 11-18 (ccyymmdd format)
- Billing amount – positions 20-25
- 11 payment flags (e.g., “1-” or “2-Y”) – positions 27-71.
Payment flag #1 represents the last billing date as displayed earlier in the record. A value of “Y” means a full timely payment was received within 20 days of that due date; a value of “_” means the payment was either not received, was not timely or was not full. Payment flag #2 represents the next earlier month; if payment flag #1 was for February, then #2 will be for January, and so on.
- “Current” with payments flag – positions 73-80.
 - Indicates whether borrower was current with his or her payments as of the program run date. This means that the borrower must have made a timely full payment for the most recently expired monthly due date (i.e., the last monthly due date that is at least 20 days earlier than the program run date) or for a subsequent due date that has not yet expired.
 - Example: if the program run date is January 31, and the borrower's due date is the 15th of each month, the borrower must have made a timely payment for either
 - Hs December payment (since on Jan 31 he still has time to make a timely payment for January), or
 - Hs January payment, or
 - Hs February payment

➤ **Rxx.PAYCOUNT.TEXT**

- Example

- 957781757 01 542 200.00 15TH
 - SSN – positions 1-9
 - Number of consecutive timely full payments – positions 11-12
 - “AG” number – positions 14-16
 - Billing amount – positions 18-23
 - Due date – positions 25-28
 - *Note: the first record on this file will be a header record indicating its creation date.*

CHAPTER 10: CONSOLIDATION

This Chapter describes requirements that must be met in order for PCAs to earn either a commission or administrative resolution fee on a consolidation payment. In many cases the requirements described in this document are more restrictive than are described in the program regulations.

Borrowers can and occasionally do apply for consolidation directly to Direct Loans or to a FFEL lender, and in most instances the PCA will not earn any fee when this happens. Appendix I in this Chapter describes how PCAs are notified when a borrower has applied for consolidation.

1. GENERAL REQUIREMENTS

Reference:
Direct Loans - 34 CFR 685.220
FFEL - 34 CFR 682.201(c) et seq.

A. Eligible Loans

- The following loans/debts are NOT eligible for consolidation:
 - Program overpayment (POVR) debts
 - These are identifiable by the first letter “P” in the debt identification number
 - Consolidation loans
 - These are identifiable by either the loan type “CONS” on the R107, R105 or R116 screen OR if the middle four digits of the lender code are 7777, 8888 or 9999
 - Loans with judgments
 - “Stand alone” Perkins/NDSL loans are not eligible for consolidation.
 - *Perkins/NDSL type loans* (identifiable by the first letter “N” in the debt identification number) *can only be consolidated along with at least one eligible FFEL (including FISL) or Direct Loan*
 - Borrowers for whom a wage garnishment payment has been received within the preceding 90 days are not eligible for consolidation

B. Qualifying Payments

Except for Forced-ICRP consolidations (see section 2 of this Chapter), borrowers must make a *full, timely, voluntary payment of an approved amount each month for 6 consecutive months* in order to qualify for consolidation.

These payments must have posted to the account (be visible on the R103 screen) by the time the PCA certifies the account for consolidation. It is not required that borrowers be set up on billing on the L103 screen.

- **“Full” payments**
 - Defined as those meeting the amount approved by the PCA.
 - The full amount must be received in the form of a voluntary payment within fifteen days of a single monthly due—no more than fifteen days early nor fifteen days late.
 - Involuntary payments (wage garnishments, offsets, DOJ payments, etc.) do not count toward this requirement.
 - Borrowers may make payments weekly or monthly, so long as the cumulative amount of voluntary payments received within 15 days of every due date equals or exceeds the approved payment amount.
- **“Timely” payments**
 - Defined as those received at the payment center (i.e., have an effective date on the R103 screen) within fifteen days of a single monthly due date—no more than fifteen days early nor fifteen days late.
 - Six full consecutive payments must be received within fifteen days of a single due date in order for the borrower to qualify.
 - A minimum of 140 days must have elapsed between the effective dates of the first and sixth monthly payments
- **Bounced payments**
 - Payments that bounce, are reversed or are stopped do not count toward the series of qualifying payments.

C. Acceptable Payment Amounts

- **“Reasonable and Affordable”**
 - Qualifying payments must be “reasonable and affordable” based on the amount owed and on the borrower’s “total financial circumstances.”
 - Payments equal to at least 1% of the final consolidation payoff balance are automatically considered reasonable and affordable.
- **Obtaining a completed statement of financial status**
 - Payments equal to at least .5% but less than 1% of the final consolidation payoff balance must be justified by a statement of financial status form completed by the borrower.
 - The PCA must document acceptance of the statement of financial status form on the L102 notepad *exactly* as follows:

***FIN STATEMENT OBTAINED

- The PCA must retain the completed statement of financial status form, and all accompanying documentation, through the end of the contract, and must be able to produce it for ED inspection within a reasonable timeframe upon request.
- Except for Forced-ICRP consolidations (see section 4) the PCA *will not be paid a commission or fee unless the borrower has made at least six consecutive monthly payments equal to at least .5% of the final consolidation payoff balance.*

2. FORCED-ICRP CONSOLIDATIONS

The PCA may be paid an administrative resolution fee for consolidations where the borrower did not make six consecutive payments equal to at least .5% of the final consolidation payoff balance *if* the borrower consolidates through the Direct Loan program and chooses the income contingent repayment plan (ICRP).

A. Processing Steps

- The PCA must obtain from the borrower either a **copy of his most recent Federal tax return** or, if the borrower did not file in the most recent tax year or his financial circumstances have substantially changed, **documentation of the borrower's taxable income.**
- The PCA must complete the **ICR payment calculator** (<http://www.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlentry2.html>) and retain copies of the borrower's income documentation and printouts of the data entry and results page of the calculator through the end of the contract, and must be able to produce them for ED inspection within a reasonable timeframe upon request.
- The PCA must obtain a completed "**Alternative Documentation of Income [ADOI] form**" from the borrower
 - The income stated on this form should only be taxable income.
 - FSA will not make determinations about whether a borrower's income is taxable prior to submission. Borrowers should seek advice from the IRS and/or a competent tax advisor.
 - If the borrower has no income, the borrower (and spouse, if the borrower is married) must check the box indicating no income. The income section of the form may not be left blank.
 - The income stated on the ADOI form should be identical to the income shown on supporting documentation (ideally the borrower's most recent Federal tax return) and also identical to the amount entered into the on-line ICR Calculator.

- The borrower's *total household income* (i.e., including any income earned by a spouse, regardless of filing status) must be listed on the ADOI form and used in the ICR calculator.
 - This also applies to borrowers who are separated—the spouse's income must be included.
 - In cases where the borrower's income fluctuates (e.g., due to an irregular work schedule), the PCA should attempt to calculate an average using a fairly representative collection of pay stubs.
 - Only the borrower may make changes (and initial those changes) to the ADOI form—the PCA may not.
- Borrowers may **consolidate under the Forced-ICRP provisions without making any qualifying payments** if the ICR Calculator shows the borrower cannot afford to make qualifying payments (or can afford to pay less than \$5/month).
 - If the ICR Calculator shows that the borrower **can afford to pay at least \$5/month**, the borrower must make six consecutive monthly payments of that amount in order for the PCA to earn an administrative resolution fee.
 - ED reserves the **right to reverse or withhold the administrative resolution fee** if the borrower's ICRP payment amount, as calculated by Direct Loans according to the ICRP formula, exceeds the payment amount approved by the PCA by more than \$25 or if the borrower fails to fulfill the requirements for ICRP (e.g., fails to complete required forms).
 - No fee will be paid for the consolidation of loans or borrowers defined as ineligible in Section 1, Subsection A of this Chapter.
 - The PCA must **document the L102** notepad exactly as follows when certifying an account for Forced-ICRP consolidation:
 - *****FORCED-ICRP CONSOLIDATION**
 - This annotation must be entered at the time of certification and supplement other required annotations described elsewhere in this document.

3. **BORROWER COUNSELING**

Before promoting consolidation as a resolution option, PCAs must truthfully and fully counsel borrowers about its advantages, disadvantages and ramifications. PCAs must ensure that borrowers understand that a consolidation loan is a loan that they must repay, and must convey to borrowers the importance of continuing to make monthly payments, as required, on the new consolidation loan.

Prior to certifying an account for consolidation, the *PCA must have sent the borrower a letter, approved by ED, which explains the ramifications and responsibilities of consolidation* (See Chapter 4).

A. Capitalization of Interest and Collection Costs

- The principal balance on the new consolidation loan will be the sum of all outstanding principal, interest and collection costs owed on the underlying loans at the time the consolidation payoff is received.
- Interest will accrue on a higher balance after consolidation than before.

B. Fixed Interest Rates

- Consolidation loans have a *fixed interest rate*, which is the weighted average of the interest rates of the underlying loans, rounded up to the nearest eighth of a percent, subject to an interest rate cap.
- In most instances, unless the weighted average exceeds the cap (which is rare), the borrower's new interest rate will be slightly *higher* than before consolidation.
- The interest rate on underlying loans with a variable interest rate becomes fixed in the consolidation loan
- Over the life of the loan, the borrower's interest rate may be lower or higher than if s/he did not consolidate
- In general, it makes more sense to consolidate during a period when interest rates are historically low

C. Defenses against Underlying Loans

- PCAs must NOT promote consolidation to borrowers who dispute the amount of or their obligation to pay the underlying loans, unless/until that dispute has been resolved.
- This includes, but is not limited to:
 - Borrowers claiming total and permanent disability
 - Borrowers raising objections based on bankruptcy, closed school, ability to benefit, unpaid tuition refund, and unauthorized signature issues.
- ED reserves the *right to reverse any commission paid* if the borrower's consolidation loan is discharged based on conditions that existed before consolidation.

D. Right to Consolidate

Many of the requirements outlined in this document pertain to the *PCA's eligibility to earn a commission or fee* and *are more restrictive than requirements that borrowers must meet* in order to be eligible for consolidation.

PCAs may NOT tell a borrower that s/he is ineligible for consolidation unless s/he does not meet the regulatory requirements for eligibility.

PCAs may:

- Refuse to assist borrowers in the consolidation process
- Choose not to mention consolidation as a resolution option
- Pursue other collection options, as warranted.

E. Credit Bureau Reporting

- The underlying loans (the defaulted loans being paid in full by the proceeds of the consolidation loan) will be reported to credit bureaus as “paid in full” and will typically appear on credit reports as a **“paid collection account”**
- If ED has already stopped reporting the loans (e.g., because the statute of limitation has passed), no new reporting will be made for the underlying loans.

F. Title IV Eligibility

- The underlying defaulted loans, once paid by the proceeds of the consolidation loan, will no longer affect the borrower’s eligibility to receive additional Title IV student financial aid (including Federal loans and Pell Grants)
 - Except to the extent that they count against the borrower’s loan limit.

4. CERTIFICATION

Certification is the process through which a borrower’s payoff information is provided to the prospective consolidation lender.

For administrative convenience, ED may delegate to its collection agencies the authority to complete Lender Verification Certificates (LVCs) from FFEL consolidation lenders and from Direct Loans.

A. LVC Signing Authority

- Each PCA must designate one or more officials who have authority to sign LVCs.
- These authorized officials must sign the “Acknowledgment of Certification Responsibilities” affidavit (Section 5, Appendix A of this Chapter) and return it to the Atlanta Regional Office.
- Only these PCA officials will be authorized to sign an LVC.
- Atlanta must be advised, in advance, of any changes in these personnel, and ED reserves the right to deny this authority to any individual or to revoke this authority as warranted.

B. LVC Reviews

- ED will routinely review these LVCs to ensure that they are being completed accurately.
- ED reserves the right to revoke, either temporarily or permanently, any agency’s authority to complete or sign LVCs, if ED detects a significant lack of quality control or any evidence of fraud or abuse.

C. DMCS Updates

- **L130 Screen**
 - PCAs must properly update the L130 screen at the time an LVC is completed

- This date will be stored in the system and later analyzed to determine if the borrower met all eligibility requirements at the time of certification.
 - *Failure to properly update the L130 may result in a loss or delay of commission.*
 - Section 5, Appendix B of this Chapter provides detailed descriptions of the system screens that contain the information needed to determine a borrower's eligibility for consolidation and for completing LVCs
- **L102 Screen**
- PCAs must annotate the certified balance, projected payoff date and lender on the L102 at the time of certification as demonstrated in the following EXAMPLE:
 - **CERT FOR CITIBANK CONS: \$5000.00 THRU 1/31/05**

5.**APPENDICES****APPENDIX A - ACKNOWLEDGMENT OF CERTIFICATION RESPONSIBILITIES**

Acknowledgment of Certification Responsibilities

I certify that I understand all of the statutory and regulatory requirements governing the eligibility of borrowers for consolidation in both the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program. I further certify that I understand all of the contractual requirements governing the eligibility of borrowers in the portfolio of the Department of Education's Student Financial Assistance Programs Students Channel Collections. I confirm that I have a thorough knowledge of the Debt Management and Collection System and can discern whether or not borrowers have met the eligibility requirements for consolidation. Prior to certifying any borrower as eligible for consolidation, I will review all pertinent screens in the Debt Management and Collection System and, as necessary, in my company's collection system. I understand that, by signing any Loan Verification Certificate, or otherwise certifying that a borrower is eligible for consolidation, I am affirming that, to the best of my knowledge, that borrower meets all regulatory, statutory and contractual requirements. I also understand that any false statement on my part may result in criminal or civil sanctions against my company both or me.

Full Name of Authorized Official _____

Signature of Authorized Official _____

Today's Date _____

APPENDIX B – DMCS SCREENS

Certification Data

Most of the information needed to complete an LVC can be found on a single screen on the Debt Management and Collection System (DMCS): the L130 “Rehabilitation and Consolidation Screen”. Information about qualifying payments made by the borrower must be gleaned from the R103 “Transaction History” screen.

The L130 Screen

```

( L130 )                REHABILITATION AND CONSOLIDATION SCREEN ED0291    04/26/96
                                08:34
ACCT NO: S123456789          PAYOFF DATE: 11/01/97          ACTION:  __
NAME:
# PAYMENTS: _                STATUS: _                LETTER STATUS: _
----- PROJECTED TOTAL FOR ALL SELECTED DEBTS -----
      PRINCIPAL      INTEREST      FEES      COLL COSTS      TOTAL
      -
----- PROJECTED TOTAL BY DEBT ----- PAGE      OF
                                         G/D DATE
_ DEBT-ID =                TYPE=          SUB=          JUDGE=          SID=
_ DEBT-ID =                TYPE=          SUB=          JUDGE=          SID=
_ DEBT-ID =                TYPE=          SUB=          JUDGE=          SID=
_ DEBT-ID =                TYPE=          SUB=          JUDGE=          SID=
    
```

Step 1: Access the Borrower’s Account

To access the borrower’s account, type the account number as shown above and hit [Enter].

Step 2: Set the Payoff Date

The payoff date is the date to which the interest and collection fee values displayed on this screen are computed. Note that the DMCS sets a default payoff date thirty days into the future. For FFEL consolidations, enter the date on which you anticipate the National Payment Center will receive the consolidation payoff for this borrower—typically, this is the lender’s funding date plus one day. As a general rule, set this date early rather than late: the DMCS automatically writes off small underpayments, but overpayments must be manually refunded.

For Fast-Track, today's date should be entered here: the Direct Loan Consolidation System will compute the correct payoff at the time of funding.

```

( L130 )                REHABILITATION AND CONSOLIDATION SCREEN  ED0291    04/26/96
                                                                08:34
ACCT NO: S123456789          PAYOFF DATE: 01/15/97          ACTION: __
NAME:
# PAYMENTS: 03 ❶          STATUS: _          LETTER STATUS: _

----- PROJECTED TOTAL FOR ALL SELECTED DEBTS -----
      PRINCIPAL      INTEREST      FEES    COLL COSTS      TOTAL
      -
----- PROJECTED TOTAL BY DEBT ----- PAGE 1 OF 1
                                           G/D DATE
__ DEBT-ID = D199501020304005 ❷ TYPE= STAF❸ SUB= *❹ JUDGE= N❺ SID=012345❻
900.00  _          100.00          185.00          1185.00
01/01/85❼
__ DEBT-ID =          TYPE=          SUB=          JUDGE=          SID=
__ DEBT-ID =          TYPE=          SUB=          JUDGE=          SID=
__ DEBT-ID =          TYPE=          SUB=          JUDGE=          SID=
  
```

Critical Data - Other than Balances

- ❶ *Satisfactory Repayment.* This field nominally displays the number of voluntary payments posted in the last 120 days. Do not use this field as the basis for certifying that a borrower is in satisfactory repayment—you must analyze the R103 screen.
- ❷ *Debt ID.* All debts belonging to a certain borrower fall under a single account. In our nomenclature, the Debt ID is often equivalent to what other loan holders (including Direct Loans) term the account number. Use the Debt ID whenever you are referring to information specific to that debt only, rather than to the borrower's account as a whole. The first letter of the Debt ID indicates what loan program the debt falls under, as follows:
 - D = Direct Loans
 - G = GSL
 - N = NDSL
 - F = FISL
 - P = Program Overpayments—never eligible for consolidation or rehab

- ③ *Loan Type.* For GSLs and Direct Loans, this will be a three or four letter literal which abbreviates the loan type; most of these loan types are self-explanatory but definitions can be found in the GSLCICS User’s Manual.⁶ For NDSLs, this will be a one-character code: “T” = National Direct Student Loan, “E” = National Defense Student Loan, and “P” = Perkins Loan. If no loan type code is present for NDSLs, the default loan type should be National Direct. For FISLs (debt ID begins with F), you must check the loan type field on the R105 screen since some “FISLs” in the DMCS are actually GSLs.
- ④ *Subsidized Indicator.* For Direct Loans this will be “Y” or “N” (yes or no). For older debts from other program types this will be “*”; prior to July 1, 2002, DRG did not capture this status for these programs. All FISLs and NDSLs are subsidized. In GSL, all PLUS, SLS and ALAS are unsubsidized, and all CONS are subsidized. Until recently, most unsubsidized Staffords were called SLS—true unsubsidized Staffords were an extreme rarity. Assume that any Stafford is subsidized if this indicator contains an asterisk.
- ⑤ *Judgment Indicator.* Self-explanatory. Blank equals no.
- ⑥ *School ID Code.* Self-explanatory.
- ⑦ *Guaranty/Disbursement Date.* Self-explanatory

⁶ An important exception is older Direct consolidation loans, which might be deceptively tagged as either PLUS or Stafford. This is because a Direct consolidation loan can really be up to three separate loans: all subsidized Staffords become a single new loan, all unsubsidized non-PLUS loans become a second new loan, and all PLUS loans become a third. These are kept separate in the event the borrower is eligible for a subsidy and because PLUS loans currently carry a higher interest rate. To determine whether or not a Direct Loan is a consolidation, refer to the school ID: if the middle four digits are all nines, all eights or all sevens (e.g., “099997”), the Direct Loan is a consolidation.

```

( L130 )                REHABILITATION AND CONSOLIDATION SCREEN  ED0291    04/26/96
                                                                08:34
ACCT NO: S123456789          PAYOFF DATE: 01/15/97          ACTION:  __
NAME:
# PAYMENTS: 03              STATUS:  _          LETTER STATUS:  _

----- PROJECTED TOTAL FOR ALL SELECTED DEBTS -----
      PRINCIPAL      INTEREST      FEES      COLL COSTS      TOTAL
      -
----- PROJECTED TOTAL BY DEBT ----- PAGE 1 OF 1
                                           G/D DATE
_ DEBT-ID = D199501020304005    TYPE= STAF    SUB= *    JUDGE= N    SID=012345
  900.00 ❶          50.00❷      50.00❸    185.00❹    1185.00❺    01/01/85
_ DEBT-ID =                    TYPE=          SUB=          JUDGE=          SID=
_ DEBT-ID =                    TYPE=          SUB=          JUDGE=          SID=
_ DEBT-ID =                    TYPE=          SUB=          JUDGE=          SID=
  
```

Critical Data - Balance Information

- ❶ *Principal.* Self-explanatory.
- ❷ *Interest.* Computed through the “Payoff Date” entered at the top of the screen.
- ❸ *Fees.* Not all accounts have fees assessed. Some DRG accounts have erroneous fee amounts entered. Until further notice, no fees, other than the 11.1% collection fee, should be included in the consolidation payoff.
- ❹ *Collection Costs.* For the 2008 contract, consolidation payoffs should include collection fees equal to 11.1% of combined principal and interest. We expect this will change to 8.1%; PCAs should await guidance from FSA.
- ❺ *Total Payoff.* The sum of the previous fields.

```

( L130 )                REHABILITATION AND CONSOLIDATION SCREEN  ED0291    04/26/96
                                                                08:34
ACCT NO: S123456789          PAYOFF DATE: 01/15/97          ACTION:  __
NAME:
# PAYMENTS: 03              STATUS:  _          LETTER STATUS:  _

----- PROJECTED TOTAL FOR ALL SELECTED DEBTS -----
      PRINCIPAL      INTEREST      FEES      COLL COSTS      TOTAL
      -
----- PROJECTED TOTAL BY DEBT ----- PAGE 1 OF 1
                                           G/D DATE
_  DEBT-ID = D199501020304005      TYPE= STAF      SUB= *      JUDGE= N      SID=012345
    900.00          50.00      50.00      185.00      1185.00      01/01/85
INT RATE = ❶      INT PER DAY = ❷      W/D DATE = ❸      DEFAULTTED? ❹
_  DEBT-ID =          TYPE=          SUB=          JUDGE=          SID=
_  DEBT-ID =          TYPE=          SUB=          JUDGE=          SID=

```

Other Critical Data

- ❶ *Interest Rate:* Self-explanatory.
- ❷ *Interest Per Day:* The amount of interest that accrues on that debt each day. This value is required on Direct Loans' LVCs.
- ❸ *Withdrawal Date:* The date the borrower withdrew, graduated or ceased half-time study. Again, this is required by Direct Loans.
- ❹ *Default Flag:* This flag will only appear for NDSL-Perkins loans, which are the only types of loans which may not be in default when assigned to DRG (they may be assigned if the school closes or withdraws from the program).

```

( L130 )                REHABILITATION AND CONSOLIDATION SCREEN  ED0291    04/26/96
                                                                08:34
ACCT NO: S123456789          PAYOFF DATE: 01/15/97          ACTION: C
NAME:
# PAYMENTS: 03              STATUS: _              LETTER STATUS: _

----- PROJECTED TOTAL FOR ALL SELECTED DEBTS -----
      PRINCIPAL      INTEREST      FEES      COLL COSTS      TOTAL
      -
----- PROJECTED TOTAL BY DEBT ----- PAGE 1 OF 2
                                          G/D DATE
Y DEBT-ID = D199501020304005      TYPE= STAF      SUB= *      JUDGE= N      SID=012345
      900.00          50.00          50.00      185.00          1185.00      01/01/85
_  DEBT-ID =              TYPE=              SUB=              JUDGE=              SID=
_  DEBT-ID =              TYPE=              SUB=              JUDGE=              SID=
  
```

Paging Back and Forth

Note that the L130 can only display 4 debts. If there are more than 3 debts, the Page Indicator indicates this; the additional debts will be visible on subsequent pages. To scroll to the next page, hit the F8 function key at the top of the keyboard. From Page 2, you can scroll back to Page 1 by hitting the F7 function key.

Updating the Account

In order to avoid duplicate consolidations from both Direct Loans and an FFEL lender, and to help DRG staff deal intelligently with borrowers, you need to update the account to indicate the loan(s) selected for consolidation.

1. Mark those debts you do not want consolidated with an “N” in the field to the left of the Debt ID. It is imperative that all debts being included in the consolidation, and only those debts, be marked with a “Y”: when the consolidation payment is received, it will only be applied to debts selected on the L130 screen.
2. Enter a “C” in the “ACTION” field, near the top of the screen. Hit ENTER. You’ll notice the “STATUS” field will change, indicating the account has been selected for consolidation. In addition, the DMCS will automatically annotate the L102 notepad screen with the literal “Approved for Consolidation”.

It is critical that you update the account only at the time you complete the LVC and submit it to the lender. ED uses the update date to evaluate whether or not a commission should be paid; only activity prior to that date will be considered.

Repayment History

(R103)	ACCOUNT TRANSACTION SCREEN		04/26/96						
	REGION:	ACCT OWNER:	08:38						
ACCT NO: S	ACCT NAME:								
DATA HAS BEEN ARCHIVED ()									
ED BALANCE:	PROJ/ACT CA:	CA BALANCE:							
TOTAL PMT:	NET ADJ TRANS:								
VOLNTRY PMT:	NET OTHER TRANS:								
				PAGE 1 OF 1					
EFFECTIVE	TOTAL	TRAN	INSTRUMENT	SEQ	IN	ORIG-B.SRC	CRED	POSTING	
DATE	PAYMENT	TP RS	NUMBER	NUMBER	TP	POSTCL	NBR SITE	DATE	S
01/25/97	100.00	RG VO	000000001034	000001	PY		OCR AG400	01/27/97	-
①	②	③							

① Effective Date: this is the date the payment was actually received at the NPC, and the date on which the borrower gets credit for making the payment. This is the date that will be evaluated when determining whether payments are monthly and on-time, and whether a minimum of fifty days has lapsed between first and third payment.

② Payment Amount: self-explanatory

③ Payment Type and Reason Codes: a voluntary payment will be coded as “RG VO,” “RG DD” or “DP DI”; note that other, involuntary, payment types do not count toward the borrower’s qualifying payments. Examples of involuntary payment types are: RG FO (Federal Offset); RG WG (Wage Garnishment); RG FD (Federal Defaulter).

Occasionally, payments are mis-coded on the system: the Department expects its collection agencies to be mindful of this possibility and to research questionable payments before certifying a borrower as eligible for consolidation. The Department reserves the right to reverse a consolidation commission if it is determined that the agency did not employ reasonable care in evaluating payments. Some indications of mis-coded payments are:

- Borrower has been in the wage-garnishment program
- The value in the “ORIG-B POSTCL” field (document origin) is “FDP” or “AWG”
- The payment amount is unusual (e.g., \$403.27--borrowers typically make voluntary payments in whole dollars, typically evenly divisible by five)

Bounced, Stopped and Reversed Payments

Bounced, stopped and reversed payments are identified by the transaction types “BS” (stop), “BN” (bounce), “SB” (second bounce) and “RV” (reversal). The stop, bounce, second bounce or reversal transaction can be linked back to the payment transaction itself because the effective date, sequence number and instrument number will all match for the two transactions. What follows is a facsimile of an R103 screen showing the transactions that will post when a payment bounces.

(R103)		ACCOUNT TRANSACTION SCREEN						04/26/96	
		REGION:		ACCT OWNER:		08:38			
ACCT NO: S		ACCT NAME:							
DATA HAS BEEN ARCHIVED ()									
ED BALANCE:		PROJ/ACT CA:				CA BALANCE:			
TOTAL PMT:						NET ADJ TRANS:			
VOLNTRY PMT:						NET OTHER TRANS:			
									PAGE 1 OF 1
EFFECTIVE	TOTAL	TRAN	INSTRUMENT	SEQ	IN	ORIG-B.SRC	CRED	POSTING	
DATE	PAYMENT	TP RS	NUMBER	NUMBER	TP	POSTCL NBR	SITE	DATE	S
02/06/97 ④	100.00	SB	000000001034	000002				02/13/97	
02/06/97 ③	100.00	RG VO	000000001034	000002	PY	OCR AG400		02/06/97	
01/25/97 ②	100.00-	BN IF	000000001034	000001				02/05/97	
01/25/97 ①	100.00	RG VO	000000001034	000001	PY	OCR AG400		01/27/97	-

- ① This is the original payment by the borrower, received on January 25 (effective date) and actually posted by the NPC on January 27 (posting date)
- ② This transaction indicates the bounce of the payment; note that the effective date, instrument number and sequence number match those of the payment.
- ③ This transaction is the second posting of the payment. Typically, unless the borrower stopped the payment, NPC will attempt to re-post the payment in the hope that it will clear. Note that the instrument number is unchanged, but the effective date and sequence number are different.
- ④ This transaction is the second bounce; note that the effective date and sequence number match those of the payment’s second posting.

If a payment transaction is accompanied by a bounce, stop, second bounce or reversal transaction it does not count toward the borrower’s qualifying payments. If the last qualifying payment is bounced, stopped or reversed after the account has been certified for consolidation, the Department will not reverse the consolidation commission *unless an agency exhibits a trend of abusing this.*

APPENDIX C – FAST-TRACK PROCEDURES

Fast-Track is a special process established to allow for streamlined consolidation through the Direct Loan Program of borrowers in the DRG portfolio. The existence and maintenance of Fast-Track is a privilege granted to DRG by Direct Loans, and participation in Fast-Track is, in turn, a privilege DRG grants to its responsible collection agencies. The Department reserves the right to terminate Fast-Track as a whole or to exclude any agency from participation in Fast-Track, either temporarily or permanently. The Department also reserves the right to limit the number and kinds of accounts submitted through Fast-Track.

Participation in Fast-Track is voluntary; agencies may choose not to participate. Participation in Fast-Track may entail more requirements than are specified for consolidation in the statutes, regulations or the contract. However, agencies may not otherwise assist borrowers in consolidating with Direct Loans—the most that agencies can do for non-Fast-Track borrowers is provide them with the toll free number for the Direct Loan Consolidation Center.

Agencies who choose to participate in Fast-Track will assume the following responsibilities:

- Identifying good candidates for Fast-Track
- Counseling prospective applicants on the advantages, ramifications and responsibilities of taking out a Direct Consolidation Loan
- Preparing the application materials for borrower review and signature
- Reviewing signed application materials prior to submission to Direct Loans
- Submitting application materials to Direct Loans
- Responding to errors on application materials
- Tracking the progress of submitted applications

What follows is a detailed description of each phase. **Appendix D** includes checklists which summarize the requirements for each of the steps in Fast-Track.

Identifying Good Candidates for Fast-Track

It will be in each agency's interest to identify those borrowers most likely to succeed after consolidation, because the Department links the number of applications an agency may submit in any given week to the post-consolidation delinquency rates of the borrowers submitted by that agency. The method for calculating these caps is outlined in Appendix E. Success on the borrower's part, therefore, is defined as avoiding delinquency—either by making payments as agreed or by securing the appropriate deferments or forbearances.

The Department has spent a good deal of time and money analyzing the borrowers who have consolidated in order to determine what factors contribute to success after consolidation. Most of the consolidation requirements outlined in the contract are the result of these analyses. In addition, we feel that collection agencies can evaluate good candidates to some extent and that they can help borrowers succeed through effective pre-consolidation counseling. What follows are some suggestions for helping borrowers achieve success after consolidation:

- Use the data provided to you by the Department to analyze trends among delinquent and successful borrowers. The Default Resolution Group (DRG) maintains an extensive database on the repayment patterns of borrowers it has consolidated; this data (absent borrower social security numbers) will be made available to agencies who wish to analyze it. In addition, each agency will be provided monthly extracts containing data on the success of the borrowers they submitted.
- Employ other analytic tools, such as credit scoring, to identify good candidates.
- Evaluate borrower motives for consolidation; consolidation is the right option for borrowers who can make good use of a second chance--it is not necessarily a good option for borrowers seeking an expedient means of cleaning up their credit.
- Counsel borrowers on the ramifications of consolidation; many borrowers subsequently complain that they were pressured into consolidating by the collection agency and are angry that their interest and fees have been capitalized, or that their interest rate is higher.
- Counsel borrowers on the many methods for avoiding delinquency: Direct Loans offers five different repayment plans and a host of deferments and forbearances. The repayment plans available are:
 - * Standard: monthly payment is based on a ten-year amortization of the loan amount
 - * Graduated: monthly payments are small at first and gradually increase
 - * Extended: monthly payment is based on up to a thirty-year amortization of the loan amount. The amortization timeframe is contingent on the borrower's debt size—borrowers who owe less than \$10,000 must repay their loan in twelve years under this plan
 - * Income-Contingent: monthly payment is based on the borrower's income and debt size; payments may actually be zero for very poor borrowers⁷
 - * Alternate Plan: a negotiated payment plan under which the borrower must pay the loan off within thirty years—this plan can include increasing payment amounts.

In addition, temporary changes in a borrower's financial circumstances can be addressed through deferments or forbearances. *The bottom line is that there is a means of avoiding delinquency for every borrower who is willing and able to act responsibly.* Borrowers must,

⁷ Agencies may use the ICR payment calculator created by the Department when counseling borrowers

above all, be counseled to contact Direct Loan Servicing if they cannot make their payment for any reason.

- Follow up with borrowers shortly after consolidation. Our experience is that most borrowers, even those who fully intend to make good use of their second chance, experience a rough transition to Direct Loans. Many continue sending payments to ED's National Payment Center (NPC) rather than to the Direct Loans Lockbox. Less committed or organized borrowers may well fall back into their habits of delinquency during this critical time period if their transition problem is not promptly addressed. Borrowers can expect to receive their welcome letter from Direct Loans within one week of their consolidation; it would make sense for collection agencies to contact them after a short interval to confirm receipt of the welcome letter, to address any questions, and, above all, to remind them to make scheduled payments to Direct Loans. Agencies should bring any borrower concerns to the attention of ED; we will make sure that borrowers are contacted by Servicing if necessary and to report any apparent systemic problems to Direct Loans.
- Follow up with borrowers who lapse into delinquency. Each month, each agency will be provided with the delinquency status for every borrower they have submitted for Fast-Track consolidation. PCAs should archive borrower addresses and phone numbers in case follow-up is needed. PCAs may contact borrowers who become delinquent and remind them of their responsibility, of the options available for avoiding delinquency and of the ramifications of default.

In order to qualify for Fast-Track, a borrower must have met all contractual, statutory and regulatory requirements for consolidation. In addition:

- Borrowers in wage garnishment (i.e., for whom a wage garnishment payment has been received in the preceding 90 days) are not eligible for Fast-Track
- Program overpayments (debt IDs beginning with a "P" on the DMCS) are not eligible for consolidation
- There must be no indication that the borrower is currently applying for another consolidation
- Only DRG-held debts are eligible for Fast-Track consolidation; after the Fast-Track consolidation has been effected, though, borrowers may apply to have eligible loans held by other lenders included in the consolidation. Borrowers have up to 180 days to add other loans.

Counseling Borrowers on the Advantages, Responsibilities and Ramifications of Consolidation

The collection agency should fully counsel borrowers on consolidation. The Direct Loans publication “Borrower’s Rights and Responsibilities”, which must be sent to every Fast-Track borrower, is an excellent summary of topics to discuss with borrowers. Borrowers must understand that:

- A consolidation loan is a new loan
- The defaulted loans paid off by the consolidation will be reported to credit bureaus as paid in full and will typically display as “paid collection accounts”
- Upon consolidation, the loans consolidated will no longer prevent the borrower from receiving additional Title IV financial aid
- Direct Loans offers several different repayment plans to accommodate differing financial circumstances
- Borrowers who experience a change in financial circumstances can change plans or can secure a variety of deferments and forbearances to avoid delinquency
- By consolidating, all interest, as well as collection costs equal to 11.1% (eventually 8.1%) of combined principal and interest, will become the principal balance of their new loan--thus, interest accruals on their consolidation loan may be higher than on their defaulted loans
- If the consolidation loan defaults, it will not be eligible for consolidation

Preparing Application Materials for Borrower Signature

Fast-Track collection agencies complete all application documents for borrower signature. All the borrower should be required to complete is the signature and signature date on required forms. The collection agency must instruct the borrower to return all application materials to the collection agency--not to the Direct Loan Consolidation Center.

Required Forms

Each agency will be provided .pdf versions of all Direct Loan application documents. The agency will be required to print copies of these documents at their own expense. Before printing such documents, the agency should:

- Ensure that their Fast-Track identification number is also printed in the upper right corner of each document. Unless otherwise stated, this will be each agency's "AG" number, and will allow Direct Loans to identify stray documents as Fast-Track and to return incomplete documents to the correct collection agency.

What follows is a table listing the forms that must be sent to borrowers. Note that borrowers who choose the ICR plan require additional forms.

Forms That Must be Sent to Borrowers

Form	No. Pages	All Borrowers	ICR Borrowers
Approved "Consolidation Responsibilities" letter (before package sent to borrower)	1	X	X
Borrower's Rights and Responsibilities	2	X	X
Application Form/Promissory Note	4	X	X
Repayment Plan Selection Form	1		X
Consent to Disclosure of Tax Information	1		X
Alternative Documentation of Income (ADOI)	1		X

Edit Requirements

The Fast-Track unit at the Direct Loan Consolidation Center (LCC) is extremely exacting when reviewing Fast-Track application materials and rejects packages for the most minor errors. Inaccurate applications require more handling at Direct Loans and thus reduce the overall efficiency of Fast-Track. Therefore, agencies with persistently high rejection rates are subject to exclusion from Fast-Track. Many agencies consistently achieve a 100% accuracy rate--because they have invested in the technology needed to generate accurate and complete application materials, and because they have established effective quality control processes. The document "Fast-Track Edit Requirements" (Appendix F) details the exact edit requirements for every field on every form. Inevitably, questions will arise; when this happens, the agency may call the

Fast-Track unit at 502-326-1983 for clarification. If the Fast-Track unit is unable to answer the question, or if the agency feels an edit requirement is unreasonable, the agency should contact Mike Bryant at 319-665-7618 or via e-mail at Michael.Bryant@vangent.com.

The Application Form /Promissory Note

In general, the fields on the application form/promissory note are self-explanatory, but it is useful to note here a few of the areas that have caused confusion in the past. More detailed edit requirements can be found in the document “Fast-Track Edit Requirements”.

- *Section A:* Either a work or home phone number is required
- *Section A:* A physical address (in addition to a PO Box, if the mailing address is a PO Box) is required
- *Section A:* Married borrowers may not consolidate jointly through Fast-Track
- *Section C:* This section should never be completed
- *Section D:* The loan-holder address and phone number must be *exactly* as follows:

DCS - US Department of Education
PO Box 4169
Greenville, TX 75403-4169
(800) 621-3115

- *Section D:* The loan-type must be one of the one-letter codes Direct Loans uses to designate various loans. What follows are the loan types as they appear on the DMCS and their corresponding Direct Loan code.

Program	Loan Type	DMCS Abbreviation	Direct Loan Code
FISL	Federally Insured Student Loan ⁸	FISL	C
NDSL	National Direct Student Loan	I	M
	National Defense Student Loan	E	N
	Perkins Loan	P	F
GSL	Stafford	STAF	A
	Consolidation	CONS	O
	Supplemental Loan for Students	SLS	H
	Auxiliary Loan to Assist Students	ALAS	P
	Parental Loans for Undergraduate Students	PLUS	T
Direct Loans	Subsidized Stafford ⁹	STAF	D
	Unsubsidized Stafford	STAF	L
	PLUS	PLUS	U

⁸ Be sure to check the loan type field on the R105 screen for any FISL. Some “FISLs” are actually GSLs—usually GSLs that were rehabilitated by SallieMae and then re-defaulted.

⁹ Both the R116 and L130 screens display a subsidization indicator for Direct Stafford Loans.

- *Section D:* All loans the borrower holds should be listed on the application *whether or not they are to be included in the Fast-Track consolidation*. Those loans the borrower does not wish to consolidate (e.g., because they do not wish to lock in a variable interest rate) or which cannot be consolidated through Fast-Track (e.g., because they are held by another loan-holder) should be marked as “not to be consolidated”. Direct Loans needs to know the total extent of the borrower’s student loan indebtedness for purposes of computing payment amounts for various plans.
- *Section E:* Note that this section for selecting a repayment plan is separate from the Repayment Plan Selection Form. Borrowers who choose ICR must also complete that separate form in addition to this section of the application.
- *Page 4:* Page 4 of the application/promissory note contains important disclosures and must be sent to the borrower and must be included in the documents sent to LCC.

Reviewing Signed Applications

Once the borrower returns the signed application materials to the collection agency, the collection agency should review the forms to ensure that the borrower has not changed any information and that the application materials are complete and accurate. If necessary, the collection agency should prepare new forms for the borrower to sign.

Submitting Application Materials to Direct Loans

Prepare an LVC

Once the PCA has reviewed the application materials for accuracy and completeness, the PCA should complete a Direct Consolidation LVC. Only the OMB-approved certification form is acceptable. Because the form provides very little space for hand-written entries and because it has been a major source of Fast-Track errors, ED strongly recommends that its collection agencies either establish a computerized method for completing the LVC or use the desktop electronic version of the LVC, which ED has created. This application, “Fast-Track LVC 2005.xls”, is in Microsoft Excel 2000 and will not run correctly in other applications. The instructions for this application can be found in Appendix G, and both the application and its instructions can be downloaded from the PCA website. The specific edit requirements for the LVC are described in the document, “Fast-Track Edit Requirements” (Appendix F).

Timing Fast-Track Submissions

Each agency will be subject to a cap on the number of applications they may submit through Fast-Track each week. Accordingly, the Fast-Track week begins on Monday and ends on Saturday—any applications *received* at the LCC during that time period will count toward the weekly limit. Any applications received beyond the cap amount will be returned to the collection agency unprocessed—they will not be held over for the next week’s processing.

Agencies should pace their submissions during the week to allow for smoother processing at the LCC; the LCC prefers to receive approximately 20% of an agency’s total submissions each day.

Forms to be Submitted

What follows is a summary of the forms that constitute a complete Fast-Track application package.

Forms Which Must be Submitted to LCC

Form	No. Pages	All Borrowers	ICR Borrowers
Application Form	4	X	X
Repayment Plan Selection Form	1		X
Loan Verification Certificate	1	X	X
Consent to Disclosure of Tax Information	1		X
Alternative Documentation of Income (ADOI)	1		X

Daily Submissions and the Transmittal Manifest

All of the applications submitted on a given day may be transmitted to the LCC in a single express delivery parcel (use of an express delivery service is recommended so that shipments may be tracked and a documented record of transmissions can be maintained). Fast-Track submissions should be sent to:

Direct Loan Consolidation Center
 Attn: Fast-Track
 10100 Linn Station Road, Fifth Floor
 Louisville, KY 40223-3813

When application packages for multiple borrowers are being transmitted together, each application package (i.e., all the forms supporting one borrower's application) should be paper-clipped or rubber-banded together. All the application packages in a given shipment should be covered by a manifest sheet that lists the borrower SSN and the forms included for that borrower. Use of the Manifest facilitates tracking and helps the LCC identify missing packages immediately. The manifest form itself is not an official form, and agencies are free to create their own, so long as it is acceptable to the Fast-Track unit at LCC. What follows is a facsimile of a sample manifest sheet:

Agency Name
 Agency Fast Track
 Number
 Date Submitted
 Number of Packages in this
 Transmittal

Borrower		LCC					Accept or Reject
SSN	Borrower Name	Application	Repay Selection	Prom Note	L V C	ICR Waiver	

The Fast-Track unit at the LCC is required to confirm, via fax, that they have received each manifest within twenty-four hours of its receipt. If you do not receive such confirmation, follow up with the Fast-Track unit and, if necessary with your shipper. Agencies should retain these transmittal acknowledgments in the event future discrepancies arise.

Errors on Application Materials

If a form is incomplete or an entry fails their edit criteria, the entire application package is returned to the collection agency for handling. The document “Fast-Track Edit Requirements” (Appendix F) details acceptable entries and notes which items can be changed on the form by the collection agency, which items require the borrower’s initials to be changed, and which items cannot be changed (in other words, the entire form must be completed again).

Resubmitting Corrected Applications

Once an application package has been corrected, it can be re-submitted to the LCC for processing. Importantly, these resubmissions should not count against an agency’s weekly cap. Thus, if an agency submits 100 new applications--the full amount of their limit--they may also submit any corrected applications and expect all those submissions to be processed.

To distinguish new submissions from corrections, a separate and distinctive manifest should be used for each group.

Tracking the Progress of Fast-Track Submissions

Once an application package has been submitted, the agency should monitor the daily posting reports to ensure that it funds within a reasonable timeframe. Currently, it is reasonable to expect a non-ICR application to fund within three weeks of submission; an additional two-weeks should be allowed for ICR applications. Direct Loans funds once a week, almost always on Tuesday and generally overnights the check to the NPC so that it is received on Wednesday. The NPC has three working days to post the check. If all the submissions of an entire bundle do not fund as expected, it is reasonable to assume some general delay has occurred, and if such delays are chronic this should be reported to Mike Bryant. If all but a few applications from a given package fund, it is appropriate for the agency to follow up with the Fast-Track unit on the status of the applications, which did not fund.

Borrower Follow-Up

Even after certification, the borrower should continue making their voluntary payments to NPC until the consolidation payment posts—it is the agency’s responsibility to enforce this. Once the consolidation payment posts collection agencies should contact borrowers to ensure a smooth transition to Direct Loans.

Funding and Post-Funding Issues

Delays in funding, and other issues that arise after consolidation are addressed in **Appendix H**.

APPENDIX D - FAST-TRACK CHECKLISTSBefore Recommending Fast-Track

- All debts are eligible for consolidation
- Borrower appears to be a good risk for success after consolidation
- Borrower is not in garnishment

Before Sending Application Materials

- Borrower has made, or agrees to make, six consecutive reasonable and affordable payments OR borrower's ICR Calculator results confirms s/he is unable to afford payments of at least \$5/month
- Borrower has been counseled on the ramifications of consolidation
- Borrower has been sent the "Consolidation Responsibilities" letter
- Borrower has been counseled on the various repayment plans available

Application Materials to Be Sent

Form	No. Pages	All Borrowers	ICR Borrowers
Borrower's Rights and Responsibilities	2	X	X
Application Form/Promissory Note	4	X	X
Repayment Plan Selection Form	1		X
Consent to Disclosure of Tax Information	1		X
Alternative Documentation of Income (ADOI)	1		X

Before Certifying Borrower as Eligible for Consolidation

- Borrower has made all qualifying payments regularly and on time
- Payments not equal to .5% of the payoff balance have been substantiated by the ICR Calculator
- Borrower has been counseled on the ramifications of consolidation
- Borrower has been sent the "Consolidation Responsibilities" letter
- Borrower is not applying for consolidation with another lender
- No wage garnishment payment has posted in the past 90 days

Certification Checklist

- All loans listed as “to be consolidated” on the application are on the LVC
- Only eligible loans are on the LVC
- All loans have been confirmed not to be consolidation loans
- Borrower is consolidating at least one Direct, FFEL or FISL (account is not comprised solely of Perkins/NDSL type loans)
- No POVRs are listed on the LVC

Documents to be Submitted to the LCC

Form	No. Pages	All Borrowers	ICR Borrowers
Application Form/Promissory Note	4	X	X
Repayment Plan Selection Form	1		X
Loan Verification Certificate	1	X	X
Consent to Disclosure of Tax Information	1		X
Alternative Documentation of Income (ADOI)	1		X

First Letter of Debt ID	Program	Loan Type	DMCS Abbreviation	DMCS Screen	Direct Loan Type Code	Direct Loan Packet
F	Federally Insured Student Loans	Federally Insured Student Loan ¹⁰	FISL	R105	C	Subsidized
N	Campus-Based Student Loans	National Direct Student Loan	I	R106	M	Subsidized
		National Defense Student Loan	E	R106	N	Subsidized
		Perkins Loan	P	R106	F	Subsidized
G	Guaranteed Student Loans	Stafford	STAF	R107	A	Subsidized
		Supplemental Loan for Students	SLS	R107	H	Unsubsidized
		Auxiliary Loan to Assist Students	ALAS	R107	P	Unsubsidized
		Consolidation	CONS	R107	O	Subsidized
		Parental Loan for Undergraduate Students	PLUS	R107	T	PLUS
D ¹¹	Direct Loans	Subsidized Stafford	STAF	R116	D	Subsidized
		Unsubsidized Stafford	STAF	R116	L	Unsubsidized
		PLUS	PLUS	R116	U	PLUS
		Subsidized Consolidation ¹²	STAF	R116	D	*
		Unsubsidized Consolidation	STAF	R116	E	*
		PLUS Consolidation	PLUS	R116	V	*

¹⁰ Check the loan type field on the R105 screen for any FISL. Some “FISLs” are actually GSLs—usually GSLs rehabilitated by SallieMae and then re-defaulted.

¹¹ Direct Loans are the only loans for which the DMCS currently populates the “Subsidized” indicator flag on the R116 and L130 screens. Direct Stafford and consolidation loans are flagged as either “S” (subsidized) or “U” (unsubsidized).

¹² Direct Consolidation Loans have a loan type of either “PLUS” or “STAF”, and like regular Direct Stafford Loans, the “Subsidized” indicator flag indicates whether or not the loan is subsidized. To determine whether or not a Direct Loan is a consolidation, look at the School ID field in the DMCS: if the middle four digits are either all nines or all sevens, the loan is a consolidation. The loan types are being provided since a borrower may have other loans he wants to consolidate (and since the consolidation loans would need to be listed on the application). Direct Consolidation Loans, though, are not themselves eligible for consolidation through the Direct Loan program.

APPENDIX E – FAST-TRACK CAP

Computing the Fast-Track Weekly Cap

1. Number of Applications

- The number of new applications that a collection agency may submit through Fast-Track each week—i.e., its weekly cap—shall be based on:
 - That agency’s problem rate (defined below), and
 - That agency’s share of all accounts assigned to DRG collection agencies.

2. Problem Rate:

- An agency’s problem rate is the sum of two rates: the percent of Fast-Track borrowers who make a payment to DRG after consolidation, and the post-consolidation delinquency rate of Fast-Track borrowers.
- The problem rate shall be computed quarterly (every three months).
- The percent of Fast-Track borrowers who make a payment to DRG after consolidation shall include accounts where:
 - A voluntary payment effectively posts more than seven days after the posting date of the final consolidation payment,
 - No unconsolidated debts remain on the account,
 - The consolidation payment posted in the preceding quarter, and
 - A commission was paid to the agency
- The post-consolidation delinquency rate shall be the *higher* of a) the percent of *borrowers* more than sixty (60) days delinquent, or b) the *initial value* of accounts more than sixty (60) days delinquent.
 - Initial value is defined as the aggregate initial consolidation loan balance of accounts more than sixty days delinquent.
 - [Example: An agency has submitted six Fast-Track accounts, five of which resulted in a \$1000 consolidation payoff from the FDSLPL and one of which resulted in a \$5000 payoff. If only this last borrower became delinquent, the delinquency rate would be 50%.]
 - The delinquency rate shall be defined as the number/value of accounts delinquent divided by the number/value of accounts, which *could* be delinquent.
 - Borrowers on the Income-Contingent Repayment Plan, whose required monthly payment is zero, shall be excluded from the analysis.
 - Borrowers in a non-repayment status such as deferment or forbearance shall be excluded from the analysis.
 - Borrowers not yet in repayment for sixty-one (61) days shall be excluded from the analysis.
 - Fast-Track accounts where no commission was paid to the collection agency shall be excluded from the analysis.

- Borrowers who consolidated more than one-year prior shall be excluded from the analysis.

3. Base Cap:

- An agency's base weekly cap shall be in proportion to that agency's share of all accounts assigned to DRG collection agencies.
- The base cap shall be computed by multiplying that agency's share of assigned accounts by 1800.
 - [Example: if DRG has assigned 100,000 accounts to its collection agencies, and Agency A has 10,000 accounts, its share of assigned accounts is 10%. Its base weekly cap would be 180 applications (10% x 1800).]

4. Adjusted Cap:

An agency's actual, or adjusted, weekly cap shall be computed as follows:

- If an agency's problem rate is less than or equal to 10%, that agency shall be able to submit an unlimited number of applications through Fast-Track until its problem rate is determined to exceed 10%.
- If an agency's problem rate is higher than 40%, that agency shall not be allowed to submit further applications through Fast-Track until its problem rate is determined to be 40% or below.
 - *At a minimum, this exclusion would last three months, and at a maximum it would last twelve months.*
- If an agency's problem rate is 20%, that agency's cap shall be equal to its base cap.
- For every percentage point by which an agency's problem rate is less than 20%, that agency's base cap shall be increased by 10%.
 - [Example: An agency has a base cap of 100 and a problem rate of 19%; its adjusted cap would be 110.]
- For every percentage point by which an agency's problem rate is higher than 20%, that agency's base cap shall be decreased by 5%.
 - [Example: An agency has a base cap of 100 and a problem rate of 21%; its adjusted cap would be 95.]
- Weekly caps shall be adjusted quarterly, and shall take effect the third week following the quarterly computation of the problem rates.
 - This will allow agencies two full weeks to submit any backlog of accounts built up under the previous cap.
- Since the computation of the problem rate is based in large part on data provided by Direct Loan Servicing, the quarters during which various caps are in place may not be of exactly equal duration.

- Adjusted caps will be computed for the first time after the end of the quarter ending September 30, 1998; until that time base caps will be in effect.
- An agency's cap affects the number of new applications Direct Loans will process during any one-week period, which begins on Monday and ends on Saturday.
 - An agency must time its submissions of new applications so that *not more than its cap arrive at the Direct Loan Consolidation Center during that one-week period.*
- Applications, which were rejected due to errors and are resubmitted with corrections, do not count against the weekly cap.

5. Data extracts:

ED will make available to the PCAs extracts of the delinquency data received from DLSS, and a listing of accounts with surplus payments. These files will be available for download (EFT retrieval) from TSO.

The file names and layouts are as follows:

- **Delinquency data: Rxx.FASTDATA.TEXT** (where Rxx is each agency's unique filename prefix).
 - This file will be created monthly; ED will notify the PCAs upon its creation.
 - The file is in a comma-delimited format, with the following fields
 - "AG" code
 - SSN
 - Repayment plan: A=Standard 10-year; I=ICR, C=Graduated, D=Extended
 - Monthly payment amount
 - Months in repayment
 - Months delinquent
 - Total paid to DLSS
 - Deferment/forbearance flag (Y/N)
 - Protected status flag (Y/N)
 - Delinquency rate denominator flag (indicates whether account is included in problem rate denominator)
 - Delinquency rate numerator flag
 - Amount consolidated
 - Consolidation month (starting at 1 in March 1995)
 - ICR payment type indicator
 - "True ICR" means the payment amount was calculated using income data; if borrower fails to provide income data, payment amount will default to interest-only payment amount
- **Surplus payments: Rxx.FTSUBPAY.TEXT** (where Rxx is each agency's unique filename prefix).
 - This file will be created quarterly

- ED will notify the PCAs upon its creation.
- The file is in fixed-width format (the first record is a header indicating creation date), with the following layout
 - SSN – Positions 1-9
 - Surplus payment flag – Position 10 (a “Y” indicates a surplus payment did post to the account)
 - Date of surplus payment (ccymmdd format; default value will be 1/1/1900 if there are no surplus payments on the account)
 - “AG” code – positions 20-22

APPENDIX F – FAST-TRACK EDITS & DOCUMENT CHECKLISTS**1. Edits****Application Form**

Sec/Field	Description	Req'd	Comments	Can be Altered
A	1	X	Last Name	I
		X	First Name	I
			Middle Initial	I
	2	X	Social Security Number	I
	3	X	Permanent Street Address	Y
	4	*	Home Phone Number	Y
	5		Fax Number	Y
	6		E-Mail Address	Y
	7		Former Name(s)	Y
	8	X	Date of Birth	Y
	9	X	Driver's License Number	Y
			ID Card number is acceptable - Must provide state abbrev. Write "None" if not available	
	10	X	Employer's Name	Y
			Complete fully, even if borrower is self-employed Write "Not Employed" if applicable	
	11	*	Employer's Address	Y
			Complete fully, even if borrower is self-employed Leave blank if not employed	
	12	*	Employer's Phone Number	Y
	13	X	Joint Consolidation Selection	Y
B	14	X	Reference Name & Address	Y
			Address must be different than that of borrower and other references	
		X	Reference Address	Y
		X	Reference Phone Number	Y
C	All		Spouse Information	Y
D	25	X	Loan Holder Address	Y
			DCS - US Department of Education PO Box 4169 Greenville, TX 75403-4169 800-621-3115	
	26	X	Loan Type	Y
	27	X	Borrower/Spouse/Joint	Y
	28	X	Account Number	Y
	29	X	Current Balance	Y
	30	X	To Be Consolidated	Y
			All loans the borrower has should be listed on application whether or not they are to be consolidated	
E		X	Borrower's Name (Top of Form)	Y
		X	Borrower's SSN (Top of Form)	Y
	31		Repayment Plan	
			If blank, Standard repayment plan will be assigned If ICR chosen, borr must complete separate selection form Borrowers consolidating PLUS loans can't choose ICR	
F	32	X	Signature/Date	Sig=N, Date=I
			Spouse Signature/Date	Never required; must be left blank

Consent to Disclosure of Tax Information Form

Sec/Field	Description	Req'd	Comments	Can be Altered
	1	X	Borrower's Name	I
	2	X	Social Security Number	I
	3	X	Borrower's signature	N
		X	Date	I
	4	*	Spouse's name	I
	5	*	Spouse's SSN	I
	6	*	Spouse's signature	N
		*	Date	I

Repayment Plan Selection Form

Sec/Field	Description	Req'd	Comments	Can be Altered
1	Name	X	Must exactly match name on all other forms	I
	SSN	X	Must exactly match SSN on all other forms	I
2	Plan Option	X	If a PLUS loan is included, ICR cannot be chosen	I
			If borrower has both PLUS and Student loans, a plan must be chosen for both types	
3	Spouse Information	*	Required for married ICR borrowers	I
			Required if spouses select joint repayment (see below)	
4	Income Contingent Data	*	Required if ICR is selected	Y
	Joint Repayment		If borrower and spouse both have FDCLs, and both select ICR, they may repay the loans with a single joint payment	
	Borrower Signature/Date	X	Signature must exactly match that on other forms	Sig=N, Date=I
	Spouse Signature/Date	*	Required if borrower chooses ICR and is married	Sig=N, Date=I

Verification Certificate

Sec/Field	Description	Req'd	Comments	Can be Altered
1	Holder/Servicer is	X	"Servicer for Lender"	
	Name	X	Collection Agency Name	
	Address/Phone Numbers	X	Person EDS should call with questions	
			Address should include a physical address	
			Phone numbers should include extension if applicable	
2	Payment Address Information	X	Give NPC (Greenville) address; must exactly match App	
	Contact	X	Mike Bryant	
	Phone Number	X	202-260-1750	
	Fax Number	X	202-708-4954	
3	Borrower Information	X	Must exactly match data from application	
4	Today's date	X	Date certification data pulled from E-Systems	
			Must be less than one week prior to EDS receipt of cert	
5	Account Number	X	DCS Debt ID	
6	Loan Type	X	Use single letter codes	
7	Interest Rate	X		
	Interest Per Diem	X		
8	Principal Balance	X		
9	Interest Thru Today's Date	X	i.e., date given in Field 4, above	
10	Fees and Late Charges	*	Must be zero; admin fees can no longer be consolidated	
11	Collection Costs	X	.134 x (Principal + Interest Thru Today's Date)	
12	Total Due	X	Principal + Interest Thru Today's Date + Collection Costs	
13	Total Payoff Amount	X		
14	First/only disbursement date	X	"G/D Date" on L130	
15	In-School Period	X	Must be "No"	
16	ED School Code	X	The six-figure school ID code (SID) listed on the L130;	
17	Anticipated/Actual Completion	X		
18	Defaulted	X		
19	Satisfactory Repayment	X	"Yes" unless borr hasn't made at least 3 consecutive pyts	
20	Judgment	X	Must be "No"	
21	Additional Comments			
22	Holder/Servicer Certification	X	Signature stamp is acceptable	
	Holder Servicer Name	X	Collection Agency	
	ED Code	X	"DCS"	

Promissory Note Endorser Addendum (Required for all PLUS loan borrowers)

Sec/Field	Description	Req'd	Comments	Can be Altered
A	1 - 5 Demographic Data	X	Must exactly match data from application	N
	6 PLUS Consolidation Loan Amt	X	Must exactly match amount on Promissory Note	N
B	7 Last Name	X		I
	First Name	X		I
	Middle Initial		Secure if possible	I
	8 Social Security Number	X		I
	9 Date of Birth	X		I
	10 Permanent Street Address	X	Some kind of physical address must be provided	I
	11 Home Phone Number	*	Either a home or work phone number must be provided	I
	12 Driver's License Number		Write "None" if applicable	I
	13 US Citizenship Status	X	Valid only if "1" or "2" is selected	I
	14 Employer's Name		Write "Not Employed" if applicable	I
	15 Employer's Phone Number	*	Either a home or work phone number must be provided	I
	16 Employer's Address			I
	17 References	X	The borrower may NOT be listed as a reference	I
	Reference Address	X	References must have a different address than endorser and other references	I
	Reference Phone Number	X		I
C	18 Loan Identification Number		MUST BE LEFT BLANK	
	19 Signature	X	Must exactly match last name as printed	N
	Date	X		I

2. Document Checklists

LCC's FAST TRACK DOCUMENT CHECKLIST

Documents to be completed in ink

BORROWER NAME _____ BORROWER SSN _____
 (Last, First, Middle)

QC REP _____ DATE REVIEWED _____ CA# _____

CA STAMP ON EACH DOCUMENT Yes___ No___

SECTION A – PAGE 1

Borrower Full Name Yes___ No___

Borrower SSN Yes___ No___

Borrower Address Yes___ No___

Borrower Home/Work Yes___ No___

FAX # or none Yes___ No___

Borrower Date of Birth Yes___ No___

Borrower Drivers License# or none Yes___ No___

Employment Info Yes___ No___

Joint Consolidation Field Yes___ No___

SECTION B – PAGE 1

Account Numbers Yes___ No___

Complete References Yes___ No___

SECTION C-PAGE 1

Spouse Information left blank Yes___ No___

SECTION D PAGE 2

Borrower's Name Yes___ No___

Borrower's SSN Yes___ No___

Loan Holder Yes___ No___

Loan Type Yes___ No___

Loan ID (Account #) Yes___ No___

Current Balance Yes___ No___

To Be Consolidated Field checked Yes___ No___

SECTION E – PAGE 3 (CONT)

ICR Selected Yes___ No___

Separate RPS submitted Yes___ No___

SECTION F – PAGE 3

Borrower Signature Yes___ No___

Date Yes___ No___

VERIFICATION CERTIFICATE

Loan Holder Information Yes___ No___

Certification Date Yes___ No___

Borrower Information Yes___ No___

Loan Types Yes___ No___

Interest Rates Yes___ No___

Principle Balance Outstanding Yes___ No___

Interest through today's date Yes___ No___

Fees and Late Charges (0) Yes___ No___

Collection Costs Yes___ No___

Total Yes___ No___

Disbursement Dates Yes___ No___

In-School (NO) Yes___ No___

ED School Code Yes___ No___

Anticipated Grad Date Yes___ No___

Default Status (Yes) Yes___ No___

Section E – PAGE 3

Satisfactory Repayment (YES) Yes___No___

Borrower's Name Yes___ No___ Judgment Noted (NO) Yes___No___

Borrower's SSN Yes___ No___ Authorized Official Signature, Title, & Printed Name Yes___No___

Was Repayment other than ICR selected Yes___No___ Date Yes___No___
(if no, complete Repayment Selection & ICR Authorization on pg 2)

REPAYMENT SELECTION

Borrower Full Name Yes___ No___

Appropriate repayment plan selected Yes___No___

Spouse Name (if applicable) N/A___Yes___ No___

Spouse SSN (if applicable) N/A___Yes___ No___

Family Size Yes___ No___

Joint Repayment N/A___Yes___ No___

Spouse Signature N/A___Yes___ No___

Borrower Signature Yes___ No___

Date Yes___ No___

INCOME CONTINGENT AUTHORIZATION

Borrower SSN Yes___ No___

Borrower Full Name Printed Yes___ No___

Borrower SSN Yes___ No___

Borrower Signature Yes___ No___

Dated Yes___ No___

Spouse Name (if applicable) N/A___Yes___ No___

Spouse SSN (if applicable) N/A___Yes___ No___

PROMISSORY NOTE/ENDORSER ADDENDUM

Borrower Name Yes___ No___

Borrower Address Yes___ No___

Borrower SSN Yes___No___

Borrower DOB Yes___No___

Borrower Home # Yes___No___

PLUS Consolidation amount Yes___No___

Endorser Name Yes___No___

Endorser SSN Yes___No___

Endorser DOB Yes___No___

Permanent Address Yes___No___

Drivers License # or None entered Yes___No___

US citizenship stated Yes___No___

Employment History Yes ___ No ___

Two Complete References Yes ___ No ___

Endorser Signature Yes ___ No ___

Date Yes ___ No ___

CREDIT CHECK REPORT

Credit Check Included N/A ___ Yes ___ No ___

APPENDIX G - DIRECT CONSOLIDATION LOAN VERIFICATION CERTIFICATE (EXCEL VERSION)

1. Software Requirements:

This application was created in Microsoft Excel 2000. Because it relies heavily on formats, it should be run only on Excel 2000 or higher. The formats may not transfer correctly to other spreadsheet applications such as Lotus; the user should test carefully the outputs of any attempt to run this application to ensure compatibility with individual printers, networks and computers.

2. Using the Program:

- The program is a workbook comprised of two worksheets. The user enters data only into the worksheet called “DataInput”. Once all data has been entered, the user should print the worksheet called “Certificate”. The program will not allow the user to directly enter data into the second worksheet, and the first worksheet cannot be printed and submitted in place of a regular certificate.
- Loan holder and payoff address information need only be entered once by the user. It is suggested that you enter this data immediately and save the file with your information to avoid the need for duplicative effort. The fields for entering this information are Located at the bottom of the “DataInput” worksheet.
- The program is hard-coded to fill the VC’s Field 4 (“Today’s Date”) and the signature date with the date on which you print the form. The LCC will assume that interest reported on the VC reflects accruals through this date. Thus, you should print the form on the same day that you pull data from the DMCS. Do not project interest into the future; the LCC will compute the interest that accrues after certification using the per diem value on the VC.
- Most of the actual data input fields are self-explanatory and correlate to actual fields on the VC. It is strongly recommended that you test the program before implementing it on a wide scale. The worksheet “Certificate”, when printed, should look almost *exactly* like a regular verification certificate; if it appears to be different, contact the LCC. It is recommended that you submit a test version to LCC to ensure that your input conventions are correct and that the integrity of the program has not been affected by software or hardware differences. For technical support on this software, please contact Mike Bryant at 319-665-7618.

APPENDIX H - POST FAST-TRACK SUBMISSION AND FUNDING ISSUES

Funding Inquiries

1. Background: What Happens After the LCC Approves a Fast-Track Package

Typically, the payoff for a Fast-Track application should post to the DMCS within about three weeks of when it is sent to the LCC.

- Once the Fast-Track unit has completed the processing on a Fast-Track application package, the new consolidation loan will then be created (in LCC terminology “booked” or “funded”).
- The funding/booking process or cycle is usually run twice a week (Mondays and Thursdays), and all applications are picked up during the first cycle run after they become eligible.
- After funding/booking, payoff funds are disbursed to the National Payment Center (NPC) via an inter-agency funds transfer document SF1081. The SF1081 is, in effect, the check, and a single SF1081 to NPC is created for any given funding/booking cycle. Most SF1081s, therefore, include the payoff for dozens if not hundreds of accounts.
- After its creation, the SF1081 is validated and signed, and then sent by overnight delivery to the NPC. Typically, the SF1081 is shipped the day after funding/booking runs.
- Once the SF1081 is received at NPC, it will frequently be posted the same day, *but* the NPC is contractually allowed four working days (Saturdays, Sundays and holidays are not working days) to post it. Therefore, it typically takes between two and seven working days for a payment to post after it has been funded; agencies will be able to see the posting on the system the day after it posts. For the most part, all accounts funded on the same SF1081 will post on the same day.

2. Payoffs that do not Post as Expected

If funding for a particular application or for a group of applications appears to be delayed, agencies should initially contact the Fast-Track unit in Louisville to determine if/when the application(s) in question was/were funded. In most cases, the missing payoff is the result of pre-funding edit issues (which the Fast-Track unit will be able to resolve) or systemic lags between funding and posting described above.

If none of the payoffs associated with a given SF1081 have posted to the DMCS, Louisville can and should check to see when/if the SF1081 document was shipped to NPC and signed for. Agencies should wait five working days from the NPC receipt date before making further inquiries. If, after five working days, the SF1081 still has apparently not been processed, agencies should report this to their monitor or to designated consolidation contacts in Collections.

If some but not all accounts associated with a given SF1081 have posted, this is an indication that the unposted payment has either been applied to the wrong account, or has posted to suspense for some reason. Agencies should report this to their monitor or to designated consolidation contacts in Collections. Occasionally, the SF1081 contains the wrong SSN or Debt ID, or it lists a spouse's SSN in addition to the primary borrower's. Also occasionally NPC simply makes a data entry error and posts payments for two different borrowers to a single account.

New Loans Loaded after Consolidation

Occasionally, Fast-Track borrowers have loans that are not held by ED, and those loans are assigned to ED after an account has been consolidated through Fast-Track. Agencies may arrange to have the new loan added to the consolidation loan; the procedures for doing so will differ depending on how much time has elapsed since the consolidation loan was booked.

1. Requirements for all borrowers wishing to add a new loan

- In order to qualify, borrowers must be in good standing on their consolidation loan: less than 61 days delinquent or in deferment or forbearance. Agencies must check the most recently published delinquency status for any borrower before submitting required paperwork to the LCC.
- Borrowers must make qualifying payments toward the new defaulted loan being consolidated; the same payment rules apply in this situation as in the original consolidation (6 payments of 1% of the consolidation balance, or 6 payments of .5% of the consolidation balance—but the consolidation balance here does not include the balance of the Direct consolidation loan, only the defaulted loan being held by the agency).
- New loans that are added to an existing consolidation, under either of the procedures described below, do not count against an agency's weekly cap. In any week, an agency may submit as many first-time consolidation applications as the cap allows, and an unlimited number of supplementals in addition to that.

2. If less than 180 Days has lapsed since consolidation loan was booked

Within the first 180 days after a consolidation loan has been booked, the borrower may add additional loans to it. The 180-day "clock" begins on the date the loan is booked/funded by LCC. LCC must receive the required paperwork, described below, within 180 days of that date. All qualification requirements, described above, must have been met before any paperwork can be submitted to LCC.

- To add a new loan to an existing Direct Consolidation loan, the agency must prepare the form "Federal Direct Consolidation Loan Request to Add Loans", and must have the borrower sign this form. See the Fast-Track Edits document for further information on completing this form.

- The agency should then submit this form and a completed LVC to Louisville. In the “comments” area of the LVC, the agency should write “supplemental loan to existing consolidation.”
- On the day of certification, the agency must document the L102 notepad as required for all consolidations, and must annotate a separate line that reads exactly and exclusively “approved for consolidation”.
- These forms should be submitted along with regular Fast-Track submissions, and should be listed on the submission manifest.

3. *If more than 180 days has elapsed since consolidation loan was booked*

In these instances a new consolidation loan must be made in order to consolidate the new defaulted loan. An entirely new Fast-Track application package must be created, which lists both the new loan and the existing consolidation loan. The borrower must provide a recent billing or balance statement from Direct Loans which the PCA should use to complete the relevant sections of the application form.

- A copy of the borrower’s Direct Loan billing or balance statement must be included with the Fast-Track package.
- The comments section of the LVC should state “supplemental funding – new loan”.
- These forms should be submitted along with regular Fast-Track submissions, and should be listed on the submission manifest.
- On the day of certification, the agency must document the L102 notepad as required for all consolidations, and must annotate a separate line that reads exactly and exclusively “approved for consolidation”.

Under fundings and Balance Increases on Loans Already Consolidated (TOP reversals, etc.)

1. *Background: Why Underfundings Occur*

Occasionally, the payoff amount received from Direct Loans is insufficient to fully satisfy the account balance. This can happen for any of the following reasons:

- The agency made an error when preparing the LVC
- Direct Loans made an error
- The balance increased between certification and payoff (e.g., because a payment bounces or because a TOP reversal posts—see below)

In addition, loans that are paid in full by the consolidation sometimes increase in balance afterward. This most frequently happens because of Treasury Offset Process (TOP) Reversals.

2. TOP Reversals

Loans that are consolidated through Fast-Track have often been reduced in balance by prior Treasury Offset Process (TOP) payments. These offset payments are sometimes reversed; the most common reason is that the money offset was a Federal income tax refund, and part or all of the refund belonged to a non-liable spouse. In these instances, the non-liable spouse may recover their share of the offset by filing an injured spouse claim with the IRS. When such a reversal occurs, the balance of the loan increases, and the borrower again becomes liable for the amount of the reversal, plus applicable collection costs. Balances may increase for other reasons, including reversal of mis-applied payments, bounces, etc.

Computing the amount Underfunded I: No Balance Increase After Consolidation

If the balance did not increase after the consolidation (i.e., if no transactions posted after the consolidation payment that would have increased the balance—e.g., TOP reversal, bounce or AA) the following method should be used to compute the correct payoff.

1. Determine the effective date of the consolidation payment on the R103 screen
2. Use the R110 screen to compute principal and interest balances through the day before this date (ex.: if the CN was effective on 1/2/2001, compute the R110 balance through 1/1/2001)
3. On the Underfunding Correction Request Form (see Appendix), enter the Debt IDs and principal and interest balances from the R110 screen in the table in Section II.
4. Enter collection costs in the table; collection costs should be $.134 \times (\text{principal} + \text{interest})$
5. Total each column of values
6. Complete all other information in Sections I & II

Computing the Amount Underfunded 2: Balance Increase After Consolidation

If the balance increased after the consolidation (e.g., because of a bounce or TOP reversal), use the following method to compute the underpayment.

1. Use the R110 screen to determine the principal and interest for each debt as of today's date (i.e., the date you complete the Underfunding Correction Request Form).
2. On the Underfunding Correction Request Form (see Appendix), enter the Debt IDs and principal and interest balances from the R110 screen in the table in Section III.
3. Enter collection costs in the table; collection costs should be $.134 \times (\text{principal} + \text{interest})$
4. Complete all other information in Sections I & III

Final Steps

- Update the notepad to reflect the fact that an underfunding correction was requested

- Send the Underfunding Correction Request Form to the Fast-Track unit in Louisville along with regular Fast-Track submissions
- These request forms should be listed on the transmission manifest, but they do not count against an agency's weekly cap

Underfunding Correction Request Form

FAST-TRACK UNDERFUNDING CORRECTION REQUEST

This form is to be used only to report underfundings of loans that were originally certified and that have been partially paid off by Direct Loans. It is not to be used to request payoff for new loans that have been added since certification.

Section I: Always Complete This Section

Agency's Fast-Track Identifying Number: _____ Borrower SSN: _____

Borrower Name (Last, First, MI): _____

Your Name and Phone Number: _____

Section II: Complete this section if the balance did not increase after the consolidation payment posted (i.e., no transactions posted after the RG CN that would have caused the balance to increase—e.g., a TOP reversal or bounce).

Enter the correct payoff values for each debt at the time of consolidation in the table below.

Debt ID	Principal	Interest	Collection Fees
Total:			

Amount received from Direct Loans (amount of RG CN on R103): _____

Section III: Complete this section only if the balance increased after consolidation (e.g., because of a TOP reversal or bounce that posted after the RG CN).

Enter the balances as of today.

Debt ID	Principal	Interest	Collection Fees
Total:			

Today's Date: _____

APPENDIX I - BORROWERS WHO DIRECTLY APPLY FOR CONSOLIDATION

Borrowers can, and occasionally do, apply for consolidation directly without the PCA's knowledge or assistance. In most cases, when this occurs the PCA will receive no fee (unless the PCA happens to have fulfilled all the requirements for earning a fee at the time the account is certified).

FFEL Consolidation

If a borrower applies for consolidation with an FFEL lender, ED's CSB contractor will forward the LVC to the PCA for completion. PCAs are required to promptly and accurately complete and return the LVC to the lender. DRG forwards these LVCs to PCAs as a courtesy; DRG reserves the right to suspend this practice for any PCA and to simply recall the accounts without explanation.

Direct Consolidation

ED will notify its PCAs each week as certification data is provided to Direct Loans for borrowers who have applied directly for consolidation. This notification will be in the form of a TSO dataset named Rxx.DL-CONS.TEXT (where Rxx is each agency's unique filename prefix). This dataset is in fixed-width format (the first record is a header indicating the file's creation date) with the following layout:

1. SSN – position 1-9
2. Satisfactory repayment indicator (Y/N) – position 10 (indicates whether borrower had made three monthly payments prior to certification)
3. "AG" code – positions 11-13

CHAPTER 11: LOCATING PROMISSORY NOTES

Promissory notes can be a very important tool, often enabling a PCA to reach account resolution. Notes may aid in dispute resolution, payment negotiations, borrower location, and/or borrower research.

The following information is designed to assist PCAs to determine how, when and with whom to locate promissory notes.

Reference: CSB Common Retrieval Manual
(Request from the COR)

1. PROGRAM DETERMINATION

A debt's program type is indicated by the first letter of its DMCS debt identification number (e.g., D200509009355401); debt IDs beginning with a

- D are Direct Loans; refer to Section 2.0 of these procedures.
- F are Federally Insured Student Loans (FISL); refer to Section 3.0 of these procedures
- N are National Direct/Defense Student Loans (NDSL) or Perkins Loans; refer to Section 4.0 of these procedures
- P are program overpayment (POVR) debts—i.e., they are grant overpayments, not loans.
 - *These types of debts do not have promissory notes.*
 - These debts are incurred either because the student failed to satisfactorily complete the course(s) for which the grant was issued (i.e., the student withdrew or failed the course), or because the school initially miscalculated the grant amount for which the student was eligible.
 - The PCA should send the POVR assignment form (if available in the Panagon Common Retrieval System) along with a cover letter explaining how grant overpayments occur (see Appendix B for standard language).
 - Since the assignment form does not indicate the reason the overpayment occurred, the student should be *referred to the school* that assigned the debt for an explanation of why it is owed.
- G are Federal Family Education Loans (FFEL), formerly known as Guaranteed Student Loans (GSL). For loans from this program, determine the guarantor code (ORGAGY) from the DMCS R107 screen;

- If the guarantor code is NY736 or any code where the numeric component is in the 600-range (e.g., MN627), refer to Section 5 of these procedures
- For any other guarantor code, refer to Section 6 of these procedures

(R107)	GSL PROGRAM SPECIFIC SCREEN		ED0291	12/05/07	
	REGION: 04	ACCT OWNER: AG540		10:38	
ACCT NO:					
S	ACCT NAME: BORROWER	DIANA	J		
	PREV NAME:				
	STUDENT NAME:				
	STUDENT SSN:	STUDENT BIRTHDATE:			
----- PAGE 1 OF					
3					
DEBT NO: G199504015543201	IND:	DATE ENT: 09/22/95	SUBSIDIZED IND:		
PRINCIPAL	INTEREST	PENALTY	ADMIN	FEES	
2,831.58					
ENDORSER: P	OPEID:	TOTAL:	2,831.58		
LENDER ORGAGY	SID	LNGUARDT	LOANTPE	DEFTDTE	CBOCCDATE GA BAL DATE
831846 FL712	007870	11/15/89	STAF	06/04/92	02/18/93 02/18/93
ORGCLMPAYDTE	PRINPDLENDER	INTPDLENDER	INTCAPBYGA	AMTCOLBYGA	LASTPDGA
02/18/93	2,625.00	169.22	206.58		
ORG LIT	JUDMT	WITH-	DISB	FIRST	LAST INT
SOLDT IND JUDMTDT	EXPDT	DRAWAL	AMOUNT	DISBDATE	DISBDATE RATE
12/01/93 N		11/15/89	2,625.00		01/08/90
8.00%					
INT TYPE	ADD-ON	INT RATE CAP	DT ENT REPAY	INT DED MOS	COLL FEE CAP
F	.00%	.00%		00	99.99%

2. DIRECT LOANS

A. Panagon Image Search

Check the CSB Panagon Common Retrieval system.

- First check documents with type “PROM,” but if not found, check all the following document types:
 - PROM
 - NOTE
 - CORR
 - OTHR
 - WPAU
 - EDCS
 - PNST
 - PNPL
 - PNCN
 - APPN
 - APLN
 - APCN
 - ADLN

- Error messages: you may receive the following error messages in CSB Panagon Common Retrieval. Please respond as follows:
 - **FAILED 2 - <Debt ID> VSAM ERROR:**
 - This error indicates that an imaged document exists, but is not being displayed.
 - In some cases, CSB Panagon Common Retrieval may display some, but not all, of the documents/pages.
 - If the desired promissory note is not among the documents that CSB Panagon Common Retrieval returns (displays), the PCA should open a ticket with the *ACS Help Desk* in order to obtain the missing documents/pages.
 - If the desired promissory note is still not received, and all other Panagon Common Retrieval documents have been reviewed, proceed to the next step in this section.
 - **Invalid User ID:**
 - This error indicates the user has not been granted full access to the imaging system (even though a user ID has been issued, and log on successful).
 - Contact the *ACS Help Desk* to resolve this issue.

B. Direct Loan Website

If not found in Panagon Common Retrieval, check the **Direct Loans Images website:**
<https://directloanimages.ed.gov/ImageRetrieval/>

C. On-Line IMF

- If still not found, submit an on-line IMF request to locate the missing promissory note.
 - **Important:** *if we find the requested promissory note in either CSB Panagon Common Retrieval or the Direct Loans Images website, the IMF request will be flagged as an error (COR's Office and the Atlanta Regional Office routinely monitor PCA error rates to determine conformance with established rules and guidelines).*

3. FISLs

A. R105 Screen

First check the *R105 screen* to determine if the loan is a re-defaulted rehabilitated loan. Prior to 2004, rehabilitated loans were directly insured by ED, rather than by ECMC. When they re-defaulted, SallieMae filed a default claim with ED and the loan was re-loaded to the DMCS as a FISL.

```
( R105 )                FISL PROGRAM SPECIFIC SCREEN    ED0291    12/05/07
                        REGION: 05 ACCT OWNER: ED090    15:27
ACCT NO:
S                      ACCT NAME: BORROWER
                        PREV NAME:
DEBT NO:                IND:
F198206000536705 ----- PAGE 5 OF
10
                        PRINCIPAL:    INTEREST:    PENALTY:    ADMIN:    FEES:
                        750.00        287.09
***** LOAN LEVEL ***** REHAB: N    DATE ENT: 09/11/82    LOAN TYPE: FISL
LENDER:    REASON:    CHTSDTE:    PAYDTE:    INT RATE:    CAPINTAMT:
812089     1         05/01/75    10/11/82    7.00 %
DEFTDTE:    APPLDTE:    APPRDTE:    SLIPDTE:    TRESCKNBR:    OFFSETAMT    SUPOFF:
04/17/77    05/24/82    10/04/82    04/16/77    96689923     0.00    N
***** COMMITMENT LEVEL *****
COMDATE:    COMAMT:    SUBSAMT:    OLID:    SID:    ENDORSER:
12/09/74    775.00    775.00    812089    003639     P
***** DISBURSEMENT LEVEL *****
DISBDTE:    DISBAMT:    UNPD PRIN:    CAPINT:
02/11/75    750.00    750.00
```

If the R105 “Rehab” indicator is “Y”, then locate the earlier FISL or FFEL debt (as found on the R107 screen) whose disbursement date and amount match that of the FISL for which a promissory note is being sought.

The promissory note must be sought for the *original loan as well as the FISL* for which a promissory note is sought. Search the borrower’s entire file for the needed promissory note, since the note may be housed under the wrong debt ID within the account. Proceed to the next step in these procedures.

(R107)	GSL PROGRAM SPECIFIC SCREEN		ED0291	12/05/07
	REGION: 04	ACCT OWNER: AG540		10:38
ACCT NO:				
S	ACCT NAME: BORROWER	DIANA	J	
	PREV NAME:			
	STUDENT NAME:			
	STUDENT SSN:	STUDENT BIRTHDATE:		
-----				PAGE 1 OF
3				
DEBT NO: G199504015543201	IND:	DATE ENT: 09/22/95	SUBSIDIZED IND:	
PRINCIPAL	INTEREST	PENALTY	ADMIN	FEES
2,831.58				
ENDORSER: P	OPEID:	TOTAL:	2,831.58	
LENDER ORGAGY	SID	LNGUARDT	LOANTPE	DEFTDTE
831846	FL712	007870	11/15/89	STAF
06/04/92	02/18/93	02/18/93	02/18/93	
ORGCLMPAYDTE	PRINPDLENDER	INTPDLENDER	INTCAPBYGA	AMTCOLBYGA
02/18/93	2,625.00	169.22	206.58	LASTPDGA
ORG LIT	JUDMT	WITH-	DISB	FIRST
SOLDT	IND	JUDMTDT	EXPDT	DRAWAL
12/01/93	N		11/15/89	2,625.00
8.00%				01/08/90
INT TYPE	ADD-ON	INT RATE	CAP	DT ENT
F	.00%	.00%		REPAY
				INT DED
				MOS
				00
				COLL FEE
				99.99%

If the R105 “Rehab” indicator is “N”, proceed to the next step in these procedures.

B. CSB Panagon Image Search

Check the CSB Panagon Common Retrieval system.

- First check documents with type “PROM,” but if not found, check all the following document types:
 - PROM
 - NOTE
 - CORR
 - OTHR

- Error messages: you may receive the following error messages in Panagon Common Retrieval. Please respond as follows:
 - **FAILED 2 - <Debt ID> VSAM ERROR:**
 - This error indicates that an imaged document exists, but is not being displayed.

- In some cases, CSB Panagon Common Retrieval may display some, but not all, of the documents/pages.
- If the desired promissory note is not among the documents that CSB Panagon Common Retrieval returns (displays), the PCA should open a ticket with the *ACS Help Desk* in order to obtain the missing documents/pages.
- If the desired promissory note is still not received, and all other CSB Panagon Common Retrieval documents have been reviewed, proceed to the next step in this section.
- **Invalid User ID:**
 - This error indicates the user has not been granted full access to the imaging system (even though a user ID has been issued, and log on successful).
 - Contact the *ACS Help Desk* to resolve this issue

C. CSB Panagon Non-Image Search

- If not found in the CSB Panagon Common Retrieval image repository, request a *non-imaged document search* by clicking the non-imaged document request box on the CSB Panagon Common Retrieval search screen (see Section 8, Appendix A of this Chapter).
 - Note: when you enter a request via CSB Panagon Common Retrieval, that request will be recorded on the W203 screen of the DMCS.
- Error messages: you may receive the following error messages in CSB Panagon Common Retrieval. Please respond as follows:
 - **FAILED 1 – could not send the request for <Debt ID> ELECTRONIC IMAGE:**
 - The system believes an image exists.
 - Review the imaged documents in CSB Panagon Common Retrieval; if the desired PNote is not located, then contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.
 - If **only an indemnification agreement (IA)** is found, submit an *on-line IMF* request to locate the missing promissory note and indicate in the comments section that your request for the non-imaged document failed due to the imaged IA.
 - If Ryan or Joe advises no promissory note can be found, submit an *on-line IMF* request to locate the missing promissory note and indicate in the comments section that your request to RyanJoe was unsuccessful.
 - **FAILED 2 <Debt ID> The previous request has not been fulfilled:**
 - This message indicates that a previous request was submitted by the same user for a non-imaged document and the request is still showing on the W203 screen.
- Turnaround time:

- If the requested documents have not been received within 10 days of the original request, contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.
- If the debt was loaded less than six months ago, the collateral may have been received at Greenville but not yet imaged.
 - Contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.
 - A FISL debt's load date is found on the R105 screen, in the "Date Ent" field.

D. On-Line IMF

- If the desired PNote is not found in either Panagon Common Retrieval or in the non-imaged document repository, submit an *on-line IMF* request to locate the missing promissory note.
 - **Important:** *if we find the requested promissory note in either Panagon Common Retrieval or in the non-imaged document repository, or if there is no evidence on the W203 that a non-imaged document request was made, the IMF request will be flagged as an error (COR's Office and the Atlanta Regional Office routinely monitor PCA error rates to determine conformance with established rules and guidelines).*

4. NDSLs/PERKINS LOANS

A. CSB Panagon Image Search

Check the CSB Panagon Common Retrieval system.

- First check documents with type "PROM," but if not found, check all the following document types:
 - PROM
 - NOTE
 - CORR
 - OTHR
- Error messages: you may receive the following error messages in CSB Panagon Common Retrieval. Please respond as follows:
 - **FAILED 2 - <Debt ID> VSAM ERROR:**
 - This error indicates that an imaged document exists, but is not being displayed.
 - In some cases, CSB Panagon Common Retrieval may display some, but not all, of the documents/pages.
 - If the desired promissory note is not among the documents that CSB Panagon Common Retrieval returns (displays), the PCA should open a ticket with the *ACS Help Desk* in order to obtain the missing documents/pages.

- If the desired promissory note is still not received, and all other CSB Panagon Common Retrieval documents have been reviewed, proceed to the next step in this section.
- **Invalid User ID:**
 - This error indicates the user has not been granted full access to the imaging system (even though a user ID has been issued, and log on successful).
 - Contact the *ACS Help Desk* to resolve this issue

B. CSB Panagon Non-Image Search

- If not found in the CSB Panagon Common Retrieval image repository, *request a non-imaged document search* by clicking the non-imaged document request box on the CSB Panagon Common Retrieval search screen.
 - Note: when you enter a request via Panagon Common Retrieval, that request will be recorded on the W203 screen of the DMCS.
- Error messages: you may receive the following error messages in CSB Panagon Common Retrieval. Please respond as follows:
 - **FAILED 1 – could not send the request for <Debt ID> ELECTRONIC IMAGE:**
 - The system believes an image exists. Review the imaged documents in Panagon Common Retrieval; if the desired PNote is not located, then contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.
 - **If only an indemnification agreement (IA)** is found, submit an *on-line IMF* request to locate the missing promissory note and indicate in the comments section that your request for the non-imaged document failed due to the imaged IA.
 - If Ryan or Joe advises no promissory note can be found, submit an *on-line IMF* request to locate the missing promissory note and indicate in the comments section that your request to Ryan/Joe was unsuccessful.
 - **FAILED 2 <Debt ID> The previous request has not been fulfilled:**
 - This message indicates that a previous request was submitted by the same user for a non-imaged document and the request is still showing on the W203 screen.
- Turnaround time:
 - If the requested documents have not been received within 10 days of the original request, contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.
 - If the debt was loaded less than six months ago, the collateral may have been received at Greenville but not yet imaged. Contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.

- An NDSL/Perkins Loan debt's load date is found on the R106 screen, in the "Date Ent" field.

C. On-Line IMF

- If the desired PNote is not found in either Panagon Common Retrieval or in the non-imaged document repository, submit an on-line IMF request to locate the missing promissory note.
 - **Important:** *if we find the requested promissory note in either CSB Panagon Common Retrieval or in the non-imaged document repository, or if there is no evidence on the W203 that a non-imaged document request was made, the IMF request will be flagged as an error (COR's Office and the Atlanta Regional Office routinely monitor PCA error rates to determine conformance with established rules and guidelines).*

5. FFELs GUARANTEED BY NEW YORK AND HEAF

A. CSB Panagon Non-Image Search

- Request a non-imaged document search by clicking the *non-imaged document request box* on the CSB Panagon Common Retrieval search screen.
 - Note: when you enter a request via CSB Panagon Common Retrieval, that request will be recorded on the W203 screen of the DMCS.
- Error messages: you may receive the following error messages in CSB Panagon Common Retrieval. Please respond as follows:
 - **FAILED 1 – could not send the request for <Debt ID> ELECTRONIC IMAGE:**
 - The system believes an image exists. Review the imaged documents in CSB Panagon Common Retrieval; if the desired PNote is not located, then contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.
 - If **only an indemnification agreement (IA)** is found, submit an *on-line IMF* request to locate the missing promissory note and indicate in the comments section that your request for the non-imaged document failed due to the imaged IA.
 - If Ryan or Joe advise no promissory note can be found, submit an *on-line IMF* request to locate the missing promissory note and indicate in the comments section that your request to Ryan/Joe was unsuccessful.
 - **FAILED 2 <Debt ID> The previous request has not been fulfilled:**
 - This message indicates that a previous request was submitted by the same user for a non-imaged document and the request is still showing on the W203 screen.

- Turnaround time:
 - If the requested documents have not been received within 10 days of the original request, contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.

B. CSB Panagon Image Search

Check the CSB Panagon Common Retrieval system.

- First check documents with type “PROM,” but if not found, check all the following document types:
 - PROM
 - NOTE
 - CORR
 - OTHR
- Error messages: you may receive the following error messages in CSB Panagon Common Retrieval. Please respond as follows:
 - **FAILED 2 - <Debt ID> VSAM ERROR:**
 - This error indicates that an imaged document exists, but is not being displayed.
 - In some cases, CSB Panagon Common Retrieval may display some, but not all, of the documents/pages.
 - If the desired promissory note is not among the documents that CSB Panagon Common Retrieval returns (displays), the PCA should open a ticket with the *ACS Help Desk* in order to obtain the missing documents/pages.
 - If the desired promissory note is still not received, and all other CSB Panagon Common Retrieval documents have been reviewed, proceed to the next step in this section.
 - **Invalid User ID:**
 - This error indicates the user has not been granted full access to the imaging system (even though a user ID has been issued, and log on successful).
 - Contact the *ACS Help Desk* to resolve this issue
- If the debt was loaded less than six months ago, the collateral may have been received at Greenville but not yet imaged.
 - Contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.
 - An FFEL debt’s load date is found on the R107 screen, in the “Date Ent” field.

C. On-Line IMF

- If the desired PNote is not found in either CSB Panagon Common Retrieval or in the non-imaged document repository, submit an on-line IMF request to locate the missing promissory note.
 - **Important:** *if we find the requested promissory note in either CSB Panagon Common Retrieval or in the non-imaged document repository, or if there is no evidence on the W203 that a non-imaged document request was made, the IMF request will be flagged as an error (COR's Office and the Atlanta Regional Office routinely monitor PCA error rates to determine conformance with established rules and guidelines).*

6. **FFELS (NOT GUARANTEED BY NEW YORK OR HEAF)**

A. CSB Panagon Image Search

Check the CSB Panagon Common Retrieval system.

- First check documents with type "PROM," but if not found, check all the following document types:
 - PROM
 - NOTE
 - CORR
 - OTHR
- Error messages: you may receive the following error messages in CSB Panagon Common Retrieval. Please respond as follows:
 - **FAILED 2 - <Debt ID> VSAM ERROR:**
 - This error indicates that an imaged document exists, but is not being displayed. In some cases, CSB Panagon Common Retrieval may display some, but not all, of the documents/pages.
 - If the desired promissory note is not among the documents that CSB Panagon Common Retrieval returns (displays), the PCA should open a ticket with the *ACS Help Desk* in order to obtain the missing documents/pages.
 - If the desired promissory note is still not received, and all other Panagon Common Retrieval documents have been reviewed, proceed to the next step in this section.
 - **Invalid User ID:**
 - This error indicates the user has not been granted full access to the imaging system (even though a user ID has been issued, and log on successful).
 - Contact the *ACS Help Desk* to resolve this issue
- If the debt was loaded less than six months ago, the collateral may have been received at Greenville but not yet imaged.
 - Contact Ryan Shelton at 903-454-5372 or Joe Crawford at 903-454-5209.

- An FFEL debt's load date is found on the R107 screen, in the "Date Ent" field.

B. On-Line IMF

- If the desired PNote is not found in CSB Panagon Common Retrieval, submit an on-line IMF request to locate the missing promissory note.
 - **Important:** *if we find the requested promissory note in the CSB Panagon Common Retrieval, the IMF request will be flagged as an error (COR's Office and the Atlanta Regional Office routinely monitor PCA error rates to determine conformance with established rules and guidelines).*

7. LOCATING PROMISSORY NOTES - CHECKLIST

Direct Loans	<input type="checkbox"/> 1) Check CSB Panagon Common Retrieval, Doc Types: PROM WPAU PNCN ADLN NOTE EDCS APPN CORR PNST APCN OTHR PNPL APLN
	<input type="checkbox"/> 2) Check the Direct Loans Images website: https://www.directloanimages.sfa.ed.gov
	<input type="checkbox"/> 3) Request a PNote search via the on-line IMF web page
FISLs	<input type="checkbox"/> 1) Determine if loan is a re-defaulted rehab loan (if so, PNote will be for original debt)
	<input type="checkbox"/> 2) Check the CSB Panagon Common Retrieval system, all of the following document types: PROM OTHR NOTE CORR
	<input type="checkbox"/> 3) Request a non-imaged document search
	<input type="checkbox"/> 4) If the debt was loaded less than 6 months ago, contact Greenville (Ryan Shelton or Joe Crawford)
	<input type="checkbox"/> 5) Request a PNote search via the on-line IMF web page
NDSLs / Perkins	<input type="checkbox"/> 1) Check the CSB Panagon Common Retrieval system, all of the following document types: PROM OTHR NOTE CORR
	<input type="checkbox"/> 2) Request a non-imaged document search
	<input type="checkbox"/> 3) If the debt was loaded less than 6 months ago, contact Greenville (Ryan Shelton or Joe Crawford)
	<input type="checkbox"/> 4) Request a PNote search via the on-line IMF web page
FFELs – NY or HEAF	<input type="checkbox"/> 1) Request a non-imaged document search
	<input type="checkbox"/> 2) Check the CSB Panagon Common Retrieval system, all of the following document types: PROM OTHR NOTE CORR
	<input type="checkbox"/> 3) If the debt was loaded less than 6 months ago, contact Greenville (Ryan Shelton or Joe Crawford)
	<input type="checkbox"/> 4) Request a PNote search via the on-line IMF web page
FFELs – Not NY/HEAF	<input type="checkbox"/> 1) Check the CSB Panagon Common Retrieval system, all of the following document types: PROM OTHR NOTE CORR
	<input type="checkbox"/> 2) If the debt was loaded less than 6 months ago, contact Greenville (Vicki France or Joe Crawford)
	<input type="checkbox"/> 3) Request a PNote search via the on-line IMF web page
POVRs	Promissory notes do not exist

Greenville Contacts: Ryan Shelton 903-454-5372; Joe Crawford 903-454-5209
CSB Help Desk 888-291-2160

8. APPENDICES

Appendix A - Panagon Common Retrieval Navigation

Logging On

Enter your CSB Panagon Common Retrieval user ID and password, then click “Logon”. If your password has expired, contact the CSB Help Desk at 888-291-2160.

Searching for Documents

1. Under “Document Class” select “All”
2. Search by SSN (DMCS account number) rather than Debt ID
3. Under “Document Required” select “F – Entire File”
4. Under “Request Type” select “C – Copies”
5. Under “Debt Type” select “A – All”
6. Click “Search” from the menu at the top of the screen

Viewing Documents Listed in Search Results

Optional fields for Microfilm, Microfiche or Paper:

Document Required

Request Type

Debt Type

Send To

Street Addr1

Street Addr2

City

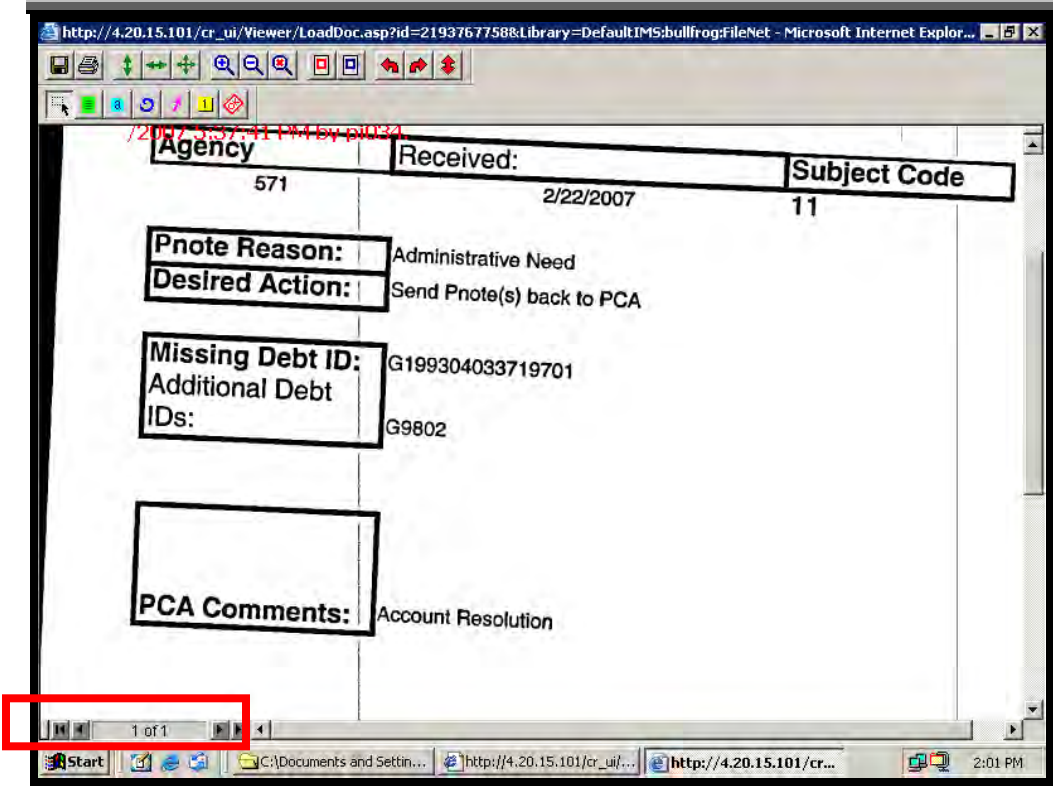
State

ZIP

1 Item(s) Found

Doc ID	SSN	Doc Type	Debt ID	Receipt Date	Company ID	Case ID	image_id	Auxiliary 1	Auxiliary 2	Date Of Death	Spouse SSN
2193767758	111385420	corr		2/22/2007	DCSIC0						

The available imaged documents for the account will display at the bottom of the page. Click on the “Doc ID” hyperlink for each document to view it.

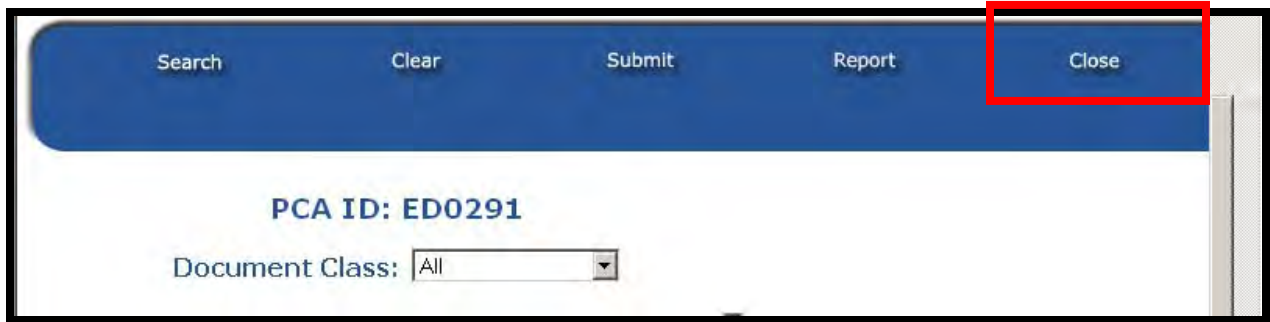


The document viewer will open in a separate window. Note the page navigation buttons at the bottom of the document viewer—review every page of the document, since the desired document(s) may be buried anywhere.

Close the document viewer by clicking on the close (X) button in the upper right corner of the viewer window.

Logging Out of CSB Panagon Common Retrieval

Click “Close” from the menu at the top of the screen.



Requesting Non-Imaged Documents

PCA ID: ED0291

Document Class: All

Click here to get Microfilm, Microfiche or Paper Documents:

Please Enter At Least One (1) Key Value:

SSN 123456789

Debt ID

Optional fields for Microfilm, Microfiche or Paper:

Document Required F - Entire File

Request Type C - Copies

1. Click the box next to “Click here to get Microfilm, Microfiche or Paper Documents.”
2. Under “Document Class” select “All”
3. Search by SSN (DMCS account number) rather than Debt ID
4. Under “Document Required” select “F – Entire File”
5. Under “Request Type” select “C – Copies”
6. Under “Debt Type” select “A – All”
7. Click “Search” from the menu at the top of the screen

You can request the items listed below by clicking the Submit button. They are not viewable on this web site. Your request will be passed to the Debt Collection System and the documents will be sent to you shortly. You can click on the checkboxes to select debts, otherwise the request will be submitted for every debt displayed.

2 Item(s) Found

Get	Debt ID / SSN	FirstName	LastName
<input type="checkbox"/>	G199304033719701	VERA	SALISBURY
<input type="checkbox"/>	G199304033719802	VERA	SALISBURY

The debts will be listed at the bottom of the screen. Do not select individual debts but rather click “Submit” on the menu at the top of the screen.

PCA ID: ED0291

Document Class: All

Appendix B - Program Overpayment (POVR) Debt Standard Language

Program overpayment (POVR) debts are grant overpayments, not loans. These types of debts do not have promissory notes. These debts are incurred either because the student failed to satisfactorily complete the course(s) for which the grant was issued (i.e., the student withdrew or failed the course), or because the school initially miscalculated the grant amount for which the student was eligible. The PCA should send the POVR assignment form (if available in the Panagon Common Retrieval System) along with a cover letter explaining how grant overpayments occur (see standard language below). Since the assignment form does not indicate the reason the overpayment occurred, the student should be referred to the school that assigned the debt for an explanation of why it is owed.

Standard Language for Explaining POVRs:

"Overpayment" is a term used when the amount of a grant awarded to a student is greater than the amount the student is entitled to receive. An overpayment can occur for a variety of reasons. These can include:

- corrections or updates to applicant information which may result in a lower award after a grant payment is disbursed;
- a student becomes ineligible after a payment is disbursed (for example, he or she is determined not to be making satisfactory academic progress or never attends any classes); and
- at term based schools, a student does not begin or continue the program of study after a payment is disbursed.

The student must repay these overpayments. If a school cannot collect an overpayment, the school may refer the debt to the Department of Education for collection.

Appendix C - On-Line IMFs for Missing Promissory Note Searches

The On-Line IMF web page can be found at
<https://www.fsacollections.ed.gov/secure/imf/login.aspx>

Logging In

Enter your “AG” number and password (this will be the standard password used for protecting sensitive information transmitted to ED). Then click the “Login” button.

Under “Reason”, select “9 Locate Missing Pnote”; the site will alert you that you are being redirected to the appropriate page; click the OK button.

On the Request for Missing PNote form, enter the following:

- “Reason for Request”: click the appropriate radio button, but understand that if you select “Borrower Request” and the missing PNote cannot be located, the account will likely be recalled and returned to the lender, school or guaranty agency that assigned it.
- “Complete debt ID”: enter the complete debt ID of one debt for which you are requesting a prom note search (note, you must complete a separate IMF for each borrower account)
- “Additional Partial Debt IDs”: if you are searching for multiple debts for the same borrower, you can enter the first letter and the last four digits (e.g., D9101) of the other debts needed here. After you enter each partial debt ID, click the “Add to List” button. As you enter each partial debt ID, you will see them in the “Debts Added to Your List” field.
- “Pre-Request Checklist”: click the appropriate radio button for each item in the checklist.
- Recipient: click the appropriate radio button to indicate whether you want the note, if found, sent to your agency or to the borrower.
- “Comments”: enter any appropriate comments/instructions; e.g., if you had to contact Greenville because of an error message, and Greenville could not locate the missing note, document your actions and results here.
- “Employee Name”: enter your name here (so we can contact you if any additional information is needed to fulfill your request)

Once all fields have been populated, click “Submit Request” hyperlink at the bottom of the form.

Viewing Erroneous Prom Note Requests

The screenshot shows a web browser window with the URL http://www.pca.edu/portal/portal.do?_af=1&_af=1. The page title is "COLLECTIONS - Financial Student Assistance (FSA)". The main heading is "IMF Requests - Add New Request". Below the heading are two hyperlinks: "IMF Errors" and "Missing PNote Errors". The form contains the following fields:

- Reason: A dropdown menu with "1 - Paid In Full Letter" selected.
- Debt ID: An empty text input field.
- Borrower Last Name: An empty text input field.
- Borrower First Name: An empty text input field.
- Agency: A text input field containing "546".
- Employee Name: An empty text input field.

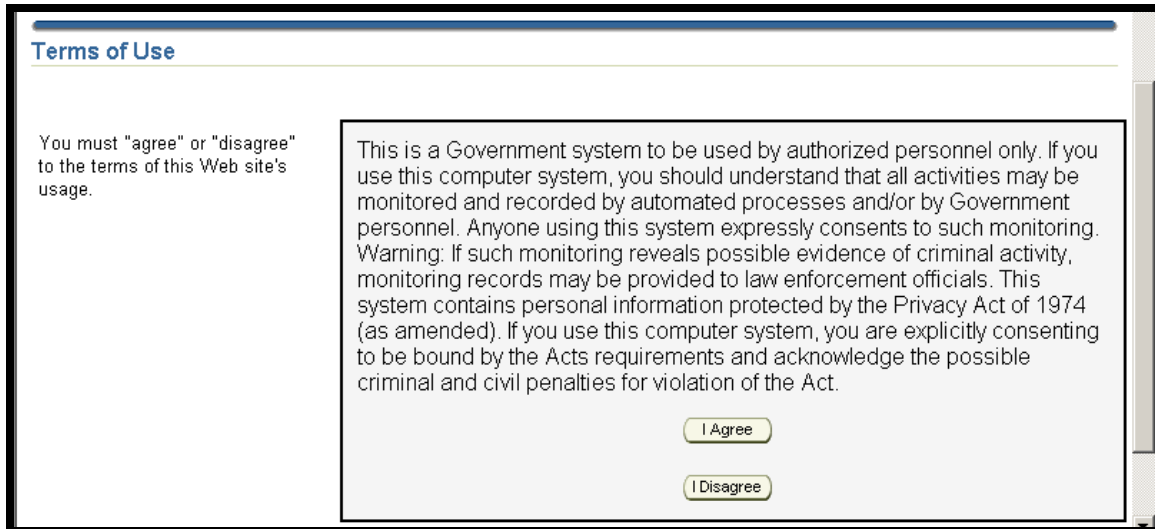
At the bottom of the form are two buttons: "Submit Request" (in red text) and "Cancel" (in black text).

From the On-line IMF main menu, click the “Missing PNote Errors” hyperlink to view the list of IMFs that have been counted as errors in your CPCS Customer Service Metrics score. An explanation of your error can be found on the L102 screen for the account in question.

Appendix D : Direct Loan Image Retrieval Website

This website <https://directloanimages.ed.gov/ImageRetrieval/> contains images of most Direct Loan promissory notes not found in Panagon. For access to this site, contact FSA Security (Gregory Plenty).

Terms of Use



Click the “I agree” button to advance to the logon page.

Logging On:



Type your user ID and password, then click the “Login” button. For password resets, contact 334-206-7811 (Hours: M-F, 6:30AM-7:00PM Central)

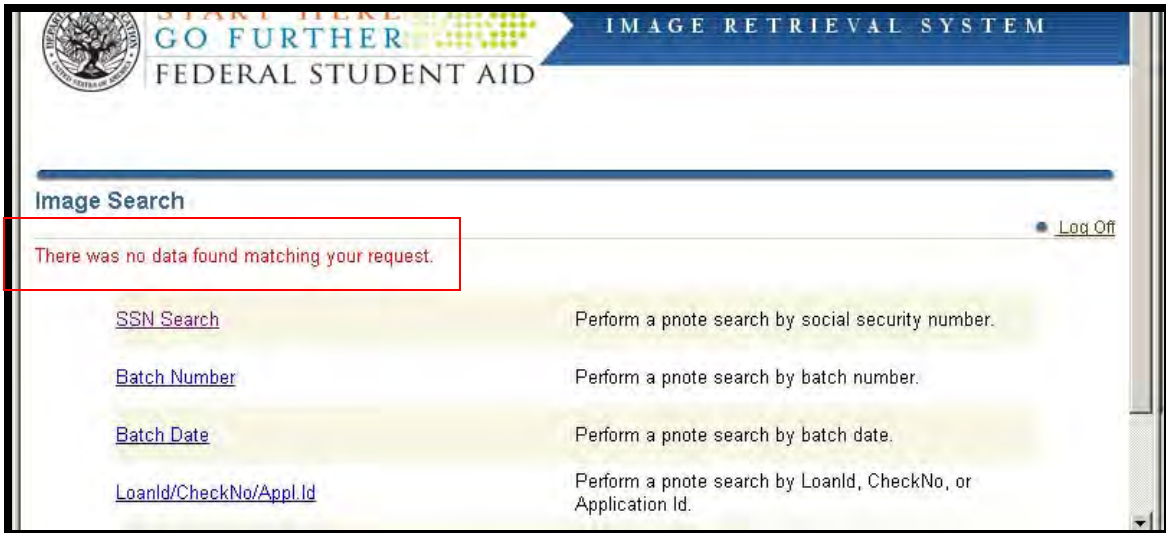
Search for Images

<p>1. Click on “SSN Search”</p>	<p>2. Enter the SSN, then click “Submit”</p>

Select and View Images

<p>1. Click on the PDF icon for the document you wish to view</p>	<p>2. Scroll down to view the document in PDF format</p>

No Documents Found



If there are no images on file for the SSN, the error message “there was no data found matching your request” will display.

CHAPTER 12: Account Returns & Administrative Resolutions

EFT (Electronic File Transfer) processing consists of two categories: Account Returns and Administrative Resolutions. Aside from the specific categories listed under the asterisk below, all account returns and Administrative Resolutions are submitted to the Atlanta Regional Office for review.

Account Returns

- CER
 - *Cost Exceeds Recovery* – Principal and Interest Balance between \$25.01-\$100.00
- CPR
 - *Compromised* accounts that automated sweep did not recall
- PIF
 - *Paid In Full* - Principal and Interest Balance \$25.00 or less that the monthly automated recall of Paid in Full accounts did not sweep
- INA/UNL
 - *Inability to Collect / Unable to Locate* – collection efforts exhausted, account assigned to PCA for more than 6 months

Administrative Resolutions*

- BAN/BNK - Bankruptcy
- CAN - Programmatic Cancellations (NDSLs/Perkins)
- DEA - Death
- INC/INW - Incarceration
- DIS - Disability

**Litigation, ICRPs and Administrative Rehabilitations* are also counted as Administrative Resolutions within CPCS; however, PCAs must follow specific program requirements to receive administrative credit. Please see the respective sections for more information.

Both categories allow PCAs to return accounts to ED, often to close out/resolve account balances or remove unlocatable accounts from inventory after a specific time period. *PCAs receive an administrative fee for properly submitted Administrative Resolutions, along with point scoring in the CPCS matrix.* Account returns, though no fee associated (except possible compromise commissions), are used to assist with portfolio management and become an integral tool in managing the competitive status within the CPCS environment.

Helpful Hint: The DMCS will not allow the PCA to return accounts in an active AWG status code. The PCA should ensure that any account identified for return is not active in AWG.

Reference: SOW 3.4

1. GENERAL REQUIREMENTS

Each EFT (Electronic File Transfer) package sent to the Atlanta Regional Office must include the following in the order stated:

- Transmittal Form
- Single Sheet Update (SSU) form (Not necessary for INA or UNL returns)
- Supporting/required documentation as required

PCAs should review DMCS prior L102 notepad entries before submitting an account for approval to ensure that the issue has not already been addressed by ED and resolved.

A. SSU/Manifest

- Along with any required supporting documentation, PCAs will submit a Single Sheet Update (SSU) form or an electronic manifest generated by the PCA's system for all account returns and administrative resolutions except INA/UNL returns
 - The SSU form/manifest must contain for each account, the borrower's name, Social Security Number and one debt ID number
 - *SSU Form is NOT required for INA/UNL accounts*
 - PCAs will only submit a transmittal form with the number and type of accounts
- Supporting Documentation for Administrative Resolutions become part of a borrower's file and must be attached to the Single Sheet Update Form (SSU)
 - Documentation must be securely clipped or bound separately with each individual EFT submission
 - Same Debt ID number for individual accounts must be written in the top right hand corner of each page of documents
- If the SSU contains different types of accounts (death, incarcerations, etc.), please group accounts by category.
- *For CER and PIF accounts, PCAs must also include the current account balances.*
- SSU form must include:
 - ED Office submitted to
 - Name & Phone number of PCA Contact Person
 - Agency Number-PCA Location Code
 - ED System User ID of PCA Contact
 - Date Submission being sent to ED
- *SSU form located in Section 8, Appendix A of this Chapter*

B. Transmittal Form

- Along with an SSU form and any supporting documentation, PCAs will also submit an EFT transmittal form for formal approval/rejection of EFT records
 - *Note: Transmittal Form is NOT required for Disabilities*
 - *Disabilities are always submitted separately*
- The EFT Transmittal form is used to identify the number and type of records approved by ED that are being transmitted electronically to the DMCS for resolution
- Accounts to be returned may be grouped on a transmittal form within the following categories:
 - BAN, BNK, DEA, INC, INW
 - CPR, PIF, CER
 - INA, UNL
 - CAN
 - CAN submitted separately
- Limit number of accounts per EFT Transmittal form to *30 Accounts*
 - Except for disabilities
 - Except for INA or UNL returns
- A signed and approved EFT Transmittal Form must be submitted for each EFT file.
 - *The electronic file must NOT be submitted UNTIL the corresponding signed/approved EFT Transmittal Form is faxed to ACS.*
 - Once the signed transmittal form is received, the PCA should electronically transmit the EFT file and fax the signed EFT Transmittal form to:
 - ***ACS at (903) 454-5398; Attention EFT Processing.***
 - This should occur on the same day; however, a one day delay is accepted
 - *Delays over one day are unacceptable and may result in rejection of file.*
- The number of accounts approved on the EFT Transmittal form must correspond to number of accounts included in the EFT return file transmission.
 - In addition, to facilitate matching of EFT files and EFT Transmittal forms, the date the file is transmitted must be put in the “File Transmission Date” on the transmittal form prior to faxing
 - ACS (DMCS Contractor) must be able to match the file and the EFT Transmittal form
- *The PCA CANNOT have accounts from multiple EFT forms combined in one file transmission or the files will be rejected.*

- Agencies must not submit accounts from two different contracts on the same EFT (all EFT categories including disabilities).
 - EFTs received with mixed accounts from different contracts will be rejected
- EFT Transmittal Form must include the following:
 - File Transmission Date (filled in when file transmitted)
 - File Creation Date
 - Agency Number
 - Type and Number of Accounts being returned
 - Signature & Date of ED Monitor indicating Approval
 - PCA Contact Information: name, phone number & fax number
- *Transmittal Form located in Section 8, Appendix B of this Chapter*

C. ED Monitor Review

- Monitors in the Atlanta Regional Office will be distributed EFT submissions by number and type of accounts
- Monitors will review submissions for accuracy and proper documentation
 - Incorrect forms, missing documentation, improper DMCS notations, incorrect information will cause individual accounts to be rejected
 - Individual rejected records will be crossed of the SSU/manifest and faxed back to the agency with the transmittal form for review
 - *High percentage of error rates with individual accounts submitted on the same SSU form MAY cause the entire submission to be rejected*
- Once the monitor completes their review, they will sign, date and indicate the number of approved and/or rejected records on the transmittal form
 - Once finalized, the transmittal form is faxed back to the appropriate agency personnel indicated on the transmittal form
 - Original is returned to the PCA mail via their selected service (Fed Ex, DHL, etc.)
 - In most cases, rejected record documentation (i.e. death certifications, disability applications, etc.) will also returned through the PCA mail service
- Rejected accounts cannot be resubmitted unless new information is obtained or an appeal is approved
- Monitors have *7 business days* from assignment (may occur one or two days after office receipt) to finalize EFT submissions

D. Appeals

- If a PCA disagrees with an account rejection, the PCA must first work with the monitor who rejected the account to see if there was a misunderstanding or to receive more detailed instruction.
- If after the discussion, the PCA still feels strongly that the account should be approved, the PCA may fax or mail all applicable documentation as an appeal request to the Atlanta Regional Office for management to review.
- If approved, proper notations will be made on the L102 screen and the PCA must reference the notation when resubmitting accounts for review.
- Appeals for administrative resolutions and account returns *should be the exception*.
 - With thousands of accounts being processed monthly, management relies on established procedures and monitor professional judgment to ensure consistent, accurate processing.

2. ACCOUNT RETURNS

A. Cost Exceeds Recovery (CER)

CER accounts have an ED balance of \$25.01 to \$100.00. PCAs may request these accounts be returned to ED and removed from their portfolio because collection efforts are not cost effective. However, before returning any accounts as CER, *the PCA must have made reasonable attempts to collect the small remaining balances*. Any outstanding balance owed the government is subject to collection guidelines and should be collected, if possible.

- PCAs must submit a transmittal form and SSU/manifest in order to process CER accounts through the EFT process.
 - If the transmittal includes accounts being returned for more than CER, each account on the manifest must include the return reason code
 - For each account submitted, the PCA must also include the current balance.
- Accounts with regular payments, including involuntary payments should **NOT** be submitted
 - Includes accounts with “recent” payment activity (payment received within 45 days)

Please note: *there is no time length that CER accounts have to be in possession of the PCA.*

B. Compromises (CPR)

Accounts returned as CPR indicate that a settlement has been reached and paid on the account. Under normal circumstances, most paid compromised accounts are automatically returned through a system query. This program looks at the payment amount in relation to debt size to

identify potential compromises. The program then screens these potential compromises for the required notation on the L102 and checks for the compromise payment amount within 90 days of the L102 documentation.

Therefore, the PCA should allow adequate time (at least 21 days) for the regular compromise DMCS process to recall paid compromises.

Because of the way this query is constructed, paid discretionary and non standard compromises may be bypassed. PCAs must monitor compromises and ensure that paid compromises are returned to ED as such. In addition, if any of the criteria for the query is not correct (timeframes, payment amounts, etc.), accounts will not be recognized as paid compromises and a manual review/approval of them must be done through an EFT process. PCAs should ensure that all compromise requirements have been performed - proper L102 update, timely compromise letter sent, monitoring compromises to ensure paid compromises are properly processed.

- PCAs must submit a transmittal form and SSU/manifest in order to process CPR accounts through the EFT process.
 - If the transmittal includes accounts being returned for more than CPR, each account on the manifest must include the return reason code
- Commission adjustments may take place in the following situations:
 - Unapproved compromises are compromises that the PCA failed to properly/timely document the L102 notepad, or send the appropriate compromise agreement letter
 - Unauthorized compromises are compromises that the PCA settled for less than ED's guidelines allow without prior ED approval, but which are not non standard compromises
 - On a monthly basis, all accounts returned CPR are system checked for approved compromise agreement letters and unapproved commission adjustments.

Please note: *In situations where the borrower honored the Compromise Agreement, but the PCA failed to follow proper compromise procedures, ED will still honor the compromise on behalf of the borrower, but will make any appropriate adjustments to the PCA's commission.*

For more specific compromise requirements, please see Chapter 7.

C. Paid-in-Full (PIF)

For the purpose of EFTs, an account is considered to be Paid-in-Full (PIF) if there is an ED balance of \$25.00 or less.

Under normal circumstances accounts that have a balance of \$25.00 or less are systematically recalled on a monthly basis. This return reason code exists so that paid-in-full accounts not picked up by the automatic sweep can be returned. *It should NOT be utilized on a routine basis by the PCAs.*

- PCAs must submit a transmittal form and SSU/manifest in order to process PIF accounts through the EFT process.
 - If the transmittal includes accounts being returned for more than PIF, each account on the manifest must include the return reason code
 - For each account submitted, the PCA must also include the current balance.
- Accounts with “recent” payment activity should NOT be submitted
 - Payments received within 45 days
 - Gives the payment time to bounce or the system time to return the account as PIF and process systematically.

D. Inability to Collect/Unable to Locate (INA/UNL)

Accounts must have been with the PCA for at least *six months* before they can be returned INA/UNL.

The DMCS system will reject any INA/UNL accounts that the PCA is attempting to return prematurely.

- PCAs are only required to submit a transmittal form to the Atlanta Regional Office for Approval.
 - *An SSU form or any other listing of accounts is NOT required*

Please note: the number of accounts that may be submitted on any ONE electronic INA/UNL file is *15,000 accounts*. Therefore, PCA transmittal forms should indicate no more than 15,000 accounts. For returns larger than 15,000 accounts, the PCA must break up the accounts among multiple EFTs.

3. DEATH ACCOUNTS

A. Required Documentation

Borrower’s death must be documented by:

- An original or certified copy of a death certificate OR
- An accurate and complete photocopy of an original or certified copy of the death certificate.
 - Any photocopies must be legible
 - Any documents that appear altered will be rejected

Additional documentation may include:

- Original or certified copies (or accurate photocopies) of *foreign death certificates*

- Identifying factors may differ from items used with U.S. certifications
- Original or certified copies (or accurate photocopies) of U.S. Embassy death certificates (death on foreign soil)
- U.S. Department of State - Report of Death of an American Citizen Abroad Form
- U.S. Military Certificate of Death - Overseas

To assist with obtaining death certificates, ED provides a death certification letter for PCAs to send to state and local vital statistic offices that *require a notarized letter from ED* for the PCA to receive death certificates. A sample letter can be found in Subsection E of this section. Please note that the language provided must be placed on ED Letterhead.

In addition, ED periodically runs a match with Social Security Administration (SSA) to identify deceased borrowers. If an account is recalled through this match, the PCA will *NOT receive an administrative resolution fee unless the appropriate notation is made by PCA on the L102 notepad prior to the SSA recall.*

References: 34 CFR 674.61(a); 34 CFR 682.402(b); 34 CFR 685.212(a)

B. PLUS Loans

PLUS Loans are loans taken out by parents on behalf of their children. If the holder of a PLUS dies (parent), then the loan can be discharged under normal death discharge procedures.

However, in addition to the loan holder, *if the student, for whom the parent received a PLUS loan dies, the obligation of the borrower (and any endorser) to make further payments on the loan is discharged.* In these situations the PCA must:

- Obtain the required death certificate of the student (child)
- Ensure that the student is listed at the top center of the following screens - R107(FFEL) or R116 (Direct Loans)
 - If the student is not listed, additional documentation would need to be obtained to show that the PLUS was for the student that died (PNotes, etc.)

C. Processing Death Accounts

PCAs should conduct the following steps when reviewing possible death accounts:

- Obtain appropriate death documentation.
- Verify borrower's death by matching SSN, date of birth (DOB), and full name
 - See subsection D for exceptions
- Document DMCS L102 notepad as follows:

*****DEACERT TO ED FOR APPVL DOD 00/00/00 first initial/last name**

- Submit complete Death EFT package to the Atlanta Regional Office for review and approval

D. Resolving Mismatching Information

There may be times where not all the key data elements match between the death certificate and the account data in DMCS.

If the information on the death certificate and DMCS are different for ANY of the three key identifiers (name, SSN and/or DOB), the PCA must provide a *brief written summary* (along with any supporting documentation) walking ED through the PCA's determination that the death certificate in question is for ED's borrower.*

*Exceptions: if everything matches but middle initial or if everything matches but last name of female borrower, no summary required

Possible supporting documents include:

- Promissory Notes
- Assignment Forms
- DMCS printouts/screens
- Loan applications
- Additional Panagon documents
 - Deferments, agency letters, etc.
- Potential Search engines that runs data through SSA Death indexes
- Credit Bureau Reports
 - Cannot be used to verify SSNs

Please note: If the PCA has acceptable documentation indicating that an SSN or DOB should be changed (driver's license, birth certificate, etc.), the PCA must submit an IMF request with documentation to change the data, PRIOR to submitting the account on a Death EFT. *Failure to request data correction before an EFT submission will result in the PCA losing an administrative fee.* For information regarding IMFs, please see Chapter 5.

E. ED Death Letters

The following letters are provided to aid the PCAs in obtaining acceptable death documentation. In no case may the PCA use photocopied letters with the signature of an ED staff member, nor should the name of any ED staff member be typed on these letters.

- Standard Prime Contractor Request



To Whom It May Concern:

(Collection Agency Name) has been retained by the U.S. Department of Education to resolve Federal student loan obligations held by the Department. Pursuant to the Higher Education Act (HEA) of 1965, as amended, and Federal regulations 34 CFR 682.402(b), 674.61 and 685.212 in order to verify an individual's death and discharge any Federal student loan obligations, the Department of Education requires the original death certificate, a certified copy of the death certificate, or an accurate and complete photocopy of an original or certified copy of the death certificate.

With regards to these requirements, the Department of Education has authorized **(Collection Agency Name)** to request and obtain information regarding the individual listed below that has been reported as deceased.

Name of Deceased:
Social Security number: **(Last four digits acceptable)**
Date of Birth (if known):

Please send the death certificate to:

This information is needed for official U.S. government business. Federal statutes and regulations require that the U.S. Department of Education and its representatives use the information you provide only for official authorized government purposes.

Your assistance with the death verification process is greatly appreciated.

Sincerely,

U.S. Department of Education
Federal Student Aid, Business Operations

STATE OF GEORGIA

On this ____ day of _____, 2XXX, personally appeared _____, satisfactorily identified as the person stating that this document is his official act and deed with the full understanding of the penalty of law if applicable.

Notary Public

My Commission Expires: _____

61 Forsyth St., Rm 19T89
Atlanta, GA 30303

www.FederalStudentAid.ed.gov
1-800-4-FED-AID

FEDERAL STUDENT AID  START HERE. GO FURTHER.

➤ Request with Prime and Subcontractor relationship



(DATE)

To Whom It May Concern:

(Collection Agency Name) has been retained by the U.S. Department of Education to resolve Federal student loan obligations held by the Department. Pursuant to the Higher Education Act (HEA) of 1965, as amended, and Federal regulations 34 CFR 682.402(b), 674.61 and 685.212 in order to verify an individual's death and discharge any Federal student loan obligations, the Department of Education requires the original death certificate, a certified copy of the death certificate, or an accurate and complete photocopy of an original or certified copy of the death certificate.

(Collection Agency Name) has authorized **(Subcontractor Name)**, acting on behalf of **(Collection Agency Name)**, to obtain information regarding the individual named below, who has been reported as deceased.

Name of Deceased:

Social Security number: **(Last four digits acceptable)**

Date of Birth (if known):

Please send the death certificate to: **(may insert subcontractor address and phone number)**

(In addition, may want to insert Collection Agency contact information in case of further questions)

This information is needed for official U.S. government business. Federal statutes and regulations require that the U.S. Department of Education and its representatives use the information you provide only for official authorized government purposes. Your assistance with the death verification process is greatly appreciated.

Sincerely,

U.S. Department of Education
Federal Student Aid, Business Operations

STATE OF GEORGIA

On this ____ day of _____, 2XXX, personally appeared _____, satisfactorily identified as the person stating that this document is his official act and deed with the full understanding of the penalty of law if applicable.

Notary Public

My Commission Expires: _____

61 Forsyth St., Rm 19T89
Atlanta, GA 30303
www.FederalStudentAid.ed.gov
1-800-4-FED-AID

FEDERAL STUDENT AID  START HERE. GO FURTHER.

4. BANKRUPTCIES

Bankruptcy is a court procedure established by Federal statute to help borrowers who are unable to meet their financial obligations as they become due. The goal is to give the borrower a “fresh start”. There are two basic types of bankruptcies:

- Liquidation: distributes all of the borrower’s assets, if any, among the creditors with the understanding that this partial payment closes the book on the debts.
 - Chapter 7 Bankruptcy (BK7) is a liquidation bankruptcy. It is sometimes called a “personal bankruptcy” and usually takes 4 to 6 months to complete.
 - The BK7s received by ED are usually BK7s with no assets for distribution.

- Reorganization: sets up a new extended payment schedule, within the borrower’s means, under which the borrower pays all or only a portion of the debt. It gives the borrower a fresh start by allowing extra time to pay the debt from earnings or wages rather than from liquidating the borrower’s estate.
 - Chapter 13 Bankruptcy (BK13) is a reorganization bankruptcy. It is sometimes called a “wage earner bankruptcy” and usually takes 3 to 5 years to complete.
 - Chapter 11 Bankruptcy (BK11), sometimes called a “business bankruptcy” and Chapter 12 Bankruptcy (BK12), sometimes called a “farmer’s bankruptcy” are also reorganization bankruptcies, but ED rarely sees these bankruptcies for student loan borrowers.

A. Cease Collection

As soon as the borrower files a petition in bankruptcy court, and until the bankruptcy proceeding is concluded, all creditors are barred from taking collection action against the borrower.

Failure to cease collection activity immediately upon receiving notice that a bankruptcy has been filed can result in being cited for Contempt of Court for failure to honor the Automatic Stay.

Upon becoming aware of a NEW OR RECENT BK7 or BK13, the PCA will immediately suspend all collection activity, stop AWG withholding and request via IMF that the account be decertified from TOP..

B. Bankruptcy Terminology

- Automatic Stay
 - The mandatory suspension of collection activity effective immediately upon the filing of, and lasting until the conclusion of, every bankruptcy proceeding. A collection violation of the Automatic Stay can result in one being held in contempt of court.
- Date Petition Filed
 - The date that the borrower files a bankruptcy petition in U.S. Bankruptcy Court.
- Date of Filing
 - Date last document/report was filed with the court; does not impact earlier dates of discharge, dismissal, etc.
- Dismissal
 - An action taken by the bankruptcy court to reject a petition for relief in bankruptcy. After a petition is dismissed, the debts listed in that bankruptcy's schedule are treated as if the bankruptcy never existed. These debts are then due and payable.
- General (or Final) Discharge Order
 - This is sometimes called an Order for Discharge or Discharge of Borrower. The order entered by the bankruptcy court giving the borrower relief in bankruptcy. By this order, those debts that are dischargeable are discharged. It does not necessarily discharge all scheduled (listed) debts, particularly student loans.
 - A discharge order does not in most cases relieve the borrower of personal liability for non-dischargeable student loan debts even if those debts were listed in the bankruptcy schedule.
- List of Creditors
 - This is sometimes called a Schedule A-3 or Schedule of Debts. This list is composed by the borrower and filed with the bankruptcy court. The list itemizes all of the creditors and debts that the borrower seeks to have discharged in the bankruptcy.
- Non-Dischargeable in Bankruptcy
 - A student loan that does not meet the requirements for discharge under 11 U.S.C. 523(a)(8)(A) when a general discharge order is entered in the bankruptcy by the court. Collection of the student loan debt may then resume.
- Notice of First Meeting of Creditors
 - The Notice sent by the bankruptcy court to listed creditors advising that a bankruptcy has been filed. Along with other bankruptcy information, it contains the name and SSN of the borrower(s), the location of the court, the bankruptcy case number, and the date the bankruptcy petition was filed.

- Proof of Claim (POC)
 - A document prepared by a creditor and filed in the court in an asset or wage earner bankruptcy. Its purpose is to state the amount of the outstanding debt and the basis for the debt owed to the creditor as of the bankruptcy date.
- Summons and Complaint to Determine Dischargeability
 - A document indicating that the borrower has filed an adversary action in court petitioning the bankruptcy judge to grant a special order specifically discharging the borrower's student loans. The receipt of such a document is to be considered a priority requiring expedited transfer to ED Litigation Branch:

U.S. Department of Education
Borrower Services
Chief, Litigation Support
50 Beale St #8629
San Francisco, CA 94105

- Terminated
 - Bankruptcy closed

C. Bankruptcy Documentation

The following documents may be received from the borrower or the Bankruptcy Court or from a web service such as PACER:

- New BKs**
1. Order for First Meeting of Creditors, stapled to the
 2. List of Creditors or to a Bankruptcy Court Envelope.
 - If you receive an Order for First Meeting document directly from the bankruptcy court in a court envelope, it means that the addressee is already listed with the Court as a creditor. In that case, additional List of Creditors information will not be necessary.
- Old BKs**
3. Discharge of Borrower (in addition to 1 and 2 above)

Currently, ED is also accepting bankruptcy documentation obtained from Banko, Pacer and Lexis/Nexis. This documentation must specifically list the borrowers name and at least the last four digits of the SSN as a petitioner.

If using PACER, PCAs should review the "Case Summary" screen/page within PACER to find termination, discharge and dismissal dates. No values in these date fields indicate that the bankruptcy is still open.

D. Bankruptcy Notification

Immediately upon becoming aware of a bankruptcy case, the PCA will:

- **Research DMCS L102 screen to determine if the court has issued a dismissal order or a determination of non-dischargeability has been made by an Education employee or an employee of ECMC and entered on the L102 screen.**
 - If so, *collection activity may resume.*
- If there is no ED/ECMC determination on the L102, the PCA will annotate the L102 with the following information:
 - *“BK7 (13) filed (filing date), Case #. _____, District in which the case was filed. (1st initial last name)”*
 - In the event the Court has issued a discharge or the case has been dismissed, add to the L102 annotation:
 - *“BK7 # (Case #.) discharged (or dismissed) USBC on (discharge date). (1st initial, last name).”*
- Take the appropriate steps as outlined below depending on the filing dates and types of bankruptcies

E. ALL Bankruptcies filed before October 8, 1998:

If the court has issued a *Final Discharge* AND a determination of dischargeability has not been made and entered on the L102 screen by a Department employee or an employee of ECMC, the PCA should:

- Annotate the DMCS L102 that the case has been referred to ECMC for review
- Forward bankruptcy to ECMC for an assessment of dischargeability.
 - For these purposes, any document with the case number and district is sufficient.
 - *Write in Highlighter in the upper right corner “BAN”*
- Bankruptcy documents should be sent to:

ECMC
ED Bankruptcy
PO Box 65128
St. Paul, MN 55165

The account will be recalled by ECMC and the bankruptcy filing reviewed. After reviewing the case, ECMC will notate the DMCS L102 notepad.

F. Chapter 7 Bankruptcies filed after October 8, 1998

Title IV student loans and grants are not dischargeable in bankruptcy if the petition is filed on or after October 8, 1998 without the debtor filing an adversary proceeding and an express finding of hardship by the court.

Immediately upon becoming aware of the BK7 case, the PCA will:

- Suspend all collection activity on the account until you receive an Order of Discharge or Dismissal.
- Annotate the L102:
 - “BK7 filed (filing date), Case # _____, District in which case filed, 1st initial last name)”
- Upon receipt of the Order of Discharge or Dismissal
 - Send the appropriate letter and resume collection activity.
 - Annotate the L102:
 - “BK7 #. (Case no.), filed (filing date) discharged (discharge date) {or dismissed (date dismissed)}, ltr to borr, resume collection. (1st initial last name)”
- Submit a list of these accounts to the monitor so that they can be de-certified for TOP, if the case is still open.

G. “Active” BK13 Cases Filed on or after October 8, 1998

Immediately upon becoming aware of an active BK13 case (or BK11, BK12), the PCA will:

- Suspend all collection activity on the account including AWG.
- Annotate the L102:
 - “BK13 filed (filing date), Case # _____, district in which case is filed, docs fwd to ECMC (1st initial last name)”
- Forward the original bankruptcy documents to ECMC, P.O. Box 65128, St. Paul, MN 55165.
 - Write in Highlighter in the upper right corner “BAN”
- Submit the accounts, along with copies of the supporting documentation, to the Atlanta Regional Office on a **BNK EFT** for approval.
 - ED currently transfers many of these accounts to the Educational Credit Management Corporation (ECMC, formerly known as TGA).
 - ECMC accepts responsibility for servicing these accounts after the transfer.

H. BK13 Cases Filed on or after October 8, 1998 for which the Court has issued an Order of Discharge or a Dismissal Order

Title IV student loans and grants are not dischargeable in bankruptcy if the petition is filed on or after October 8, 1998 without the debtor filing an adversary proceeding and an express finding of hardship by the court. *When a BK13 is dismissed by the USBC, the debts become due and payable.*

Upon receipt of the Bankruptcy Discharge or Dismissal document, the PCA should (assuming they still have the account):

- Send the appropriate letter and resume collection activity.
- Annotate the L102:
 - “BK13 filed (filing date), Case #. _____, USBC, (District in which case is filed), discharged (discharge date) {dismissed (dismissal date)}, ltr to borr, resume collection. (1st initial, last name)”

**** If, at any time, you are unsure about a bankruptcy determination, submit all documentation on an IMF to the Atlanta Regional Office (see Chapter 5 for more information). It is crucial that collection activity stop and an assessment is made concerning the status of the bankruptcy whenever bankruptcy documents are received in order to avoid contempt charges.**

5. INCARCERATIONS

If the PCA determines that a borrower is incarcerated, the PCA shall obtain verification from a prison official of the borrower’s earliest possible release date. Incarcerations are treated as an administrative resolution and are submitted to the Atlanta Regional Office as an EFT by the PCA.

Incarcerations are divided into two categories based on the length of the borrower’s sentencing.

- **INC**
 - Borrowers incarcerated for more than 9 months but less than 10 years from the *time of submission* constitute INC (Incarceration-Collectable)
 - Accounts returned as INC will be systematically returned to active collections at the expiration of the borrower’s earliest possible release date.
- **INW**
 - Borrowers incarcerated for 10 years or more from the *time of submission* constitute INW (Incarceration-Write Off).
 - Accounts returned as INW will be systematically written off in the DMCS

If the borrower is to be confined for *9 months or less*, the PCA will suspend collection efforts on the account and perform follow-up after the borrower’s parole or earliest release date.

Reference: SOW 3.4

A. Verification Documentation

Verification documentation must contain at least the following information:

- Borrower's full name
- Full DOB.
- Earliest release date (parole date)
 - This date may be classified under different terms such as a parole hearing date. As long as the date is the earliest possible indication of when the prisoner may be released and uses verbiage that supports release date information, the date should be acceptable
 - In the event that the earliest release date has passed and the only other date is the maximum sentence date, the PCA needs to obtain more clarifying/concrete information.
 - This should indicate if there is a new updated early release date or confirm that the earliest release date is now the maximum sentence date.
- Prison facility/institution address

The SSN is encouraged but not required, since most official websites will not provide the SSN.

Acceptable incarcerated documentation from the PCA must be in one of the following three forms:

- 1) The printed page of verification information from an official prison/state Website.
 - Must indicate the borrower the full name and full DOB
 - The PCA cannot hand write in DOB, if required information is not on website verification must be obtained through other options approved by
 - Possible websites are listed in subsection E of this Section
- 2) Written verification from a prison on the institution's letterhead or the ED incarceration verification letter completed by a prison official (See subsection D of this Section for a copy of the letter)
 - The ED Incarceration Letter only needs to be sent in for ED signature if required by the prison/state; unsigned letters with the appropriate information may accepted by some institutions
 - If a signature is required for the institution to release information, a original signature must be obtained on each letter
 - Under no circumstances can a PCA photocopy a letter with an ED signature, and
 - Under no circumstances can a PCA type the name of an ED employee in the signature block of a letter.

- 3) Copy of an email from the prison official verifying the borrower's incarceration status
- Identifying information must include the borrower's name and complete DOB.

Exception: Computer printouts from a state/prison database. Some PCAs (often through their subcontractor) are able to obtain incarceration data directly from a state or prison data system. However, since the format or information may be unknown or not easily identifiable, the following statement must be provided on the computer printout or attached:

- *"The above information was obtained from the INSERT STATE AND/OR PRISON SYSTEM database provided to INSERT SUBCONTRACTOR or CONTRACTOR NAME for verification purposes. The information provided is, to the best of our knowledge, true and accurate to the individual's current incarceration status."*
- If using a subcontractor, below this statement there must be two signature blocks, one for the subcontractor and one for the PCA.
 - If no subcontractor, then just the PCA certification is necessary
- The PCA must also notarize the statement.
 - The subcontractor is not required to notarize
 - If unable to notarize two signatures, the PCA may notarize the statement on a separate copy

The minimum identifying information that must appear as part of the verification record includes the borrower's full name (at least first and last name) and the borrower's full date of birth (month/day/year). *Common names (i.e. John Smith, Mary Brown) should be avoided unless personal identifiers (more than names and DOB) are obtained from state/prison officials that clearly indicate that the prisoner is ED's borrower.* If the agency obtains the verification from an online source and the identifying information is not present or complete on the verification, but the agency used personal identifying information to access the incarceration record (i.e. entered borrower SSN), then the agency needs to write on the online record the process used to obtain the record. However, if no personal identifying information is used to obtain the record and the online record is incomplete (i.e. no DOB only borrower age), then the agency must obtain verification through another acceptable format.

If identifying factors are incomplete or inconclusive, the monitor may reject the account or request additional supporting information from the PCAs.

Documentation restating information found on an official Website is not acceptable. Neither is a form completed by the PCA showing that a phone call was made to the prison to verify the borrower's status.

B. DMCS Documentation

- The PCA must **annotate the L102 notepad** with the following information:
 - *First line* must be input *separately and exactly* as shown:
 - *****Earliest Release Date: 00/00/0000**

- If the prison system only provides a month and year for the earliest release date, please enter 01 in the "day" field
 - The one exception for the date field is for those who are serving Life sentences; the word LIFE may be entered in place of a date
 - *****Earliest Release Date: LIFE**
 - *Second line* must contain the prison official's name, title (or official website), prison name, and prison telephone number.
 - If there is a successful search online (required data is present), PCA should substitute the prison official name and title with, "online search, web address (input web address used)"
 - The ONLY exception where a subcontractor would be acceptable (to replace prison official/website) is when the subcontractor actually verifies the Prison System screen shots (no prison officials or website available)
- The PCA must also **update the borrower address** with the prison address (L103)
 - Prison address must include the following format:
 - Prison Name
 - Prison Street/PO BOX Address Inmate#
 - City, State Zip Code
 - If inmate numbers are not used, the PCA must document this fact on the L102.
 - PCA does NOT need to provide supporting documentation for actual prison address as long as updated properly on L103
 - **Exception:** if borrower gave the PCA a "care of" address
 - Notation to this effect must be on the L102

C. Processing Incarcerations

PCAs should conduct the following steps when reviewing possible incarceration accounts:

- Obtain appropriate incarceration documentation.
- Verify borrower's incarceration by matching at least date of birth (DOB), and full name
- Document DMCS appropriately - L102 & L103
- Submit complete incarceration EFT package to the Atlanta Regional Office for review and approval

D. ED Incarceration Verification Letters

- Standard Prime Contractor Request



(Date)

The U.S. Department of Education has retained (**Collection Agency Name**) to provide services in connection with a personal business matter regarding an individual we believe is currently incarcerated at your facility. The information you provide is needed for official U.S. Government business. Pursuant to the Privacy Act, the Department and its representatives, including (**Collection Agency Name**) and any employees who receive this information, may use the information you provide only for official government purposes authorized under the Privacy Act and Department regulations.

Please complete the information listed below and fax back to: (____) _____.

If you do not have access to a fax you can mail this form to: (**May include phone number**)

Your prompt response is appreciated. Thank you for your assistance in this manner.

Name of incarcerated individual:

Social Security Number: (**last four digits acceptable**)

Birth Date:

Inmate number:

Release date or parole eligibility date (*whichever is earlier*): _____

Name, title, and phone number (if available) of individual verifying this information:

Signature of verifying official: _____

Sincerely,

U.S. Department of Education
Federal Student Aid/Business Operations

61 Forsyth St., Rm 19T89
Atlanta, GA 30303
www.FederalStudentAid.ed.gov
1-800-4-FED-AID

FEDERAL STUDENT AID  START HERE. GO FURTHER.

- Request with Prime and Subcontractor relationship



(Date)

The U.S. Department of Education has retained (**Collection Agency Name**) to provide services in connection with a personal business matter regarding an individual thought to be incarcerated at your facility. (**Collection Agency Name**) has authorized (Subcontractor Name), acting on behalf of (**Collection Agency Name**), to obtain the information listed below to determine the individual's incarceration status.

The information you provide is needed for official U.S. Government business. Pursuant to the Privacy Act, the Department and its representatives, including (**Collection Agency Name, Subcontractor Name**) and any employees who receive this information, may use the information you provide only for official government purposes authorized under the Privacy Act and Department regulations.

Please complete the information listed below and fax to: (____) _____.

If you do not have access to a fax you can mail this form to: (**may insert subcontractor address/phone number**)

(In addition, may want to insert Collection Agency contact information in case of further questions)

Your prompt response is appreciated. Thank you for your assistance in this manner.

Name of incarcerated individual:
Social Security Number: (**last four digits acceptable**)
Birth Date:
Inmate number:

Release date or parole eligibility date (*whichever is earlier*): _____

Name, title, and phone number (if available) of individual verifying this information:

Signature of verifying official: _____

Sincerely,

U.S. Department of Education
Federal Student Aid/Business Operations

61 Forsyth St., Rm 19T89
Atlanta, GA 30303
www.FederalStudentAid.ed.gov
1-800-4-FED-AID

FEDERAL STUDENT AID  START HERE. GO FURTHER.

E. Possible Incarceration Websites

State	Website
FEDERAL	www.bop.gov
Alabama	www.doc.state.al.us/inmate_search.htm
Arizona	www.adc.state.az.us/lsearch.htm
Arkansas	www.arkansas.gov/doc/inmate_info
California	www.corr.ca.gov/CDC/Inmate_Locator.asp
Colorado	https://www.cbirecordscheck.com/Index.asp
Connecticut	www.ctinmateinfo.state.ct.us
Florida	www.dc.state.fl.us/activeinmates
Georgia	www.dcor.state.ga.us
Idaho	www.accessidaho.org/public/corr/offender/search.html
Illinois	http://www.idoc.state.il.us
Iowa	www.doc.state.ia.us/OffenderInfo.asp
Kansas	http://docnet.dc.state.ks.us
Kentucky	www.corrections.ky.gov/kool/ioffdisclaimer.htm
Maine	www.state.me.us/corrections/VictimServices/default.htm
Maryland	www.dpscs.state.md.us/inmate
Massachusetts	www.vinelink.com
Michigan	http://mi-mall.michigan.gov/ichat
Minnesota	http://info.doc.state.mn.us/publicviewer/main.asp
Mississippi	www.mdcc.state.ms.us
Montana	http://app.discoveringmontana.com/conweb/index.html
Nebraska	www.corrections.state.ne.us
Nevada	www.doc.nv.gov/ncis/search.php
New Jersey	www.state.nj.us/corrections/index.shtml
New Mexico	http://corrections.state.nm.us/offenders/search.php
New York	http://nysdocslookup.docs.state.ny.us/kingw00
North Carolina	www.doc.state.nc.us/offenders

Ohio	www.drc.state.oh.us/search2.htm
Oklahoma	www.doc.state.ok.us/docs/offender_info.htm
Oregon	www.vinelink.com
Pennsylvania	www.cor.state.pa.us/docapps/locator.asp
Rhode Island	www.vinelink.com
South Carolina	http://sword.doc.state.sc.us
South Dakota	www.state.sd.us/corrections/adult_corrections.htm
Tennessee	www.tennesseeanytime.org/foil/search.jsp
Texas	www.tdcj.state.tx.us/offender_information.htm
Utah	www.cr.ex.state.ut.us/community/victimservices/vine.html
Vermont	www.doc.state.vt.us/offender
Virginia	www.vadoc.state.va.us/offenders/default.htm
Washington	https://watch.wsp.wa.gov
Wisconsin	www.wi-doc.com

6. PROGRAM CANCELLATIONS (CAN)

Program Cancellations (CAN) currently occur only within the Federal Perkins Loan Program (NDSL) and are very rare. PCAs will only be paid an administrative fee if the entire account is 100% canceled (many accounts are only partially discharged).

If Perkins cancellation discharge paperwork comes in, the PCA must:

- Forward a CAN EFT packet to the Atlanta Regional Office
 - This includes an SSU form, transmittal form (to identify account as CAN) and cancellation paperwork
 - *CAN EFT packets must be submitted separately*
- *Do NOT submit an electronic file*

The information will be forwarded to ED's Customer Service Center (Vangent) for review. The account will be left in the PCA location code since many accounts are not discharged or only eligible for partial discharge.

The PCA will have to monitor the account and based upon Vangent's L102 documentation, if feel owed a commission adjustment, will need to send in an IMF requesting an administrative fee (see Chapter 5).

7. **TOTAL AND PERMANENT DISABILITIES**

Total and permanent disability is defined as a situation where a person is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death or a person that has been determined by the U.S. Department of Veterans Affairs to be unemployable due to a service-connected condition.

Eligible borrowers may have their Federal Family Education Loans, Federal Perkins Loans, Federal Direct Loans, or Teacher Education Assistance Grants (converted to loans) discharged.

PLEASE NOTE: *Pell and SEOG Grant overpayments (POVR) are not eligible for disability discharges (Please see Subsection F)*

References:

- SOW 3.4 B
- Public Law 110-315 (HEOA)
- 34 CFR 682.402; 674.61; 685.213

A. **Required Documentation for NON-Veterans***

**veterans that do NOT meet the conditions listed in Subsection E, will follow the procedures for regular borrowers listed below.*

➤ **1845 Form**

- If a borrower claims to be disabled, the PCA will advise the borrower that a "Discharge Application: Total and Permanent Disability" (OMB No. 1845), must be completed by a doctor of medicine or a doctor of osteopathy legally authorized to practice in a "state"
 - Physician does NOT have to be located in the state where the borrower resides
 - *(Please see Section 5 of the 1845 form for a complete definition of "state").*
- PCAs will review the application and corresponding documentation to determine the borrower's eligibility for discharge
 - The Contractor shall verify that all certifications are thoroughly completed and the doctor's diagnosis is for a totally and permanently disabling condition.
 - If the PCA denies the application, the PCA must document the ED notepad with:

*****DISAB DENIED, REASON. FIRST INITIAL LAST NAME**

- PCAs should continue to work with the borrower to obtain the proper documentation or work with the borrower to utilize other ED options to resolve the account
 - A *single* 1845 form must be completed by both the doctor and the borrower (or the borrower's rep) in order for the discharge to be accepted
 - Any packets submitted with multiple partial 1845s will be rejected.
- PCAs will forward the most current 1845 (expires 12/31/2011) *and the insert* ("Guidance for Acceptance") to the borrower within **three calendar days** of the borrower's request for a disability review.
 - The most recent form and insert can be downloaded from the PCA collections website.
- Once sent, the PCA must document the ED notepad with:

*****1845-FWD TO BORR. FIRST INITIAL LAST NAME**

➤ **Credit Bureau Report (CBR)**

- PCAs will review the current employment status of borrowers
 - If recent employment is indicated, PCA should indicate that the borrower is no longer employed (may indicate on copy of CBR)

➤ **Medical License Verification**

- PCAs will contact the American Medical Association or other State Licensing Agencies to verify that the doctor who signs the certification is licensed to practice medicine in a "state."
 - Documentation is often printouts from a state licensing website
- The doctor's license number is not required to be on the doctor's verification documentation; however, the number must be listed on the 1845
- Verification documentation must provide enough information to determine that the doctor has the appropriate medical credential and is currently eligible to practice in a "state"
 - Name must match the physician listed on the 1845 form
 - Must indicate whether doctor is currently licensed
 - If no expiration date but status "active", verification documentation is fine if received by ED within **30 days** of PCA printing/receiving
 - If doctor's signs 1845 *prior* to license expiration date, application is still acceptable
- *Medical trainee and resident licenses are not acceptable.*

➤ **Disability Cover Sheet**

- When submitting a disability application to ED for review, the agency must also submit a cover sheet on PCA letterhead with the following information
 - Certification of the **FIRST** date the application was received by the PCA from the borrower, and
 - Certification of the date the doctor signed the 1845
- Dates can be handwritten as long as they are large, legible and in black ink

- *Example can be found in Subsection G of this section*

➤ **Additional Medical or 1845 clarification documents**

- The only time clarification documentation is to be provided with an 1845 is when information on the 1845 is illegible, missing, illogical, or incomplete
- Clarification documentation submitted must only address the illegible/incomplete data
 - It must expressly state:
 - what data is incorrect
 - who is supplying the correct data
 - why or how the data in question was incorrect in the first place
 - The PCA representative that verified any *non-medical data* must provide at least their *first initial and full last name*
- Documentation **clarifying medical information** provided by the physician (illegible/missing information in Section 4 questions) should be appended by the physician on the original 1845.
 - PCAs may not prepare a letter for the physician to sign.
 - PCAs may not prepare a response for the physician to sign.
 - PCAs may ask a question, but the response must come from the physician's office (may be prepared by someone in the physician's office) AND signed by the physician.
 - Signature should be from the physician who certified the 1845.
 - If the follow-up information is provided by a *different physician* there must be a clear and logical connection between the two physicians, i.e. physicians in the same medical practice, or physicians from the same hospital.
 - PCAs cannot obtain the information verbally from the doctor's office and then submit a statement to ED indicating the information was retrieved over the phone
 - **EXCEPTION:**
 - If there are *abbreviations* of the debtor's diagnosis on the disability discharge application, *state* doctor practices in, *license* number and/or medical doctor *designation*, it is acceptable to contact the physician's office by phone to obtain the complete information and place on a PCA clarification letter
- **PLEASE NOTE:**
 - If the doctor *forgets to sign and/or date* the disability application, the form must be returned to the doctor for the signature and/or date
 - If the doctor *does not fill out (or incorrectly fills out) question #1 in Section 4* regarding ability to work on the disability application, the doctor's office must provide a correct form.
 - Mailed or hand-delivered since the borrower signature must be an original

➤ **ED Original Documents Verification/Explanation Form**

- When Vangent receives notification that ED received an 1845 form, they will update the ED notepad (L102) indicating whether or not the 1845 form received by ED was an original or a copy.
 - If it is an *original* 1845, the L102 will state - "mi- rcvd orig disab app. Fwd to ag(xxx). 1st initial last name"
 - When an 1845 is imaged in Panagon, if it was an *original* there will NOT be additional stamps/marks from ED on the form
 - If it is a *copy* of an 1845, the L102 will state - "mi- rcvd copy of disab app. Fwd to ag(xxx). 1st initial last name"
 - If the 1845 received was a *copy*, then the imaged 1845 will have the word COPY stamped on the form.
- For any accounts which are assigned to agencies, Vangent will forward the imaged 1845 directly to the agencies.
- The agency will then have to research the L102 to determine if the imaged 1845 is from an original document.
 - If it is from an original document, the agency will work the disability application within the normal disability process.
- *The agency must include the Original Documents Verification form (see Subsection G of this section for a copy), along with a printout of the L102 showing that ED received an original 1845.*
- If the imaged 1845 form has COPY stamped on it, or if the L102 indicates that ED only received a copy of the 1845, then the agency must:
 - Work with the borrower to obtain the original 1845, or
 - Have the borrower start the process again

➤ **Veteran's Administration Medical Letters***

**For veterans that do not meet the special requirements listed in Subsection E*

- Many times, a physician from the Veteran's Administration will not sign a disability certification. He/she will send a letter stating the borrower's disability. As long as the letter has the following, ED will accept it in lieu of the doctor filling out the physician certification (section 4) on the application.
 - VA letterhead
 - The doctor's signature and date letter sent/certified
 - State of licensure and license #
 - The diagnosis
 - The physician must also state in the attachment that he believes the borrower's condition prevents the borrower from being able to work in any capacity and that they anticipate the condition to continue indefinitely.
- Please write on the application, "**see attached.**"

B. 1845 Review

After the 1845 is returned, the PCA will review the form to determine the borrower's eligibility for discharge.

- **Section 1** (Applicant Identification)
 - Borrower and/or PCA may fill in this section (dark ink)
 - If no phone number is available, write NONE or N/A
 - Information may be written, typed, or stamped (stamps on the left-hand side)
 - Pseudo SSN may not be used
 - Name on application must match name in DMCS

- **Section 2** (Instructions for completing the form)
 - Key points include:
 - Type or print in dark ink
 - PCAs should list their address and phone number at the bottom of page one to indicate where to send the completed form and the number to call with questions
 - Eligible forms must be received by the PCAs (acting on behalf of ED) **within 90 days** of the date the physician signed the 1845 form
 - To ensure an accurate receipt PCAs must “date stamp” the form when first received back by the borrower
 - *The “date stamp” must include the word “RECEIVED” along with the date, large enough to read easily, bold black ink, placed at the top of the form, and not stamped over lines or words*
 - As long as the PCA has received the initial application within 90 days of the doctor’s signature, additional time needed to obtain missing information does not impact the eligibility of the application
 - **EXCEPTION** – *if ED (Vangent) receives the disability application within the 90 day time frame and then forwards an imaged copy to the PCA after the 90 day time frame, the application is still valid*
 - PCA would indicate on the Disability Cover Sheet the date ED/Vangent received the application.

- **Section 3** (Borrower certification)
 - The borrower (or Representative) signature must be an *original signature*
 - If the form does not contain an original borrower signature it must be certified as a true and exact copy of the original
 - A borrower may print their name in the signature block if that is the borrower’s method for his/her signature
 - PCAs need to provide clear documentation supporting this signature method
 - For representatives, all the applicable line items must be filled in (address, printed name, borrower relationship)
 - *Do not need borrower statement or power of attorney for borrower representative signature*

- **Section 4 (Physician Certification)**
 - Type or print in dark ink
 - Signature Date must include month, day and year
 - Signature stamp is not acceptable
 - Physician signature does not have to be an original
 - However - we would *normally expect that the physician signature would also be original*, and exceptions would be rare.
 - Physician's contact information must be filled in (information may be stamped)
 - If at the time of the physician's certification the borrower is able to work and earn money in ANY capacity in ANY field of work, the physician CANNOT sign and certify the 1845
 - If ability to work box is checked NO, account is not eligible
 - Any changes made by the physician to this section must be *initialed by the doctor*
 - *Doctor must return the completed form to the applicant or applicant representative*
 - Conditional Discharge period *begins on the date the physician certified the discharge application*

- **Sections 5 - 8**
 - These sections include definitions, ED review process, discharge periods, eligibility requirements and important notices

For a complete 1845 form please see the PCA Collections website

C. Disability Submission Process for NON-Veterans*

**veterans that do NOT meet the conditions listed in Subsection E, will follow the procedures for regular borrowers listed below.*

Once the PCA has gathered all the required documentation noted above, verified its completeness, and determined initial eligibility, the PCA may proceed with the disability submission process:

Submission documentation includes at a minimum:

- SSU Sheet
- Disability Cover sheet*
- Disability Application*
- Medical License Verification*
- Credit Bureau Report*

*for each individual borrower

Additional documentation may include:

- Medical or 1845 clarification documentation
- ED Original Documents Verification/Explanation Form
- Veteran's Administration Medical Letter

Once the required documents have been assembled the agency will:

- **Update the DMCS**
 - **L102 (Notepad)**
 - The following information must be notated
 - *****DISAB FWD TO ED/effect 00/00/00(enter date physician signed the disability application). (first initial last name)**
 - Underneath the first line, the PCA will list:
 - **Doctor's name, doctor's address, doctor's telephone number, medical license number, state where doctor's medical license issued, doctor's diagnosis of borrower's condition, and the date the borrower signed the application.**
 - **Borrower Date of Birth**
 - The borrower's date of birth is necessary for the Conditional Disability Discharge unit to load the borrower's account to their system. If the borrower's date of birth is not present on the DMCS, PCAs must obtain the borrower's date of birth for any disability packages that they submit.
 - Requests to have the date of birth entered on our system should be sent to Atlanta via IMF (*See Chapter 5*).
 - Documentation to enter a DOB includes:
 - valid state driver's license or other state-issued identification that
 - shows date of birth
 - birth certificate
 - passport (if date of birth is shown)
 - military orders or documents that list the borrower's date of birth
 - **Collector Number**
 - PCA must change the collector number on the L103 screen to **00042** by *Wednesday of each week* for any disability applications that will be forwarded to ED the same week
- **Submission Package**
 - Organize all required documentation by individual borrower and place in order according to the accounts listed on the SSU sheet
 - All documents corresponding to a particular borrower must be bound securely (stapled, etc.)
 - The entire package must also be bound securely
- **Mailing**
 - All disability packages must be sent to the Atlanta Regional Office (*see Chapter 20 for address information*)
 - Disability packages must be **received** by ED *Friday of each week*
 - Submissions received after Friday will be returned for a future submission

D. ED Review Process

Once the Atlanta Regional Office receives the PCA disability submission, ED staff will review account submissions for completeness, accuracy, and proper DMCS documentation.

➤ **Accounts Approved:**

- If approved, the monitor will update the ED notepad with:

*****PRELIM COND DISAB DISCH APPROVED. NAME/REG#**

- The account will be recalled from the PCA and an administrative fee paid

➤ **Accounts Rejected:**

- If rejected, the monitor will update the ED notepad with:

*****DISABILITY DENIED, REASON DENIED, RETN TO AGXXX. NAME/REG#**

- A copy of the SSU form will be faxed back to the PCA with the rejected accounts crossed off
- The original 1845 form and all accompanying documents will be returned to the PCA

E. Veteran Review Process

➤ **Eligibility**

Legislation was enacted in 2008 that allows ED to discharge the student loans of veterans if the Department of Veterans Affairs (VA) has determined the veteran to be *unemployable due to a service-connected condition*. These provisions became effective August 14, 2008 for the FFEL and Direct Loan programs, and July 1, 2008 for the Perkins Loan Program.

PLEASE NOTE: *Veterans that do NOT meet the criteria listed below must complete the normal disability process listed in Subsections A, B, and C of this section.*

We have determined that a 100% or total disability rating from the VA represents a determination that the veteran has a total impairment in earning capacity, i.e., is unemployable. In addition, a veteran with a less than 100% disability rating may qualify for total disability based on an individual unemployability (TDIU) determination, if the VA determines that the veteran's service-connected disabilities are sufficient to result in unemployability.

The VA assigns a total disability rating if a veteran has one or a number of disabilities which render the veteran unemployable. A VA total disability rating is based either on a VA determination that the veteran is 100% disabled, or a VA determination that the veteran qualifies for TDIU.

Accordingly, there are two types of VA determinations that qualify a veteran for a discharge of his/her Title IV student loans based on the statutory standard:

- *A determination that the veteran has a service-connected disability, or service connected*

disabilities, that are 100% disabling; or

- *A determination that the veteran is totally disabled based on an individual unemployability determination.*

The VA grants **individual unemployability only for service-connected conditions**. Therefore, any determination of individual unemployability qualifies a veteran for discharge. In the case of a determination that a veteran is **100% disabled, the determination must specify that the disabilities are service-connected.**

In order to apply for this discharge the borrower should:

- Complete Sections 1 and 3 of the 1845 Discharge Application
- Provide either a copy of the VA Rating Decision, or a letter from the VA confirming that the borrower has received one of the qualifying ratings.

PLEASE NOTE - *under this discharge process the borrower is NOT required to have a physician complete Section 4 of the Disability Application. Also, the agency should only submit the Disability Application form and the VA letter (credit bureau reports, etc. are not necessary).*

➤ **PCA Review and Submission Process:**

- Accounts eligible for discharge under this new standard will be processed separately
- Eligible accounts must be moved to **collector number 00024**
- PCAs must notate their agency number (AGXXX) at the top of the 1845 in RED
- Accounts Forwarded to the Atlanta Regional Office in a separate envelope to the attention of the “VA Disability Discharge Unit”.
- ED notepad must be documented as follows depending on the VA determination:

*****VETERAN’S DISABILITY DISCHARGE FORWARDED TO ATLANTA FOR REVIEW. BORROWER IS 100% SERVICE-CONNECTED DISABLED. (FIRST INITIAL LAST NAME)**

OR

*****VETERAN’S DISABILITY DISCHARGE FORWARDED TO ATLANTA FOR REVIEW. BORROWER HAS RATING OF INDIVIDUAL UNEMPLOYABILITY. (FIRST INITIAL LAST NAME)**

- Eligible applications should be sent to Atlanta on a *daily basis*

➤ **ED Review Process:**

- If approved:
 - Accounts will be recalled from the PCAs
 - PCAs paid an administrative fee

- ED notepad updated with:

*****VA DISABILITY APPROVED BASED ON 100% SERVICE CONNECTED DISABILITY (OR INDIV UNEMPLOYABILITY), EFFECTIVE DATE: MM/DD/YY. NO REFUND DUE. NAME/REG#**

- If rejected:

- The monitor will update the ED notepad with:

*****VA DISABILITY DENIED, REASON DENIED, RETN TO AGXXX. NAME/REG#**

- The original 1845 form and all accompanying documents will be returned to the PCA

F. Additional Guidance

- **Accounts with POVRs (grants)**

- If an account has *loan(s)* AND a POVR and meets all the requirements for disability, submit through the disability process
- If the borrower *only* has a POVR(s), do NOT submit

- **Accounts No Longer with a PCA**

- If a disability application comes in after the account has already been recalled or returned to ED, PCAs will forward the application to the Atlanta Regional Office. (*See Chapter 20 for contact information*)

G. Disability Letters and Forms

- **Disability Cover Sheet**

Your letterhead

Account SSN: _____

The attached 1845, “Discharge Application: Total and Permanent Disability” was received on*:

(PCAs can write the date in, just make sure that it is large, clearly legible and in black ink)

*Date is the initial date application is received by EITHER ED/Vangent or the PCA. The ED/Vangent date would be the date notated on the ED notepad indicating an original 1845 had been received by ED.

THE PHYSICIAN CERTIFIED THE BORROWER’S TOTAL AND PERMANENT DISABILITY ON:

(PCAs can write the date in, just make sure that it is large, clearly legible and in black ink)

➤ **Original Documents Verification/Explanation Form**

Original Documents Verification/Explanation Form

Account # _____

We certify that at the time of processing the enclosed disability discharge request, a component of the U.S. Department of Education had received the original application/doctor certification (1845 form).

- Attached L102 notepad documents original 1845 received by ED

Agency Representative _____ (Signature)
Printed Name of Representative

PCA Name/Agency Code

8. Appendix (FORMS)

A. Single Sheet Update (SSU) Form

SINGLE SHEET UPDATE (SSU)
 FFEL OPTICAL IMAGING DATABASE
 SLPC, GREENVILLE, TEXAS

ORIGINATION INFO:		
REGIONAL OFFICE: _____	NAME/PHONE #: _____	
USER I.D.: _____	AGENCY #: _____	DATE: _____

Contents of this package separated by Borrower/Debt ID/SSN - all documents included will be imaged and **DESTROYED**

	NAME	DEBT I.D. #	SSN
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Revised 11/2008

DO NOT ALTER OR REVISE THIS FORM

B. Transmittal Form

EFT TRANSMITTAL FORM

File Transmission Date: _____

TO: EFT PROCESSING AREA
U.S. DEPARTMENT OF EDUCATION
FAX: (903) 454-5398

CREATION DATE:

TAPE NUMBER OF VOLSER
SHOULD EQUAL INTERNAL LABEL:

DATA SET NAME: GSL CARRET **AGENCY NO:** _____

TYPE OF RECORDS ON EFT: (Circle type of EFT Submitted)
BAN BNK CAN DEA INC INW INA/UNL CPR/PIF/CER

SIGNATURE & DATE OF ED REGIONAL CONTRACT MONITOR:

EFT APPROVED: _____ EFT REJECTED: _____

OF RECORDS:

STANDARD LABEL:

LRECL:

BLOCK SIZE:

BPI:

RETURN EFT TO:

CONTACT PERSON: _____

TELEPHONE NUMBER: _____

FAX: _____

Revised 11-08

DO NOT ALTER OR REVISE THIS FORM

CHAPTER 13: Involuntary Payment Programs (AWG & Litigation)

Unfortunately, borrowers do not always voluntarily repay their Education debt. Aside from Treasury Offset Payments (See Chapter 8) that are ED initiated, there are two involuntary payment programs initiated by PCAs. The two programs are Administrative Wage Garnishment (AWG) and Litigation. Both programs are seen as last resort efforts and should not be taken lightly by PCAs.

Both sections in this Chapter only provide a brief overview and only discuss basic initiation procedures within AWG and Litigation. For more detailed information, please review the specific program training manuals.

Reference:

➤ AWG Compliance Manual (PCA Collections Website – Library)

➤ Litigation Training Manual

<http://www.fsacollections.ed.gov/contractors/pca2004/lit/LitPkgManual-10-07.doc>

1. ADMINISTRATIVE WAGE GARNISHMENT

A. Authority

President George H. Bush gave ED the authority for the Administrative Wage Garnishment (AWG) Program under Section 605 of the Emergency Unemployment Compensation Act of 1991 (P.L. 102-164). This law authorized the Secretary of Education to seek recovery of outstanding student loan debts through the offset of ten percent (10%) of the disposable pay of employed individuals who have defaulted on their student loan obligations.

Section 31001(o) of the Debt Collection Improvement Act of 1996 (DCIA), Pub. L. 104-134, 110 Stat. 1321-358 (April 26, 1996), codified at 31 U.S.C. 3720D increased this authority to fifteen (15%). ED implemented this increase in October 2003.

ED implemented Administrative Wage Garnishment on a pilot basis in 1992-1993 for in-house accounts which was later expanded as a pilot with the PCAs in 1994. Due to the success of these pilots, AWG has become an important part of our collection program.

B. AWG Initiation

AWG should be considered one of the final dispositions for an account; however, accounts should be *evaluated for AWG prior to litigation*.

The PCAs identify accounts to be moved into the AWG process. If during your contact with the borrower, you determine that the borrower has the *ability to but no intention of paying*, the borrower may be a candidate for AWG.

C. Minimum Account Requirements

- ED balance must be greater than \$200.00, with no negative balances, and no unusually large fees requiring adjustments.
- No account should be submitted for AWG while the borrower is attempting to negotiate or establish some type of reasonable and affordable repayment plan.
 - A minimum of 60 days from the date the account transferred to the PCA must have elapsed, or the borrower must clearly refuse to cooperate with the PCA in establishing reasonable and affordable repayment terms acceptable to ED.
 - If the borrower remits an unsolicited payment, the PCA must attempt to get the borrower into repayment prior to AWG.
 - Additionally, all billing initiated on the account must be stopped on the L103 Billing screen
- There should be no outstanding disputes concerning the validity, enforceability, financial hardship hearing, or past due status of the debt(s).
- Borrower's income is 30 times the Federal minimum wage
- Borrower is not a Federal or Military Employee.
- Borrower is not a Merchant Seamen (U.S. C.G. Section 11190).
- Borrower is not Self-Employed (Independent Contractor, Real Estate agent, sole proprietor, etc).
- Borrower is not a Seasonal Employee with no constant employer (i.e., Farm Laborers).
 - However, borrowers whose terms of employment include extended periods of leave followed by a return to service (e.g., teachers) are eligible for AWG consideration
- Borrower is not an employee of a Sovereign Foreign Nation, United Nations, or the World Bank.

D. Verification Requirements

Prior to initiating AWG, the PCA must:

- Verify borrower name, SSN, residential address, and place of employment (POE).

- Attempt to make contact with the borrower at POE and residence.
 - If no POE contact can be made directly with the borrower, and the POE will take messages for the borrower, then the PCA needs to leave at *least 2 messages*, with the last message being left at *least 5 days prior to AWG initiation*.
 - If the borrower's home phone is located, there must be *at least 5 attempts* at the borrower's home phone number *at different times* before AWG is initiated (includes no answer, left message, and busy).
 - **Note:** many PCAs use automated employer verification systems to help identify borrower employment. In the event that an automated employer verification system is used, no borrower contact has occurred and the actual employment location of the borrower is not known, then the following steps should be taken prior to AWG initiation:
 - *At least 5 attempts* must be made at different employer locations within the borrower's city of residence (if less than 5 locations, all locations should be contacted) to locate and talk to or leave messages for the borrower - if messages are allowed
 - *All attempts and instances where messages are left, or instances where messages are not allowed to be left, must be clearly documented within the PCA notepad.*
- Review the ED Letter History or ED Notepad on the ED-DMCS for previous successful contact (no returned mail from the primary address).
- Verify borrower's employment within *30 days prior* to initiating AWG.
 - This verification must include verification of the POE information – Corporation Legal Name, Central / National Payroll Department Mailing Address, and Contact Person, and Federal Employer Identification Number (FEIN).
 - Leaving messages for the borrower at the place of employment, finding the borrower's name on an automated company directory or voice mail system, or confirming with a coworker is not considered to be valid employment verification.
 - Remember - *PCAs cannot require an employer to verify employment.*
 - Threats of lawsuits, liens, etc. against employers are not acceptable and will not be tolerated. PCAs have many methods to try to validate employment (automated services, borrower confirmation, employer processes, etc.) without being unprofessional
- Send a complete letter series to the borrower's address of record containing a minimum of 3 notices (a first demand, second demand and at least one letter inviting payment arrangements, rehabilitation, or consolidation prior to initiating AWG)
- The T12/T07/T09 notice must have been issued within 6 months of the request to initiate AWG or a new Notice of Intent must be issued.
- If required, appropriate V letters issued and recorded on the L106 letter history screen

E. DMCS Process

- The PCA will use the L140, L141, L142 and L145 screens on the ED-DMCS to move an account into the AWG program.
 - The instructions are in the AWG Section of the DMCS User Manuals (request from the COR)
 - If the PCA made a *mistake on the same day an account was entered* into the AWG sub-system, the PCA can go to the L140 and enter the code 'SWG' to stop the account with no letter sent.

- After entering the information on the L140, L141 and L142 screens, the GDAWG510 program will look at the account and, if the account passes all GDAWG edits, will create the NOTICE OF PROPOSED WAGE GARNISHMENT (T12) with enclosure "REQUEST FOR HEARING" form to be mailed to the borrower
 - Borrower status changed to 'WG1'
 - AWG program runs three times a week

- The system then sets a follow-up date for *36 days* and if no new status code is input on the L140 screen, the GDAWG510 program will automatically move the account into a validation queue.
 - The Atlanta Regional Office will review the account and approve or reject the validation order.
 - If approved, the FINAL NOTICE OF WAGE GARNISHMENT FOR DEBT OWED TO U.S. GOVERNMENT (A91) is sent to the borrower and the ORDER FOR WITHHOLDING OF EMPLOYEE WAGES FOR DEBT OWED TO U.S. GOVERNMENT (Y11) is sent to the employer and sets follow-up *for 36 days*.
 - If there is no response from the employer, the GDAWG program automatically moves the account to OW2 status code and sends a reminder notice to the employer, (Z31) and sets follow-up for 36 days.
 - If there is no payment from the employer, the account moves into status NCE (non-compliant employer). See Section 1, subsection I of this Chapter for more information

F. AWG Voluntary Payments

After the initial Notice of Proposed Garnishment (T12) is mailed, the borrower has *30 days* from the date of the letter to contact the PCA and set up repayment. If the borrower contacts the PCA to set up payments, the PCA will request that the borrower provide copies of their two most recent pay stubs to verify their monthly income. The monthly payment amount must be equal to or greater than 15% of the borrower's disposable income.

If the borrower is unable to pay the required monthly payment amount, the PCA should instruct the borrower to complete the Request for Hearing form included with the T12.

Detailed instructions for voluntary repayment and hearing requests can be found in the AWG Hearings Manual.

Reference:

- AWG Hearing Manual (PCA Collection Website – Library)

G. AWG Hearing Process

All borrowers subjected to AWG, have the opportunity to challenge the AWG order or have the garnishment payments stopped or reduced through a formal AWG hearing process. Hearings may be timely or untimely and can be conducted in writing, in-person, or telephonically.

If the borrower had a hearing resulting in a voluntary reduced payment plan (status HR3), the *PCA is required to follow up at 6 months by requesting a T07 Notice*. If the hearing resulted in a 6-month suspension (status HR2), the *PCA is required to follow up with a T09 Notice at the end of the 6-month period*. These notices (T09 or T07) must be requested on the L105 screen.

The Chicago Regional Office (Region 5) handles all AWG Hearing requests. Any questions or concerns about the AWG Hearing process should be directed to the Chicago Office (312-730-1477). When calling the main number, please ask to speak to an AWG Hearing Official.

Detailed instructions around hearing requests can be found in the AWG Hearings Manual.

H. New Debts

An account can have subsequently assigned debts subjected to wage garnishment action. However, the entire wage garnishment notification and hearing process must be repeated for each new debt assigned to the account.

If an account was previously identified as an AWG account and a T12 Notice was issued, the system will not automatically send another T12 Notice to the borrower. The new debt letter (N03), sent to the borrower that explains that a new debt has been assigned to ED also provides information regarding AWG and the hearing process.

I. Non-Compliant Employers

Employers are not as familiar with an AWG order as compared to a judicial order, and as a result, they frequently ask the same or similar questions. The cooperation from employers has contributed and will continue to contribute to the significant results in this program. ED has created a Website for employers to address their frequently asked questions and developed an employer procedures guide for complying with the order for withholding.

Reference: AWG Employer Guide

<http://www.ed.gov/offices/OSFAP/DCS/awg.html>

ED will assist employers in understanding how to comply with procedural aspects of the AWG order, and provide limited guidance on legal matters. As a final compliance effort, the branch also reviews and approves referral of the non-compliant employer to the Department of Justice (DOJ) for compliance enforcement.

PCAs will often talk to and work with employers regarding AWG. When discussing AWG with an employer, PCAs should remember the following:

- If there has been no payment from the employer and *at least 45 days* have elapsed since the order (Y-11) was sent, or it has been *at least 45 days* since the last WG payment, the PCA should review the ED system.
 - The PCA should check the L102 for any employer calls that might have been received by Vangent (ED Customer Service Center).
 - The PCA also should check the L140 screen to see if the expected payment amount or payment schedule has been updated, which indicates the employer has returned the "Employer Certification."
- If after review it appears there has been no response from the employer, using your very *best customer service manners*, the PCA may call the employer contact.
 - Verify that we have the correct address for garnishment orders, and that the order was received.
 - Verify that the borrower is currently an employee.
 - If the borrower is currently employed and the order was received, attempt to determine the reason for non-payment.
 - PCA staff should NOT request/demand that the employers fax forms to the PCA.
 - PCA staff should NOT attempt to advise employers on AWG matters such as priority of orders, maximum garnishment amounts, etc.
 - *Employers with questions should be referred to Atlanta or to the AWG employer website listed above*

2. LITIGATION

A. Overview

If the PCA is unable to recover funds through available collection tools, debts may be referred for litigation.

The following is an overview of the requirements and restrictions for litigation submissions – more detailed instructions and sample forms are provided in the Litigation Package Manual.

- Minimum principal balance of \$600 for Private Attorney Pilot Project (PAPP) and \$45,000 for regular DOJ offices (contact monitor for removal of all fees).

- Home address verification within last 30 days must match L101 Screen and CBR.
- Must include employment verification within 30 days for all referrals
 - Including PAPP.
- No referrals with judgments, bankruptcies, pseudo SSNs, or payments posted within 60 days or unresolved disputes. No borrowers that are federal employees, living on reservations or living in foreign countries.
- No TOP posted in the last two years.
- The account must have been on ED's system a minimum of three years.

Reference:

- Litigation Package Manual
<http://www.fsacollections.ed.gov/contractors/pca2004/lit/LitPkgManual-10-07.doc>

B. Litigation Zip Codes

There are certain zip codes for which the Department of Justice (DoJ) is using private attorneys to seek judgments on uncollected debts owed to the Federal Government. DoJ's private attorneys' usually give prompt attention to any referrals from DoJ.

Thus, litigation preparations for borrowers in these zip codes may be more likely to result in judgments or repayment. This information may be of use in your efforts to counsel certain borrowers in the wisdom of working out repayment arrangements with the PCA.

A listing of current DOJ zip codes is provided in the reference section.

Reference:

- DOJ Private Attorney Zip Codes
<http://www.fsacollections.ed.gov/contractors/pca2004/cotr/ZIPC ode.2006.xls>
- SOW 3.4

C. Requirements for Litigation Packages

The following documentation will be prepared by the PCA and submitted in the litigation package forwarded to the San Francisco Litigation Branch:

- One complete litigation file.
- Two copies of Litigation Package Cover Sheet.
- Completed Claims Collection Litigation Report (CCLR).
- Completed Certificate of Indebtedness (COI).
- CBR within 30 days.
- Computer printouts of account collection records within 30 days.

- Copies of all promissory notes.
- Copies of first and last demand letters sent to borrower.
 - Final demand letter must allow at least 5 days for payment after letter deadline.
- Must show phone attempts at home and at work
 - Minimum of 5 at home and 2 at work at different times of the day or night.

D. Quality Control of Cases Prior to Submission

Prior to submission of the case by the PCA, the following items (at a minimum) should be reviewed for completeness and accuracy:

- Review Certificates of Indebtedness. All COI(s) must be error free. All dates must reflect data as contained in the printouts provided. COI(s) must be original. Use interest formula to determine daily accrual. Different interest rates and lenders require separate COI(s) and a CCLR page 1.
- Review the CCLR for accuracy.
- Review CBR for open bankruptcy.
- Review cover sheet to determine if DOJ location code is correct.
- Review ED's database to assure payments have not posted within 60 days and the account is not paid in full.
- Review ED NOTEPAD to determine that all disputes are settled and account was not previously referred to DOJ. Review the ED debt specific screen for state judgments.
- Review P-Note copies for cut-off information, legible copies of front and back of the notes.
- Review COI and assure name shown as a.k.a. if P-Note name or signature is different from ED system name.
- No multiple COIs for loans with the same lender and interest rate.

Litigations approved by Region 9 will be counted as an administrative resolution in CPCS and PCAs will be paid the appropriate administrative fee per the SOW.

Please Note: *San Francisco litigation staff will reject all packages with errors and if packages have the same error more than twice, the entire batch will be returned to the PCA for further quality control.* It is very important that PCAs do thorough quality control of ALL cases prior to submission in order not to delay the approval of their cases.

E. Litigation Referral Packages Address

Litigation referral packages should be sent to:

U.S. Department of Education
Borrower Services
50 Beale St. #8629
San Francisco, CA 94105

CHAPTER 14: PAYMENT PROCESSING

Processing borrower payments is one of the most crucial functions within debt collection. The main goal with any debt collection is to hopefully negotiate a successful account resolution and obtain payments from the borrower.

Borrowers are able to make payments in a variety of ways (sometimes with restrictions) in an effort to satisfy debts quickly, timely and efficiently. Borrowers may pay by personal check, cashier's check, credit card, Western Union, or through ED's direct debit program (DDP).

Please note: *Foreign borrowers can send in personal checks from foreign banks* (as long as not a compromise). The checks do NOT have to be in US funds. Though paying in US funds will make the posting process simpler and quicker.

1. NATIONAL PAYMENT CENTER (NPC)

The National Payment Center processes all borrower payments (except Credit Cards) and creates files to post all payments into the DMCS. In most cases all payments received at NPC prior to 10:30am Central Time will be posted the same day. Payment processing is handled by the Treasury Department's contractor, Bank of America.

To aid payment processing efficiency, whenever possible borrowers should include payment coupons with their payments.

A. Payment Address

Borrowers should be directed to make their payment payable to the U.S. Department of Education, note their Social Security number on the face of the instrument, and mail it to:

**U.S. Department of Education
National Payment Center
P.O. Box 105028
Atlanta, GA 30348-5028**

Because payments received at the contractor's street address are processed as exceptions, they strongly discourage the use of overnight mail services.

2. SPECIFIC PAYMENT TYPES

A. Americorp and Department of Defense Loan Reimbursement Loan Program

Upon receipt of an Americorp payment application form, the PCA will forward the document to Vangent for completion. *The agency will not receive commission for these payments.*

B. PCA generated checks and Speedpay

PCAs have the ability to generate checks for the borrower or use Speedpay processes to assist borrowers with making consistent, timely payments.

With the PCA generated checks, the PCA is able to print checks on-site from the borrower checking accounts, bundle groups of checks and mail to NPC for posting. All such checks shall be kept in a locked and secure area with limited access to the staff.

With Speedpay, PCAs are able to transmit borrower checking information through Speedpay. Speedpay is in the process of establishing an ACH process through Pay.gov to process their payments.

The borrower's banking information, whether on paper or electronic format should only be accessible to authorized personal. This information should not be stored in common areas (i.e., on the collector notepad or in an open, unlocked area) The PCA is responsible for all penalties incurred by the borrower due to any errors made by the PCA staff in processing of these payments i.e. duplicate posting of payments, early processing of payments, etc.

With regards to these payments, the following issues should be noted:

- The costs of these services may NOT be passed on to the borrower.
- These payments are personal checks and may NOT be used for compromise payments.
- Borrower checking information is required for these processes; however, ***please remember that a checking account is NOT required in order to make payments.***
 - A PCA can encourage, but NOT require a checking account based upon the merits of Autopay/Speedpay.
 - **Note:** one of our top borrower complaints is that the PCA tells the borrower that they cannot make a payment without a checking account.

C. Western Union

The purpose of Western Union is to allow borrowers the ability to make payments via Western Union Quick Collect.

To participate in the program, the PCA should:

- Call Client Services @ 1/800/238-5772 to establish their code city identification.
- When the code city identification is established, the PCA should notify the Assistant COR and provide the ID.

When assisting borrowers, the PCA may indicate the following:

- If the borrower wishes to make a payment via Western Union Quick Collect, the PCA can direct the borrower to 1/800/525-6313 or to Western Union's website www.westernunion.com to obtain the most conveniently located Western Union office.
- The PCA should also *provide the borrower with their code city ID* for payment transmittal.
- PCA should explain that Western Union assesses a fee and the fee cannot be deducted from the borrower's payments.
- It is the borrower's responsibility to research any missing Western Union payment.

Western Union Quick Collect payments post on ED's Payment History Screen, R103, as a PY.

D. Conditionally Endorsed Payments

PCAs should remind borrowers not to write conditional statements on their payment instruments (i.e. account paid in full) because it may cause the payment to be rejected by NPC.

E. Debt Specific Payments

Directed payments are payments received with specific instructions on how to apply the payment.

There may be situations where a borrower wants to pay off a specific debt first. For example, Pell Grant Overpayments cannot be included in Loan Rehabilitations and no debt can be consolidated with a judgment. For these reasons, a borrower may want to pay off a specific debt in order to gain access to other programs.

If a borrower wants to direct a payment, they should indicate this by writing the debt ID number directly on the payment instrument.

Borrowers will occasionally request that their payments be applied in a specific manner, such as "apply only to principal" or "not to be applied to fees or charges." These instructions will be ignored and the payment will be processed as a regular payment as if no special instruction was indicated.

If a debt specific payment is not posted as per the borrower's instruction, the PCA may request by IMF that the payment posting be corrected. This will not be done merely for the convenience of the debtor, but rather to resolve particular debts so that additional actions can be accomplished on remaining debts (see above).

3. CREDIT CARD PROCESSING

A. Pay.gov Website

PCAs may process credit card payments for ED borrowers through the *Pay.gov* government wide payment services program. *Contractors may not process credit or debit card payments through any other means.* Basic requirements include:

- The Pay.gov site accepts Visa, MasterCard, Discover and American Express credit cards, and debit cards displaying the Visa or MasterCard logos.
- Any contractor that processes credit cards/debit cards for accounts shall abide by all credit card securities and requirements as outlined by ED and contained in the Payment Card Industry Data Security Standard (PCI DSS).
 - The Contractor is responsible for the security of any cardholder data it maintains or possesses.
- PCA must process any payments a borrower wishes to make by credit/debit card.
 - At this time, ED does not allow borrowers to enter payments directly to Pay.gov.
 - *If the contractor allows borrowers to enter credit/debit card information for payments to the Contractor's own website, the Contractor must submit their procedures to ED's Atlanta Regional Office for review prior to use.*
- Payments may be entered individually, or the Contractor may participate in the Open Collections Interface (OCI), which allows the contractor to submit requests to receive and process collections electronically "on-line".
 - OCI information is basically transmitted to the PCAs upon request due to the fact that each PCA that wishes to obtain the OCI authority has to be processed via Pay.gov and the processing is performed via scheduled appointments.
 - To see if this function is feasible for a particular PCA, agencies may access the following website and review specific reference material related to this process
 - <https://fedfin.web.treas.gov/eRoom/FMS/Paygovdocs>
 - Username: agency user
 - Password: welcome
 - Interested Contractors should contact Thomas Crowley or contact Pay.gov support at 1-800-624-1373 or by email at pay.gov.clev@clev.frb.org.

Please note: *It is important to note that credit card payments may be entered only Monday through Friday, and never on federal holidays.*

Reference:

- SOW, Section 2.7.1 Credit Cards
- Payment Card Industry (PCI) Data Security Standards
<https://www.pcisecuritystandards.org/>
- Pay.gov site
<https://www.pay.gov/paygov/>

B. Credit Card Processing Team

ED currently has three staff working on Credit card processes.

Thomas Crowley, 404-562-6054 or email Thomas.Crowley@ed.gov;

Phyllis Marks, 404-562-6096 or email Phyllis.Marks@ed.gov;

Ezora Sweet-Grundy, 404-562-6080 or email Ezora.Sweet-Grundy@ed.gov.

C. Registering New Users to Pay.gov

In order to use this system all 'End Users' must be registered via the Pay.gov Information System Security Officer. In accordance with the requirement of registration, the PCA must:

- Provide Thomas Crowley a list of designated staff to be entered as users on the Pay.gov system.
 - The list of designated personnel must include their name, mailing address, telephone number and individual email address.
 - All designated persons must have an individual email address assigned to him or her, or their application for registration will be denied.

Pay.gov will contact the new users directly by phone or email. Generally, access to the system is quick.

D. Password Change or Forgotten Password

Pay.gov passwords must be at least eight characters long and must contain both letters and numbers. You can also contact the Pay.gov help desk @ 800-624-1373 for assistance with username and password issues. ED cannot assist with username and password issues.

➤ **Initial Password Changes**

- Go to the Pay.gov site: <https://www.pay.gov>
- Enter your username and password (password is case sensitive) in the specified fields and click on 'Login'
- The User Center screen will then be displayed. Select 'My Account' on the top right of the screen.
- Select 'Change Password'
- On the following screen enter your Current Password. Enter your new password in the 'New Password' and 'Retype New Password' fields. Click on 'Change Password'
- The "Welcome to Pay.gov Enrolled User Login" screen will then be displayed.
 - The message "Your password has been successfully changed" will be displayed under the Password field
- You may now login using your new password.

➤ **Forgotten Password**

- Go to the Pay.gov site: <https://www.pay.gov>
- At the "Welcome to Pay.gov Enrolled User Login" screen, select "Forgot your Password"
- At the "Forgot your Password" screen, type your User Name, and click on "Lookup Secret Question"
- Type the answer to your secret question (case sensitive) and click on "Answer Secret Question"
- Type your new password in the "Enter New Password" and "Retype New Password" fields. Click on "Change Password"
- The "Welcome to Pay.gov Enrolled User Login" screen will then be displayed.
 - The message "Your password has been successfully changed" will be displayed under the Password
- You may now login using your new password.

➤ **Password Re-sets**

- Go to the Pay.gov site: <https://www.pay.gov>
- Click on 'Login'
- The User Center Forgotten Password screen will then be displayed.
 - Enter your username in the 'Username' field and click on 'Submit'
- A screen showing your secret question will display next.
 - Enter your secret answer in field provided and click on 'Submit'
- A Change Password screen will then follow. Enter your new password and confirm it by re-entering it on the line below. Click on 'Change'.
- A User Center screen will then be displayed, welcoming you to User Center and indicating that you are not logged in. Choose "login"
- Enter you username and new password.
 - Click on the 'Login' button.
- The main User Center screen stating that you are currently logged in will then be presented.

E. Credit Card Payment Processing Instructions

Inputting Credit Card Transaction - This function is performed by persons registered via Pay.gov Information Security only.

➤ **Input process**

- Log on to the Internet and access the website at www.pay.gov.
- Log on to access the 'User Center'
- Under the 'My Forms' modular find the DCS link, which when selected takes you to the 'DCS Single-Step Interface' form
- Follow the prompts as directed using this form.
 - After each section has been completed you will be asked to confirm all information
- Any information requiring corrections may be done at this time
- When *entering payments for the same borrower on two different cards*, please follow the screen prompts accurately so as not to duplicate the charge.
- The payer's billing or mailing address is required information in this system.

➤ **Approval/Denial**

- Upon *approval* of payment, print the confirmation screen.
 - This screen contains the borrower's information as well as the payment information and the Pay.gov Tracking ID#, which is used to track the transaction if necessary
 - Approvals should be *documented on the L102 notepad* in the following format:
 - **“CCARD payment from (Cardholder name) approved tracking # _____ in the amount of \$0.00; will post in 4-5 business days”**
- If the transaction is *denied or is deemed invalid*, this information will be made available by the Pay.gov system and *should be documented immediately on the L102 notepad*.
 - Do NOT attempt a transaction more than twice on the system, because this could cause your system to lock up.

F. Recurring Credit Card Payments

The borrower and PCA may agree that recurring payments via credit or debit card are advantageous. ED has identified three accepted options for such recurring payments.

The three accepted options are as follows, and may be used singularly or in combination:

- 1.) The Contractor must obtain verbal authorization (re-verify) each time the credit/debit card is processed for a payment.
 - The Contractor must document their system indicating that proper card information was obtained and authorization provided.

- This can be accomplished by the borrower calling in or the Contractor contacting the borrower.
 - Credit/debit card information is used on a one time only basis and the information is securely stored only for audit/review purposes, and in compliance with PCI data security standards.
- 2.) The Contractor obtains a one time verbal authorization from the borrower for the use of a credit/debit card to make payments on his/her student loan account.
 - The Contractor must properly document their system indicating that proper card information was obtained and authorization provided.
 - In addition, the Contractor will indicate to the borrower that they will securely hold the credit/debit card information and on the approved date each month process the borrower's card.
 - This information must be stored in a secure location (hardcopy or electronic) with limited access to only those that need the information for payment processing, and in compliance with PCI data security standards.
 - *Ten days prior to each card transaction*, the Contractor will send a letter to the borrower reminding them that they have given authorization to have payments processed from their card, and if they have any questions, to contact the Contractor immediately.
 - See Chapter 4 for specific letter information.
- 3.) The Contractor obtains verbal confirmation from the borrower for the use of a credit/debit card to make payments on his/her student loan account and sends out a credit/debit card authorization repayment agreement letter.
 - This agreement letter will outline the borrower's authorization for the use of their card to process payments and will include specific information such as payment amounts and time frames.
 - The Contractor will indicate to the borrower that they will securely hold the credit/debit card information and on the approved date each month will process the borrower's card.
 - This information must be stored in a secure location (hardcopy or electronic) with limited access to only those that need the information for payment processing, and in compliance with the PCI data security standards.
 - Borrowers will then sign and date the agreement letter and send it back to the Contractor.
 - Upon receipt, the Contractor will maintain a copy for their records and *forward the signed agreement letter to ED for imaging into the borrower's file.*
 - Since the Contractor has obtained a written agreement, ED requires no verbal verification or reminder letters in order to process subsequent transactions on the borrower's card.
 - See Chapter 4 for specific letter information.

Under all options, agencies must use extreme caution when obtaining and securing borrower credit/debit card information. Agencies must ensure they are in compliance with the PCI Data Security Standards.

G. Chargebacks (Refunds of credit card payments)

Chargebacks are refunds of part or all of a credit card payment. Chargebacks may be initiated by:

- The Contractor (such as when an error has been made),
- By the cardholder through his card issuer, or
- By ED if an account is overpaid.

Chargebacks initiated by the borrower:

- Come through their credit card issuer and are sent directly from Cash Link/Fifth Third Bank to ED,
- Generally processed within three days of posting on the Cash Link Voucher Summary Report.
- These refunds are usually generated as a result of borrower dispute of payment with their respective card issuer (bank to bank disputes).

If the Contractor requests the chargeback:

- The Contractor is responsible for providing the information necessary to process the chargeback
- The chargeback request should be directed to the ED credit card processing team.
 - Chargebacks (refunds) must be in writing on a “Credit Card Charge Back Information Request Form” with a copy of the original processing form and any other Pay.gov generated support documentation available
 - Fax to # 404-562-3061 or 6110.

Many times accounts are overpaid and if a credit card payment is one of the payments that created the overpayment, a chargeback is processed on the account. Accounts with negative balances are systematically reviewed and the volume of chargebacks can be great at times.

H. Voiding Credit Card Transactions

If the Contractor recognizes that they have made an input error, they can request that the transaction be cancelled, or voided.

Requests for voids must be *made on the same day they are input*, and must be made before 4:30 Eastern time, Monday through Friday. Direct requests for voids should be sent to the Credit Card Processing team contacts identified in Subsection B of this Section.

Any transaction cancellation requests made after the initial day of input must post to the ED R103 first and then be processed as a chargeback.

I. Contractor Responsibilities

The Contractor must:

- Ensure all information input on credit card system is correct
- Not process credit card transactions on Saturday, Sunday or Federal holidays
- Not submit any credit card information via email that has not been encrypted using the WinZip 128bit encryption and password protected
- Inform ED the day of input when borrower is requesting debt level posting of payments.
 - Debt level posting requests must be clearly identified to the National Payment Center (NPC) and certain system requirements have to be in place before the payment can be properly posted at the debt level.
- Record contact information such as the payer's mailing address on the Credit Card Processing Form and the Pay.gov system for all transactions.
 - A telephone number should also be provided on the credit card processing forms for all third party payments.
- Abide by all credit card securities and requirements as outlined by ED and contained in the Payment Card Industry Data Security Standard (PCI DSS)

4. UNIDENTIFIED PAYMENTS

Payments that are unidentified or that cannot be posted to an account will go into suspense and will be listed on the Unidentified Payments Report (Suspense Report). NPC does not research unidentified payments prior to payment processing; unidentified payments are researched after payment posting.

The Suspense Report will be posted monthly and available for download through the PCA's TSO account. The file name is Rnn.ACC18 and the file format is similar to the Rnn.ACC10. The monthly suspense file is available for download on the first or second Monday of the month. For agencies that have multiple contracts there is only a file for the last contract.

When the PCA is notified by a borrower that a payment has not been posted, the PCA should:

- Direct the borrower to send in a copy of the front and back of the payment instrument.
 - If the missing payment is a money order, advise the borrower to have it traced.
- If the canceled check is unavailable, information such as the check number, date, amount, etc. is required.
- The PCA will then review the Suspense Report for identification of the payment and complete the Suspense Removal Request form.
 - A copy of this form can be located in Subsection A of this section
- The Suspense Report and a copy of the payment instrument should be sent to the monitor via IMF so that the payment can be posted to the account (See Chapter 5 for more information)

5. FEE REMOVAL

There are three types of fees that show up on ED’s computer system – *Penalty, Administrative, and Fees*. Balances in these areas were assigned by the prior loan-holder (school, lender or guaranty agency), added by ED, or resulted from a financial transaction shown on the R103 screen.

During the course of resolving an account, it may be appropriate to request that certain fees be removed from the account. Making such a determination requires an understanding of the various fees that may be encountered.

Reference: DMCS User Manuals – PCA Collections Website - Library

A. Assigned Fees

An assigned fee is any fee that appears in the Penalty/Admin/Fees fields on the debt specific screens R105, R106 or R107. Many of these assigned fees were incorrect and ED made a decision to remove those fees. Many of the assigned fees have already been systematically removed by ED and appear on the R103 screen as an AA transaction.

In most cases there will be an “EF” next to the AA. For example:

R107 shows:

PRINCIPAL	INTEREST	PENALTY	ADMIN	FEES
1,525.92	55.09	<u>6.71</u>		
PRINCIPAL	INTEREST	PENALTY	ADMIN	FEES
528.38	69.60	<u>20.00</u>		

R103 shows:

```
06/25/02    20.00 AA EF 000000000000
06/25/02    6.71 AA EF 000000000000
```

If a review of the account shows that assigned fees have not been removed, the contractor should submit an IMF requesting the fees be removed (See Chapter 5).

B. Returned Check fees and Unpaid collection cost fees

Fees resulting from financial transactions are usually Penalty fees of \$5.00 per returned payment and unpaid collection cost fees.

Unpaid collection cost fees result when a payment on which collection costs are applicable is applied to a debt, and the amount applied is not sufficient to pay the penalty, admin fees and any other fees that are due on the account. The result of such a transaction is that penalty admin and other fees may be reduced, with the unpaid collection costs fees being added to the account.

When there are multiple debts, payments are credited proportionally to each debt. In most cases returned check penalty fees and unpaid collection cost fees are legitimately owed, and are not removed from the account. Exceptions would include instances where the fee was incurred in error. For example returned check penalty fees charged to the borrower as a result of the PCA error in taking bank account information for debtor payments. It would also be appropriate to request that fees be removed if a Treasury Offset reduces the principal and interest balance to less than \$25.00.

If the PCA notes fees that should be removed from the account, the Contractor should submit an IMF.

C. Administrative Fees Added By ED

ED added administrative fees of \$72.00 on 10-6-1990 and \$15.00 on 02-15-91. Those fees were added to help defray the administrative costs of servicing the account. Those fees are legitimately owed.

It would be appropriate to request those fees be removed if a Treasury Offset reduces the principal and interest balance to less than \$25.00.

D. Requesting Removal of Fees

Requesting removal of fees:

- After contacting the borrower, review the balance for fees.
- If there is a fee, check the R105/R106/R107 screen for assigned fees.
- If there are assigned fees, check the R103 screen for an “AA” in that amount.
 - *Please note, the PCA should not evaluate their entire portfolio of accounts to identify accounts with fee balances, and request fee removal. ED will not process such requests.*

Other than assigned fees, the only fees that will be written off are fees incurred in error.

- Examples are:
 - Penalty fees that were charged because an automatic payment was credited from an erroneous checking or other account,
 - Penalty fees that were charged because the bank wrongly said insufficient funds,
 - Penalty fees that were charged because a wrong automatic payment amount was taken.

All accounts with assigned fees must be sent in for removal PRIOR to the submission of Paid-In-Full/Cost Exceed Recovery (PIF/CER) EFT files. All accounts with assigned fees must be sent in for removal PRIOR to Rehabilitation/Consolidation.

If an account has multiple debts and the first debt is under \$25.00, is substantially smaller than the other debts, and has fees that continue to appear on the first debt after payments are made, *submit on an IMF* to have the first debt written off and the fees added to the next debt.

For example:

	PRINCIPAL	INTEREST	PENALTY	ADMIN	FEES
Debt #1	2.54	1.02	5.00	10.00	
Debt #2	3,854.64	5,378.76			

6. MISDIRECTED PAYMENTS AND POSTDATED CHECKS

The PCA is strictly prohibited from soliciting the receipt and processing of borrower payments under this Task Order. The PCA is also prohibited from soliciting post-dated checks. ED's National Payment Center (NPC) will not accept post-dated checks.

In the event a PCA does receive any borrower payments, the PCA shall:

- Forward the payment to ED's National Payment Center by certified or overnight mail service, the same date of receipt.
- The PCA shall log the misdirected payment to an excel file of Misdirected Payments.
- The PCA shall also retain a date-stamped copy of the payment instrument and envelope in a secured location.
- Within *three (3) business days* of the date of receipt of the payment instrument, the PCA shall send/initiate a letter to the borrower advising them to send any and all future payments to the NPC, not the Contractor.
 - The Contractor shall send a *similar letter to any employer* who sends an Administrative Wage Garnishment payment to the Contractor.
 - Please see Chapter 4 for specific letter information
- By the 15th of each month (next business day if the 15th falls on a weekend/holiday), the PCA shall submit their log of all Misdirected Payments to the designated ED contact in the Atlanta Regional Office.
 - See Chapter 17 for more information
- During ED agency reviews, the PCA may be required to send ED the hardcopy or electronic (if available) copies of the misdirected payment instruments.

Reference:

- SOW, Section 2.7 Repayments
- ED staff (table of ED staff members responsible for reports)

CHAPTER 15: INVOICE PROCESSING

This section will describe how the PCAs will bill ED for services rendered.

1. OVERVIEW

Each month, ED DMCS will produce reports reflecting each PCA's collections by type (consolidation, rehabilitation, and regular) as well as the administrative resolutions and litigations.

By the third of each month, ED DMCS will generate two report types (See Section 3).

- Detail reports listing each transaction for which a commission or fee is to be paid
- Summary reports.

These reports will be delivered to the Atlanta Regional Office for review, and be made available for download by the PCAs..

- Atlanta will determine any adjustments that need to be made and prepare an adjustments memorandum (if necessary).
- Atlanta will prepare an invoice voucher that incorporates both the raw collections and fees as reported by ED DMCS, as well as any adjustments.
 - This voucher, along with copies of the ED DMCS reports and Adjustments Memorandum will be sent to the PCA for review.
- If the voucher is acceptable, the PCA will sign and submit the voucher electronically to ED's Chief Financial Office – Budget Division.
 - Any discrepancies will be reported to Atlanta and Atlanta will prepare a new voucher as appropriate.

Downloading Reports

Agencies access the monthly commission summary and detail reports in electronic format via TSO, under the following dataset names:

Rxx.COMM-SUM.TEXT (summary reports)

Rxx.COMM-DTL.TEXT (detail reports)

Where "Rxx" is each agency's unique file prefix node.

1. Each electronic file of summary reports includes all the summary reports for that month (commission, admin & lit) in the same format as the hard copy reports. Similarly, each electronic file of detail reports includes all of the detail data for that month in generally the same format as the hard copy reports.

2. On the file of detail data, payments are grouped by type (as on the hard copy reports) and each section begins with a single-line header record (e.g., "regular," "rehabilitation," and "consolidation"). Similarly, the admin and lit sections begin with a single-line header record.
3. Agencies with more than one contract will find all of their reports under their most recent contract file name. Section header records within the file will identify the "AG" number associated with the following records.
4. Any month's data will only be available for about a month. At the beginning of each month, we will overwrite the files with a new month's data.

2. VOUCHER

The invoice voucher (OMB Form # 1034) is the PCA's signed statement billing ED for services rendered. By signing this document, the *signer* avers that the services for which ED is being billed have been performed in *compliance with the contract and with all applicable laws and regulations*.

What follows is a facsimile of a voucher, with key items numbered. These items are described in detail below.

Standard Form 1034 Revised January 1980 Department of the Treasury 1 TPRM 4-2000 1034-110		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONNEL			VOUCHER NO. 0056SF	
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION <div style="border: 1px solid black; height: 40px; width: 100%;"></div>		DATE VOUCHER PREPARED 07/03/97		SCHEDULE NO.		
		CONTRACT NUMBER AND DATE PC97123456		PAID BY		
		REQUISITION NUMBER AND DATE				
PAYEE'S NAME AND ADDRESS Friendly Collectors 123 Good Customer Service Lane Washington, DC 20202		Contact: John Doe Phone: 202-260-1750		DATE INVOICE RECEIVED		
				DISCOUNT TERMS		
				PAYEE'S ACCOUNT NUMBER 941 09 0027		
SHIPPED FROM		TO		WEIGHT		
				GOVERNMENT B/L NUMBER		
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES <i>(Enter description, item number of contract of Federal supply schedule, and other information deemed necessary)</i>	QUAN-TITY	UNIT PRICE		AMOUNT
				COST	PER	
March, 1995		Regular Collections		\$10,000,000.00	25.0%	\$2,500,000.00
		Adjustment		(\$10,000.00)	"	(\$2,500.00)
		Cons/Rehab Collections		\$1,000,000.00	12.0%	\$120,000.00
		Adjustment		\$995,000.00	"	\$119,400.00
		Incentive Bonus		\$11,000,000.00	5.0%	\$550,000.00
		Adjustment				(\$10,000.00)
		Unapproved Compromises				(\$1,000.00)
		Administrative Resolutions	100		\$40.00	\$4,000.00
		Adjustment	-1		"	(\$40.00)
		Litigation Preparations	10		\$40.00	\$400.00
	Adjustment	1			\$40.00	
				TOTAL		\$3,280,300.00
(Use continuation sheets if necessary) (Payee must NOT use the space below)						
PAYMENT APPROVED FOR		EXCHANGE RATE		DIFFERENCES		
<input type="checkbox"/> PROVISIONAL = \$		= \$1.00				
<input type="checkbox"/> COMPLETE BY:						
<input type="checkbox"/> PARTIAL						
<input type="checkbox"/> FINAL						
<input type="checkbox"/> PROGRESS TITLE:				Amount verified; correct for: (Signature or initials)		
<input type="checkbox"/> ADVANCE						
Pursuant to authority vested in me, I certify that this voucher is correct and proper for payment.						
(Date)		(Authorized Certifying Officer)		(Title)		
ACCOUNTING CLASSIFICATION						
CHECK NUMBER ON ACCOUNT OF U.S. TREASURY		CHECK NUMBER ON (Name of Bank)				
CASH DATE		PAYEE				
\$						
				PER		
				TITLE		
When stated in foreign currency, insert name of currency. If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the space provided, or his official title. When a voucher is receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary", or "Treasurer", as the case may be.						

- ① **Date of Delivery or Service:** The month in which the collections occurred (or the resolved account was returned to ED).
- ② **Line Item:** The commission, adjustment, incentive or fee category.
- ③ **Collections or Resolutions:** For collections, adjustments to collections and incentive bonus, this is the aggregate amount of collections subject to commission, commission adjustment or bonus. For administrative resolutions and litigation preparations, this is the total number of packages prepared by the PCA (or the number of packages by which the gross total is being adjusted).¹³ These figures are reported on the E-Systems reports and Adjustments Memorandum.
- ④ **Rate or Unit Cost:** For collections and incentive bonus, the commission rate for that line item. For administrative resolutions and litigation preparations, the cost per package prepared.
- ⑤ **Commission or Fee:** The aggregate amount of commissions or fees due for that line item.
- ⑥ **Total Due:** The amount due the PCA for that month's activity.

3. DMCS REPORTS

These documents, generated by DMCS, are the basis for determining how much a PCA should be paid. Although these reports are generally accurate, the PCA should review them carefully and report any discrepancies to the Atlanta Regional Office—errors do happen and ED is committed to compensating its PCAs correctly. What follows are facsimiles of the various detail and summary reports, with accompanying descriptions of key items.

A. Collections Detail Report

This report itemizes every payment posted during the month. Individual detail reports will be generated based on the various commission rates in effect, i.e. separate detail reports will be generated for regular payments and for consolidation and rehabilitation payments.

REPORT DATE: 11/02/97 PROGRAM: GDCAR715		U.S. DEPARTMENT OF EDUCATION FEDERAL FAMILY EDUCATION LOAN PROGRAM COLLECTION AGENCY REPORTING SUBSYSTEM			
COLLECTION AGENCY PAYMENT REPORT					
REGION : 04		ATLANTA			
AGENCY : AG 484		FRIENDLY COLLECTORS			
FOR : OCTOBER 1997					
RATE : 24.00%					
POSTING DATE	ACCOUNT NUMBER	PAYMENT DOR	PAYMENT AMOUNT	COLLECTION TYPE	CHECK NO.
-----	-----	-----	-----	-----	-----
19971001	S-123-45-6789	19970930	\$100.00	RG	000000125
19971001	S-234-56-7891	19971001	\$200.00	RG	000002052

➤ **Posting Date:** The date the payment is actually posted to the system.

¹³ Note that there is no collection amount or commission rate for the line items “Adjustments to Incentive Bonus” and “Unapproved Compromises”. See The Adjustment Memorandum section for a full explanation of this.

- **Payment Date of Receipt:** In general, this date correlates to the “Effective Date” associated with the transaction on the system R103 screen. Note that E-Systems has three days from payment receipt in which to post the payment.
- **Commission Month:** The month in which the collections posted. This correlates to the “Date of Delivery of Service” on the voucher.
- **Collection Type:** This correlates to the transaction type associated with the transaction on the system R103 screen.
- **Check Number:** The payment instrument’s serial number.

B. Collections Summary Report

This report gives the aggregate amounts from the various detail commission reports.

REPORT DATE: 11/02/97 PROGRAM: GDCAR710	U.S. DEPARTMENT OF EDUCATION FEDERAL FAMILY EDUCATION LOAN PROGRAM COLLECTION AGENCY REPORTING SUBSYSTEM MONTHLY COLLECTION AGENCY COMMISSION REPORT (COMMISSIONS) REGION : 04 ATLANTA AGENCY : AG 484 FRIENDLY COLLECTORS FOR : OCTOBER 1997		
RATE: 25.00%	NET COLLECTION AMOUNT:	\$10,000,000.00	COMMISSION: \$2,500,000.00
RATE: 12.00%	NET COLLECTION AMOUNT:	\$1,000,000.00	COMMISSION: \$120,000.00
GRAND TOTALS	NET COLLECTION AMOUNT:	\$11,000,000.00	COMMISSION: \$2,620,000.00

C. Administrative Resolution Detail Report

This report itemizes every account returned as an administrative resolution, and lists the resolution type: disability (DIS), death (DEA), bankruptcy (BAN), incarceration (INC/INW) or cancellation (CAN).

REPORT DATE: 11/02/97 PROGRAM: GDCAR715	U.S. DEPARTMENT OF EDUCATION FEDERAL FAMILY EDUCATION LOAN PROGRAM COLLECTION AGENCY ADMINISTRATIVE FEES REPORT REGION : 04 ATLANTA AGENCY : AG 484 FRIENDLY COLLECTORS FOR : OCTOBER 1997		
RETURN DATE	ACCOUNT NUMBER	FEE AMOUNT	RETURN REASON
-----	-----	-----	-----
19971001	S-123-45-6789	\$40.00	DIS
19971002	S-234-56-7891	\$40.00	BAN
19971003	S-345-67-8912	\$40.00	DEA

D. Administrative Resolution Summary Report

This report summarizes the resolutions, by day and by type, and provides totals for the day and the month.

REPORT DATE: 11/02/97 PROGRAM: GDCAR715		U.S. DEPARTMENT OF EDUCATION FEDERAL FAMILY EDUCATION LOAN PROGRAM MONTHLY COLLECTION AGENCY FEES REPORT (ADMINISTRATIVE RESOLUTIONS)															
		REGION : 04 ATLANTA AGENCY : AG 484 FRIENDLY COLLECTORS						FEE : \$40.00 FOR : OCTOBER 1997									
---BANKRUPTCY---				-- CANCELLATION---				-----DEATH-----				--- DISABILITY ---				---GRAND TOTALS---	
RTN	NBR	CURRENT	FEES	NBR	CURRENT	FEES	NBR	CURRENT	FEES	NBR	CURRENT	FEES	NBR	CURRENT	FEES		
DATE	ACT	BALANCE		ACT	BALANCE		ACT	BALANCE		ACT	BALANCE		ACT	BALANCE			
01	1	\$1,110.00	\$40.00	0	\$.00	\$.00	0	\$.00	\$.00	0	\$.00	\$.00	1	\$1,110.00	\$40.00		
02	0	\$.00	\$.00	0	\$.00	\$.00	2	\$6400.00	\$80.00	0	\$.00	\$.00	2	\$6,400.00	\$80.00		
TOT																	
ACT	1	\$1,110.00		0	\$.00		2	\$.00		0	\$.00		3	\$7,510.00			
BAL																	
FEES			\$40.00			\$.00			\$80.00			\$.00			\$120.00		

- **Day:** The day of the month identified in the report header on which the resolved accounts were returned.
- **Number of Accounts:** The number of accounts returned on that day for that type of resolution.
- **Current Balance:** The total account balance, for the accounts returned on that day for that type of resolution.
- **Fees:** The total fees due, for the accounts returned on that day for that type of resolution.
- **Totals by Resolution Type:** The total number of accounts, total account balances, and total fees for the month for that type of resolution.
- **Grand Totals:** Totals all activity for that day. The column totals in the report footer represent the gross activity for the month.

E. Litigation Preparation Detail Report

This report itemizes each account for which a litigation preparation package has been submitted.

REPORT DATE: 11/02/97 PROGRAM: GDCAR715	U.S. DEPARTMENT OF EDUCATION FEDERAL FAMILY EDUCATION LOAN PROGRAM	
MONTHLY COLLECTION AGENCY FEE REPORT		
REGION : 04 ATLANTA		
AGENCY : AG 484 FRIENDLY COLLECTORS		
FOR : OCTOBER 1997		
RETURN DATE	ACCOUNT NUMBER	CURRENT BALANCE
-----	-----	-----
19971001	S-123-45-6789	\$2040.00
19971002	S-234-56-7891	\$1110.00

F. Litigation Preparation Summary Report

This report summarizes the litigation preparations by day and totals it for the month.

REPORT DATE: 11/02/97 PROGRAM: GDCAR715	U.S. DEPARTMENT OF EDUCATION FEDERAL FAMILY EDUCATION LOAN PROGRAM		
MONTHLY COLLECTION AGENCY FEE REPORT SUMMARY LITIGATION			
REGION : 04 ATLANTA			
AGENCY : AG 484 FRIENDLY COLLECTORS			
FOR : OCTOBER 1997			
RTN DATE	NBR ACT	CURRENT BALANCE	FEES
----	---	-----	-----
01	11	\$200,000.00	\$440.00
15	10	\$185,000.00	\$400.00
TOTAL		21	\$385,000.00
			\$840.00

4. VOUCHER PROCESSING

A. When the Voucher is Received

The voucher will be submitted electronically to the PCA for review after the end of the month, and will be accompanied by an Excel workbook containing any Adjustments Memorandum (if necessary). The ED DMCS commission reports will be available for the PCA to download. Upon receipt, the PCA should:

- Carefully review the voucher and accompanying documentation to ensure that all values are correct, and that any adjustments the PCA requested and ED approved have been reflected.
 - Report any discrepancies to Region 4—do not alter the voucher directly.
- Sign and date the voucher
- Submit the voucher electronically to ED’s Chief Financial Office – Budget Division at InvoiceAdmin@ed.gov.

The Prompt Payment Act requires that the Government reimburse its vendors within 30 days of the receipt of a valid voucher.

B. The Adjustments Memorandum Excel Workbook

The PCA will receive an Excel workbook for each contract they are currently working. The workbook may contain up to five worksheets, depending on what adjustments are being reported for the month. The memo worksheets are as follows:

- Memo 1 – Positive and negative payment adjustments including consolidations, rehabs and regular payments
- Memo 2 - Refund transactions
- Memo 3 - Administrative resolutions, including DL rehab and ICRP consolidation admin fees, and Litigation Preparations
- Memo 4 - Unauthorized compromises
- Memo 5 - Bonus incentive adjustments

Each memo has the agency code, account number, transaction effective date, transaction type and reason, sequence number, transaction posting date, adjustment reason code, commission rate, adjustment amount, and collection type.

1. Adjustment reason codes: commission adjustment transactions are identified by reason code, which tells the Invoice database what commission rate should be associated with the adjustment. The current reason codes are as follows:

Adjustment Reason Code	Adjustment Reason	Adjustment Explanation
A	Wrong commission rate deducted	On the following transaction(s), the agency's commission was originally paid at the wrong rate. The transaction is being deducted at the wrong rate in this section of this memo; it is added in at the correct rate in the next section.
B	Correct commission rate added	On the following transaction(s), the agency's commission was originally paid at the wrong rate. The transaction is being added at the correct rate in this section of this memo; it has been deducted at the incorrect rate in the previous section.
C	Consolidation - Payment timing	On the following consolidations, the agency was originally paid a commission. No commission is owed because the borrower's qualifying payments were not both monthly and on-time.
D	Consolidation - Fin Statement	On the following consolidations, the agency was originally paid a commission. No commission is owed because the agency failed to secure a financial statement as required.

Adjustment Reason Code	Adjustment Reason	Adjustment Explanation
E	Consolidation - Insufficient Payments	On the following consolidations, the agency was originally paid a commission. No commission is owed because the borrower's payments made prior to the consolidation were insufficient to warrant a commission.
F	Admin Fee Increase	On the following accounts, the agency was not originally paid an administrative resolution fee, but is entitled to one.
G	Admin Fee Decrease	On the following accounts, the agency was originally paid an administrative resolution fee, but is not entitled to one.
H	Lit Fee Increase	On the following accounts, the agency was not originally paid a litigation preparation fee, but is entitled to one.
I	Lit Fee Decrease	On the following accounts, the agency was originally paid a litigation preparation fee, but is not entitled to one.
J	Posting Problem - Commission Due	On the following transactions, the agency was not originally paid a commission, but is entitled to one.
K	Posting Problem - No Commission Due	On the following transactions, the agency was originally paid a commission, but is not entitled to one.
L	Consolidation - No W69 Letter	On the following consolidations, the agency was originally paid a commission. No commission is due because the agency had not sent the W69 letter prior to certifying the account for consolidation.
M	Consolidation - Judgment	On the following consolidations, the agency was originally paid a commission. No commission is due because at least one of the debts had a judgment.
N	Consolidation - POVR	On the following consolidations, the agency was originally paid a commission. No commission is due because there was an outstanding POVR at the time the account was certified for consolidation.

O	Consolidation - Direct Cons	On the following consolidations, the agency was originally paid a commission. No commission is due because a defaulted Direct Consolidation Loan was certified as eligible for consolidation.
Adjustment Reason Code	Adjustment Reason	Adjustment Explanation
P	Consolidation - Reversal	On the following consolidations, the agency was paid a commission in a prior month. No commission is due because that consolidation payment transaction has been reversed.
Q	Rehab - Pyt Requirements	On the following rehabilitation(s), the agency was originally paid a commission. No commission is due because not all payments were 1.2% of the rehab amount or within fifteen days of the billing due date. An administrative resolution fee is being added
R	Direct Loan Rehab	The following transactions represent the rehabilitation of a Direct Loan
S	NDSL-Perkins Rehab	The following transactions represent the rehabilitation of an NDSL-Perkins Loan
T	Compromise Violation	On the following payments, which were applied toward a compromise, the agency was originally paid a commission. No commission is owed because the agency failed to follow compromise procedures.
Y	Consolidation Overpayment	The following consolidation payoffs resulted in an overpayment, which will be refunded to the lender.
Z	Refund	The following refunds were made against transactions for which the agency was originally paid a commission.

2. Collection Type: Commission adjustments are also identified by collection type that identifies which contract and what rate to associate with the transaction. Current collection types are as follows:

Collection Type	Meaning
CN1	1997 Contract Rate Consolidation
CN2	2004 Contract Rate Consolidation
CND	2000 Contract Rate Direct Consolidation
CNF	2000 Contract Rate FFEL Consolidation
FO1	2004 Contract Rate TOP Alias Pilot
RG1	1997 Contract Rate Regular Collections
RG2	2000 Contract Rate Regular Collections
RG3	2004 Contract Rate Regular Collections

RH1	1997 Contract Rate Rehab
RH2	2000 Contract Rate Rehab
RHD	2004 Contract Rate Direct Rehab
RHF	2004 Contract Rate FFEL Rehab

5. INVOICE SUBMISSION

Each month, ED will prepare and send an invoice to the PCA. ED will also send detailed documentation supporting the amounts on the invoice.

A. Sending Invoices

The PCA shall review the invoice and supporting documents and return the invoice *via e-mail* in order to be paid for products and/or services rendered under this Task Order. (The PCA should *only e-mail the primary invoice*, NOT the supporting detail, which is already collected and maintained by the COR.)

The parties agree that the e-mail message returning the invoice to ED will constitute as an electronic signature indicating the Contractor's approval of the invoice.

If the Contractor does not agree with any part of the invoice, the Contractor shall immediately notify the Atlanta Regional Office. If changes are needed, ED will send the Contractor a corrected invoice.

The PCA shall not make any changes to the invoice (except that the PCA may add the invoice or voucher number as indicated below.).

Federal Student Aid's "designated billing office" is:

US Department of Education
 Union Center Plaza
 Federal Student Aid Administration
 830 First Street, N.E. Suite 54B1
 Washington, D.C. 20202-0001
 E-mail: InvoiceAdmin@ed.gov

The PCA shall e-mail the invoice to InvoiceAdmin@ed.gov, with "cc" copies to the Contract Specialist, the COR, and Assistant COR.

B. Proper Invoices

The PCA is responsible for ensuring that the invoice meets the requirements for a "proper" invoice." Normally, ED will enter the information required on the invoice. The PCA is responsible for ensuring the accuracy and completeness of the information.

At a minimum the following items must be addressed in order for the invoice to be considered "proper" for payment:

- (1) Name and address of the Contractor.
- (2) Invoice or voucher number. The Invoice or voucher number must be in the format AG###-YEAR-MO, where:
 - i. "AG###" is the agency number (e.g., AG555) that FSA has assigned to the Contractor for this Task Order.
 - ii. "YEAR" is the four-digit year (e.g., "2010" for the invoice covering services provided in September 2010)
 - iii. "MO" is the one or two-digit code for the month covered by the invoice (e.g., "9" for the invoice covering services provided in September).
- (3) Invoice Date.
- (4) The Task Order number must be included on the invoice and be correct.
- (5) Description, quantity, unit of measure, unit price, and extended price of the item delivered must agree with the contract or order.
- (6) Terms of any prompt payment discount offered.
- (7) Name, title, and phone number of persons to be notified in event of defective invoice.
- (8) The period of time covered by the invoice.

Reference: RFQ, Section B.7

6. COMMISSIONS ON COMPROMISES

Unapproved compromises are compromises that the PCA failed to properly document the L102 notepad, or send the appropriate compromise agreement letter. In these cases, the PCA will not receive a commission on the compromise payments.

Unauthorized compromises are compromises that the PCA settled for less than ED's guidelines allow without prior ED approval. In this situation, ED recovers from the PCA the amount of net collections lost to ED by the compromise—that is, the difference between what ED realized in net collections from the compromise minus what ED would have realized had the normal compromise guidelines been followed.

Nonstandard Compromises - The PCA may, without prior approval from the Government, offer a borrower a compromise that goes beyond the current compromise standards set by the Government. If the borrower accepts the nonstandard compromise offer, the PCA is responsible for the netback difference between the nonstandard compromise settlement and the applicable compromise standard set by the Government. The PCA must properly notify ED when providing a nonstandard compromise. The Government shall reduce the PCA's commissions on any nonstandard compromise settlement made by the PCA. In instances where the PCA offered a nonstandard compromise amount, the commission adjustment shall be based on the netback dollars to the Government.

See Chapter 7 for more information.

7. AVOIDING ADJUSTMENTS

ED realizes that downward adjustments can be problematic for its PCAs: the PCA has already paid a commission to its collector, but the adjustment is not made for several months—perhaps after that collector is no longer on the payroll.

Most adjustments result from refunds, and most refunds occur on consolidated accounts. To some degree, this is unavoidable: for example, when borrower payments post in the interval between certification and when the consolidation payment is received. The PCA can mitigate the effect in this instance by checking the account balance on accounts immediately after the consolidation payment posts—if the account is overpaid, the PCA should understand that ED will recompute what was owed on the account when the consolidation payment was received, and will refund any excess back to the lender. Importantly, the amount of the refund may be larger than the credit balance reflected on the account.

Often, borrowers continue to send payments to borrowers after consolidation; all of these payments will eventually be refunded, as well. To avoid this, the PCA should contact borrowers immediately after the consolidation payment posts and remind the borrower that subsequent payments should be sent to the new lender.

Finally, the PCA should conduct careful quality control of its own activities. *ED will reverse commissions or fees as appropriate in instances where the PCA is not in compliance with the contract or applicable laws and regulations. The PCA should notify ED if they receive commissions or fees when not due.*

8. REQUESTING ADJUSTMENTS

Attentive PCAs will occasionally detect posting problems or other instances in which they feel entitled to a commission that was not paid. Such situations should be promptly reported to the Atlanta Regional Office.

The PCA must submit an IMF to Atlanta requesting commission for any payment or administrative resolution or litigation fees not listed on the monthly commission report.

For adjustments involving payments, the IMF must include:

- The borrower's name
- Account number
- Payment effective date
- Payment amount
- Reason the PCA believes they are owed commission for the payment in question

For adjustments involving administrative or litigation fees, the IMF must include:

- The borrower's name
- Account number
- Reason PCA believes they are owed an administrative resolution or litigation fee

The PCA must attach any supporting documentation.

No manual adjustments will be made for items that will appear on next month's reports. The monitor will respond to the IMF informing the PCA of the decision and the status of the commission adjustment requests.

PCAs should not alter the voucher directly or attempt to append their own adjustments documents; only adjustments approved by the Atlanta Regional Office, and reflected on Atlanta's Adjustments Memorandum, will be accepted.

9. ALLOWABLE DEVIATIONS

The Contractor may lose the entire commission on an account for a fairly minor deviation from the procedures or qualifying standards. If the minor deviation involves a very large balance account, the Contractor may suffer an unduly large negative consequence.

A. Current Contract

ED will allow each PCA to designate *one account per CPCS period* as an allowable deviation. The PCA will be allowed to receive commission credit in limited instances where they would not normally be entitled to commission. The circumstances where this policy will apply are:

- Rehab accounts where the borrower's approved payment amount falls short of the required minimum percentage of the rehabilitation balance. The borrower's approved payment must be within at least 5% or \$5, whichever is greater, of the required minimum repayment amount.
- Rehab accounts where the PCA made an error in setting the account billing lower than the payments that the borrower made. In such a case the borrower's actual payments would have to have been at least the required minimum payment amount, or within 5% or \$5 of the required minimum amount.
- Consolidation accounts where the borrower's approved payment amount falls short of the required minimum percentage of the consolidation balance. The borrower's approved payment must be within at least 5% or \$5, whichever is greater, of the required minimum repayment amount.
- Paid compromise accounts where the ED L106 letter history was not updated but where the PCA did send the compromise agreement letter to the borrower. For these accounts the PCA must provide proof, such as a copy of their notes and letter history that indicates the letter was sent to the borrower.

B. Previous Contracts

For PCAs holding accounts (which are not tracked under the CPCS) from previous task orders, each Contractor will be allowed to request *one additional deviation applicable only to those accounts for each contract per period*. For example, a Contractor holding accounts from the 1997/2000, 2004 and 2008 contracts can request one deviation from their 1997/2000 contract accounts, one from their 2004 contract accounts, and one from their 2008 contract accounts.

C. Requests

Requests for allowable deviations must be submitted by *the last day of the month following the end of the CPCS period*. For example, for the CPCS period that ends June 30, 2009, the request must be submitted no later than July 31, 2009.

The PCA should request their allowable deviation via email to the designated ED staff member(s) in the Atlanta Regional Office.

Please note: *allowable deviations do not accumulate; any not used for a particular period will be lost.*

CHAPTER 16: TRAINING

Training is a crucial part of any business process, especially debt collection. Aside from specific company training endeavors to improve workforce outcomes and retain highly productive staff, the Education Collections Contract has specific requirements and guidance around PCA training.

Reference: SOW 2.2; 5.1; 5.2; 6.2.6

1. MANUALS

The PCA is required to develop a comprehensive Collection Training Manual. The manual should outline such items as:

- Training procedures
 - Main office, satellite offices, subcontractors
- Any specific time frames
- Training approaches
- Targeted staff
- Training topics
 - Both ED and PCA
- Record maintenance
- Any special processes related to specific training

Though the above list is not all inclusive, the PCA Manual should provide enough information and detail so that an outside party will have a clear understanding of the PCA's training protocol.

In addition to a Training Manual, PCAs are also required to develop a Standard Operating Procedures Manual and a Quality Control Plan that should support and compliment training initiatives.

All DRAFT training manuals are due within 90 days of contract award and final versions completed within 30 days of ED approval of draft versions. Manuals will be reviewed by the Atlanta Regional Office and the Contracting Officer's Representative (COR) and Assistant Contracting Officer's Representative.

2. ED TRAINING

ED will provide training on appropriate ED Procedures to the Contractor's Training Staff. Specific training will be provided at contract start-up to assist PCAs and their staff in gaining a clear understanding of specific ED requirements, guidelines and regulations surrounding the

Education Collections Contract. Training will focus on key elements such as security, DMCS access, payment programs, complaints, AWG, administrative resolutions, etc.

Though initial training will be comprehensive and encompass all key areas of the contract, ED will continue to provide training opportunities throughout the entire contract period. ED often hosts PCA meetings several times a year during which ED staff often provide update, refresher or new topical training.

All training materials (presentations, handouts, etc.) will be available on the PCA collections website for downloading and dissemination.

3. PCA TRAINING

A. ED Information

The PCA is required to train all ED contractor employees and conduct regular training sessions for its *employees and any subcontractor employees* to ensure adherence to applicable laws, regulations and ED policies. Any ED training or key information shared during meetings, conferences, etc. must be shared with all appropriate PCA staff. The PCA shall conduct additional training to inform its employees and any subcontractor employees of all changes in operational procedures, laws or regulations as they are modified or updated. *Often the individuals who hear the information are not the ones actually doing the work.*

B. Industry Training

The PCA must also provide State and locality debt collection-related training to the employees, including the successful completion by Contractor and subcontractor employees of any State-mandated exams.

C. Privacy Act Training

Each employee and subcontractor employee assigned to THIS 2009 Task Order must receive training relevant to the Privacy Act of 1974, and shall certify, in writing, that they have received this training before they begin any collection activity on ED accounts. Please note: ALL employees must receive training and provide signed certifications regardless of whether or not they have provided certifications on past Education contracts. A sample certification form can be found in Section 6 of this Chapter.

Signed certifications must be forwarded to the Atlanta Regional Office within *five (5) calendar days* after completion of training.

Attention: Privacy Act Certification Team
61 Forsyth Street, SW
Room 19T89
Atlanta, GA 30303

Each employee must re-take the Privacy Act Training on an **annual basis to be completed each year by July 15**. All Privacy Act training must be documented and recorded in the Security Awareness and Privacy Act Training Report (*Chapter 17*).

D. Security Awareness Training

Each employee and subcontractor employee assigned to THIS 2009 Task Order must receive training relevant to Security Awareness, and shall certify, in writing, that they have received this training before they begin any collection activity on ED accounts. Please note: ALL employees must receive training and provide signed certifications regardless of whether or not they have provided certifications on past Education contracts. A sample certification form can be found in Section 6 of this Chapter.

Signed certifications must be forwarded to the Atlanta Regional Office within *five (5) calendar days* after completion of training.

Security training shall incorporate physical, data, personnel, document and equipment security, along with specific information regarding proper incident response and handling procedures. PCAs shall follow the Department's training policy, IT Security Awareness and Training Guide, and modify training in accordance with any updates, policies, or initiatives as directed by ED. Security Awareness training must also **provide and document incident response and handling procedures**.

All new hires will complete security training within *10 business days* of ED contract employment. All employees must receive annual refresher security training by *July 15* of the following year (or any other date as specified by ED) for as long as the employees are on the ED contract. All security awareness training must be documented and recorded in the Security Awareness and Privacy Act Training Report (*Chapter 17*).

4. TRAINING DOCUMENTATION

The PCA shall measure the effectiveness of the training by administering post-training tests. The COR/Assistant COR may review the results to ascertain the need for additional training/testing.

A certification form for *ALL training* provided in support of this task order must be signed by each PCA and subcontractor employee and maintained on file by the PCA.

Along with certifications, the PCA must record (electronic spreadsheets, tracking forms, etc.) all training provided to PCA employees or subcontractors by individual names, training topics, and dates of training. The PCA shall make certifications and all training records available for ED review at the request of the CO, COR, assistant COR or ED Monitors.

Specific training information (updates, dates of training, training topics) is mandated within certain monthly PCA reports, including the PCAs' Management and Fiscal Report and the Security Awareness Training Report. *(See Chapter 17 for more information)*

5. TECHNICAL ASSISTANCE/TRAINING VISITS

The PCA may request site visits for technical assistance and/or training. The PCA will be responsible for travel costs incurred for requested technical assistance and/or training site visits. Proposed costs must be consistent with the most current Government per diem rates for lodging and meals.

On-site technical assistance visits are very rare due to workload and time constraints. One-on-one technical assistance/training usually takes place during scheduled on-site compliance reviews. In addition, PCA staff may travel to ED Office locations for one-on-one or small group training initiated by the PCA or ED.

6. TRAINING CERTIFICATION FORMS

A. Privacy Act



**Certification of Privacy Act Training
U.S. Department of Education – 2009 Collections Contract**

I **certify** that I have completed training relevant to the Privacy Act of 1974 (5 U.S.C. 522a) and its application to collection activity.

I **understand** the conditions of authorized disclosure as described in subsection 3(b)3 of the Privacy Act and have **read and understand** the pertinent parts of the Act and the OMB Privacy Act Guidelines, including subsection 3(a), Definitions; 3(b), Conditions of Disclosure; and 3(i), Criminal penalties.

I have also **read and understand** the pertinent parts of ED’s Privacy Act Regulation, including Section 5b.1, Definitions; 5b.9, Disclosure of Records; and Appendix A, Employee Standards of Conduct.

I **understand** that I cannot begin any collection activity on ED accounts until I have completed the training and must complete *annual* Security Awareness training by July 15 of each subsequent year.

I **will consult** with a supervisor or, when appropriate, an ED Monitor, if in doubt on a specific disclosure question. If others ask me to make an unauthorized disclosure, I **will decline** and report the incident to my Supervisor or Project Manager immediately.

Employee (TYPE name)

Social Security Number (TYPE)

Signature of Employee

Date Training Completed

Supervisor’s Name (TYPE name)

Date Certification sent to ED

Signature of Supervisor

Agency Name/Agency #

Date Received by Education: _____

Rev. 5/09

B. Security Awareness



**Certification of Security Awareness Training
U.S. Department of Education – 2009 Collections Contract**

I **certify** that I have completed Security Awareness training as required by the U.S. Department of Education (ED’s Information Assurance Security Policy, OCIO-01; SOW 2.2, 6.2.6)

I **certify** that the Security Awareness training discussed and incorporated security protocols related to physical, system, personnel, equipment and data (electronic and hardcopy) elements. The training also specifically addressed *incident response and handling procedures*.

I have been **informed and understand** security violations must be reported to the Department of Education within *1 hour* of identification.

I **understand** that I am required to take Security Awareness training within 10 business days of ED contract employment and cannot begin any collection activity on ED accounts until I have completed the training.

I also **understand** that I must complete *annual* Security Awareness training by July 15 of each subsequent year.

I **will consult** with a supervisor or, when appropriate, an ED Monitor, if in doubt on a specific security issue. If others ask me to violate security protocols, I **will decline** and report the incident to my Supervisor or Project Manager immediately.

Employee (TYPE name)

Social Security Number (TYPE)

Signature of Employee

Date Training Completed

Supervisor’s Name (TYPE name)

Date Certification sent to ED

Signature of Supervisor

Agency Name/Agency #

Date Received by Education: _____

CHAPTER 17: PCA MONTHLY REPORTS

PCAs are required to provide periodic reports outlining a variety of information necessary in portfolio maintenance, oversight and compliance, and internal reporting.

1. GENERAL REQUIREMENTS

Current reports include:

- Quality Control Report;
- Management and Fiscal Reports;
- Project Staff Report
- Correspondence Report
- Misdirected Payment Report
- Security Awareness Training Report

The PCA shall prepare and furnish one “electronic” copy of the required reports to the COR, Assistant COR and appropriate ED Monitor in the Atlanta Regional Office. All reports are *due by the fifteenth (15th) day of the following month* (by next business day if the 15th falls on a weekend/holiday).

All samples of reports can be found on the *PCA Collections Website under the Library section*. Reports are based in Excel and must contain all required data in the exact order and format requested by ED.

Please Note: ED reserves the right to modify or adjust all required reports, add additional reports and/or alter time frames as necessary. PCAs shall provide adhoc reports as requested by ED.

Reference:

- SOW 5.2
- Sample Reports – PCA Collections Website - Library

2. QUALITY CONTROL REPORT

Each PCA will have established Quality Control measures to review contractual requirements. For each electronic Quality Control Report, the PCA shall incorporate Quality Control categories that include the size of the sample, the numbers and types of problems found, and all corrective actions taken.

Quality Control Categories must include:

- Monitoring of collector/customer service calls
- Correspondence for proper handling/response
- Administrative Wage Garnishment (AWG)
- Accounts compromised
- Account balances on PCA's computer system vs. ED-System
- Administrative Resolutions (both submissions to ED for review and approval and electronic file transfer data to the ED computer Contractor)
- Loan Consolidation Verification Certifications (LVC)
- All Electronic File Transfer information prior to mailing/transmission (Account Updates (name, address, phone numbers, employment), Letter History Updates, Billing, Account Return, etc.)
- Training: Date of Training, Topic, Attendees, and Results of Test Given. This data should be available during agency reviews. Specific training includes:
 - Privacy Act (including Privacy Act Statement completed and mailed to ED)
 - FDCPA (including fact that employees took test and passed)
- ED Policies, Procedures and new initiatives (including fact that employees took test and passed.)

3. MANAGEMENT AND FISCAL REPORT

The Management and Fiscal report is designed to monitor Task Order performance. This report must be considered a part of the PCA's measuring system for its quality control plan.

At a minimum, this report must contain the following items:

- Information on dollars collected (current month and year-to-date).
- Number of "accelerated" rehabs processed each month, along with a break down of the number of days between the first and last payments for accounts in specific numerical groupings as defined by ED.
- Monthly rehabilitation queue totals (number of accounts and P&I total of accounts where the borrower has completed at least the first 5 payments towards rehabilitation to include an overall total, as well as, Direct and non-Direct totals)
- Information (including corrective actions) on any problems incurred by the PCA during the month and a status update on any outstanding problems from previous months.
- The number of complaints received each month;
 - For each complaint, the PCA must provide: a brief summary of the complaint issues, whether the complaint was determined to be valid or invalid, the date received and the name of the collector involved.
- Discuss the work performed over the month just completed

- Including manpower requirements, administrative resolution, litigation, collections, AWG, etc. and report on projected activity for upcoming month(s).
- A schedule of all update training conducted during the month and a brief synopsis of the subject matter covered in each training session.
- Pertinent information that needs to be brought to the attention of the Contracting Officer
 - Example - late EFTs, information regarding outstanding issues awaiting an ED response, etc.

4. PROJECT STAFF ROSTER REPORT

An electronic project staff roster must detail:

- All individuals employed,
- ED contract hire date
- Security level status requested
- E-Quip (security clearance website) release date
- Individuals no longer employed, including separation date.
- Employee SSNs when requested by ED (ED may require SSNs to be submitted in a separate format and at different intervals)

5. CORRESPONDENCE REPORT

An electronic Correspondence Report must contain the following:

- A list of all correspondence received for a given month broken down by:
 - The borrower's account number,
 - Type of correspondence by code (financial statement, general inquiries, powers of attorney, returned disability applications, etc.), and
 - An optional comments section.
- Current correspondence categories and codes to be utilized include:
 1. AWG - All correspondence pertaining to the AWG process (hearings, pay stubs for VPY, fin statements, etc.)
 2. AR - Admin resolution documentation (BNK/DIS/INCAR/DEA - applications, letters, certificates, etc.)
 3. CPL - Complaints
 4. ER - Employer verification documentation
 5. CD - Cease and desist/do not contact
 6. MP - Misdirected payments

7. DV - Dispute/Verification (validity request/pnote request/payment history/incorrect balance/wrong party); also include cancellations - closed school, ATB, false certifications, etc.
8. DP - Disclosure permission (POA, auth to speak to third parties/attorney, etc.)
9. PC - Program Correspondence (all docs associated with rehab/consolidation process - agreement letters/LVCs/financial documents, etc.)
10. AC - All Attorney correspondence
11. RPY - All correspondence related to non-program/AWG repayments - financial docs, W-2s, compromises, repay requests, etc.
12. TOP - TOP related inquires/issues
13. TPR - Third party requests, inquires from outside agencies
14. BL - Borrower letters (NOT listed in other categories - requests for info, questions, Title IV letters, SIF, BIF, refusal to pay, etc.)
15. MIS - Miscellaneous (any correspondence not falling in categories listed above)

6. MISDIRECTED PAYMENT REPORT

An electronic Misdirected Payment Report must contain the following:

- All misdirected payments received during the *previous* month.
- For each payment, the report will contain:
 - The borrower's account number,
 - The date the payment was received, and
 - The payment amount.

7. SECURITY AWARENESS AND PRIVACY ACT TRAINING REPORT

An electronic Security Awareness and Privacy Act Training Report must contain the following:

- Employee name
- Email address,
- Company name
- Job title
- Training course identification
- Date of last security awareness and privacy act training

CHAPTER 18: INFORMATION SECURITY

The purpose of this Chapter is to provide an overview of the Department's security procedures. These procedures basically cover the information security controls and policies that we are required to comply with, as we must ensure adequate protection of our Information Technology resources. Also, these procedures serve as a way to ensure that all PCAs know their security responsibilities and know what actions they may have to take to meet the Department's security requirements.

Additionally, PCAs must meet and maintain all FISMA requirements in order to maintain certification and accreditation (C & A) to access and work with ED systems. *Please see Chapter 19 and the SOW 6.2 for more information.*

Section 3 also lists additional documents (as listed in the SOW) that provide the detail, structure and support necessary to ensure that PCAs adhere to proper security protocols.

1. **BASIC SECURITY REQUIREMENTS**

The security requirements listed below are items, which ED is required to do. The PCAs may be expected to do/comply with the following:

- Explain how the availability of services is to be maintained in the event of a disaster;
- Describe each security service that will be provided;
- Implement incident monitoring and reporting procedures; to include use of incident response guidelines recommended by ED and/or FSA
- Document any involvement of the outsourced provider with relevant subcontractors;
- Create required security documentation, including, but not limited to, Certification and Accreditation Plan, System Security Plan, Risk Assessment, Security Test and Evaluation Plan, Rules of Behavior, System Interconnection Agreements, Configuration Management Plans and *Contingency Planning Documentation*;
- Perform disaster recover testing for the system;
- Provide Security Review group
- Follow procedures outlined for Incident Response within FSA

A. User ID Validation and Mapping of Position Descriptions for ED System Access

Within 90 days of the Task Order award, the PCA is required to submit a listing of position descriptions (PDs) for each person who will be working on the ED contract, including any sub contractor staff. Each of these is to be mapped to the ED PDs for the ED system access which

will be sent to the PCA after Task Order award. These PDs are a required deliverable listed under Section 5.1 Contractor Deliverables, of the SOW.

ED will review the PD information submitted by the PCA and approve or reject the type of clearances. The approval or rejection will be based upon the description of the position's job duties and the access required to complete the various work assignments.

This information must be submitted and approved by ED prior to the issuance of any User IDs for ED system access.

Reference:

- SOW 6.2.2 IT Security Compliance
- SOW 6.2.3 Contingency Planning
- SOW 6.2.3.1 Disaster Recovery Plan

2. ADDITIONAL SECURITY STEPS

A. Information Security Training and Awareness

All personnel involved with the management, use and operation of systems (s) that perform work for the Department shall have received and/or will continue to receive annual security and privacy training appropriate to their assignment as defined by NIST Special Publication 800-53, "Building An Information Technology Security Awareness and Training Program." The training is to be completed and reported to the Department yearly. In addition, some workers may be required to take "specialized" security training, as required by their job function.

See Chapter 16 for more information.

B. Physical Security

Physical security is required to protect the access to PII (personal identifiable information) and the computer system. Physical security measures to be implemented include protecting the following:

- Location (e.g., access to hardware, software and data)
- Hardware
- Software and data
- **PCA Visitor Logs**
 - During the life of the contract, the PCA must maintain a Visitor's log which lists the names of anyone who has had access to the ED Collection area or ED data. These visitor logs may be reviewed at any time by ED to ensure that proper protocols are maintained and that only authorized individuals are granted access to ED data.

- The logs must contain at a minimum, the following information:
 - Name of the Organization of the Person Visiting
 - Signature of the Person Visiting
 - What Form of Identification was provided
 - Date of the Access or Visit
 - Time of Entry and Departure
 - Purpose of the Visit
 - Name of the Person Visited

As part of the Contract closeout procedures, copies of all of the ED visitor logs maintained during the life of the contract, will be sent to the COR for final review and disposal.

Reference: SOW 6.2.4 Physical Security

C. PCA System Security

The PCA System must have safeguards to protect the integrity of the system and the ED data contained within the system. The system shall have a:

- Method of Identification and Authentication
 - Include a mechanism to require users to uniquely identify themselves to the system before beginning to perform any other actions
 - Be able to maintain authentication data that includes information for verifying the claimed identity of individual users (e.g., passwords)
 - Protect authentication data so that any unauthorized user can't access it
 - Be able to enforce individual accountability by providing the capability to uniquely identify each individual computer system user
 - Raise alarms when attempts are made to guess the authentication data (either inadvertently or deliberately)
- Access Control
 - All PCA systems should use identification and authorization data to determine user access to information.
 - Access control policies will be identified and shared with users of the system.
 - In addition, access enforcement mechanisms are employed at the application level (e.g., TSOG and/or CICS).
- Auditing

- All PCA systems should have auditing capability. The system shall be able to create, maintain and protect from modification or unauthorized access or destruction of an audit trail of accesses to the object it protects.
- The audit data is to be protected and retained for a minimum of six (6) months.
- Event recording
 - The system should be able to record the following types of events: use of identification and authentication mechanisms, introduction of objects into a user's address space (e.g., file open, program initiation), deletion of objects, and actions taken by computer operators and system administrators.
 - The system shall be able to identify the date and time of the event, user, type of event and success or failure of the event.
- Flaw Remediation
 - The process of tracking and correcting security flaws by the PCA.
 - The PCA shall establish a procedure for accepting and acting upon reports of security flaws and requests for corrections to those flaws.
- Record disposal
 - The PCA certifies that the data processed during the performance of this contract shall be purged and sanitized from all data storage components of its computer facility, and the PCA will retain no output after such time as the contract is completed.
 - The PCA shall, according to Federal and/or State laws, destroy or dispose of, in a manner, which will prevent any unauthorized disclosures, any records containing personally identifiable information, which are not to be returned to ED.
 - The PCA may be liable for criminal penalties as specified in the Privacy Act (Subsection (i)) for failure to meet these requirements.
 - As part of the contract closeout procedures, the PCA is to certify in writing to the COR that no output data produced during the life of the contract will be retained in any form. The PCA must provide to the COR in this certification the date that this process was finalized.

Reference:

- SOW 6.2.8.1 Identification and Authentication
- SOW 6.2.8.2 Access Control
- SOW 6.2.8.3 Auditing
- SOW 6.2.8.4 Flaw Remediation
- SOW 4.4; 6.2.8.5 Closeout/Disposal

3. **REFERENCES**

ED computer systems must adhere to the Federal security requirements detailed in the publications listed below. The following laws, regulations or policies establish minimum requirements for system security:

A. Federal Laws and Regulations

- FIPS 46-3 DES
- FIPS 46-3 Triple DES
- FIPS 140-2 Security Requirements for Cryptographic Modules
- FIPS 185 Escrowed Encryption Standard
- FIPS 186-2, Digital Signature Standard (DSS)
- FIPS 197 AES
- FIPS 199 Standards for Security Categorization of Federal Information and Information Systems
- Electronic Communications Privacy Act of 1986, Public Law 99-08, 100 Stat. 1848
- E-Government Act of 2002
- Freedom of Information Act, 5 United States Code 552, Public Law 93-502
- Privacy Act of 1974, 5 United States Code 552a, Public Law 99-08
- Federal Information Security Management Act (FISMA)
- OMB Circulars A-130 Appendix III
- HSPD #7 Critical Infrastructure Protection

B. NIST Special Publications

- NIST 800-12 (An Introduction to Computer Security: The NIST Handbook)
- NIST 800-14 (Generally Accepted Principles and Practices for Securing Information Technology Systems)
- NIST 800-16 (Information Technology Security Training Requirements: A Role and Performance-Based Model)
- NIST 800-18 (Guide for Developing Security Plans for Information Technology Systems)
- NIST SP 800-21 (Guideline for Implementing Cryptography in the Federal Government)
- NIST 800-26 (Security Self-Assessment Guide for Information Technology Systems)
- NIST 800-30 (Risk Management Guide)
- NIST 800-34 (Contingency Planning)

- NIST 800-37 (Guidelines for the Security Certification and Accreditation of Federal Information Technology Systems)
- NIST 800-47 (Security Guide for Interconnecting Information Technology Systems)
- NIST 800-53 and 800-53A (Recommended Security Controls for Federal Systems)
- NIST 800-60 (Guide for Mapping Information Systems)
- NIST 800-61 (Computer Security Incident Handling Guide)

C. Departmental of Education Policies and Procedures

- U.S. Department of Education Information Technology Security Policy
- U.S. Department of Education Information Assurance Security Policy
- U.S. Department of Education, Information Technology Security Manual, Handbook Number 6
- Federal Student Aid Immediate Action Memorandum: Sensitive Data Protection on Portable Devices
- U.S. Department of Education, Personnel Security-Suitability Program, Handbook Number 11
- U.S. Department of Education, Incident Handling Guide
- U.S. Department of Education Risk Assessment Procedures
- U.S. Department of Education IT Security Configuration Management Procedures Handbook
- U.S. Department of Education Contingency Planning Procedures
- Payment Card Industry Data Security Standard (PCI DSS)

Reference: SOW 6.2.1 Rules and Regulations

CHAPTER 19: PRIVATE COLLECTION AGENCY COMPLIANCE (INSPECTIONS)

The Department of Education has the ultimate responsibility to ensure that the Department of Education's private collection agencies (PCAs) adhere to and follow all applicable laws, contractual requirements, and ED policies and procedures as provided within the collection contract, ED policy manuals/notices, regulations and training materials. Due to the large number of borrowers, the immense dollar value of the ED default portfolio, the sizable agency payments, and the great importance to sustain existing federal student loan programs, PCA oversight and compliance is a crucial necessity needed to maintain Congressional and taxpayer confidences.

With many different agencies (both small and large), diverse work functions, and multiple ED offices, proper oversight is achieved through a myriad of approaches. Through normal day-to-day interaction, various ED offices become aware of PCA issues that may be handled directly with the office in question, or may get routed to the PCA compliance office and/or COR's office for resolution. Some of the most obvious compliance opportunities include, but are not limited to: agency reviews, remote call monitoring, and independent audits.

1. AGENCY REVIEWS

ED will periodically conduct agency reviews to monitor, assess and correct (if necessary) agency compliance with regards to contractual, regulatory and procedural requirements.

Some common agency review elements include:

- Type
 - off-site or on-site
- Notification
 - Announced or unannounced
- Location
 - Main office, satellite office, subcontractor
- Review items
 - Most reviews incorporate several topical areas
 - Some areas are follow-up items from previous reviews
- Review reports/formats
- Corrective actions/responses

In addition to regularly scheduled reviews, some agencies may receive ad hoc reviews due to potential concerns discovered by or brought to ED's attention. Agencies are expected to work diligently and cooperatively with ED during all reviews to address, and ultimately correct, any findings or deficiencies.

For additional information, and a complete walk through concerning ED's agency review process, please see the 2008 Agency Review Guide. This guide can be found in the PCA Collections Website – Library.

References:
RFQ, E.1 Inspections;
SOW, 2.3 Quality Control

2. REMOTE CALL MONITORING

Under the 2008 ED collections contract, all agencies must have the ability to allow ED to remotely monitor collector calls. Remote monitoring specifics are as follows:

“Unrestricted” agencies

- Provide ED with the capability to remotely monitor all “collection calls” by accessing automated call recordings of collection calls through a secure web-based portal.
- Recorded calls must include all “collection calls” regardless of account, subject or duration.
- Must be able to store up to 90 days worth of calls
- Must be able to retrieve specific calls by day or by individual contractor staff
- All recorded calls must be afforded the same protection as any other ED sensitive borrower data.

“Small Business” agencies

- Provide ED the capability to remotely monitor all “collection calls” through accessing the agency phone system; HOWEVER, “Small Business” contractors shall provide ED the capability to remotely monitor all “collection calls” by accessing automated call recordings of collection calls through a secure web-based portal within 2 years of the Task Order award.
 - Agency phone access is not required if call recordings available at start of contract
- Remote call monitoring through agency phone systems must allow ED monitors the ability to listen to individual contractor staff or randomly listen to the next available call.
- Once a small business has secured the ability to record calls, all call recording requirements listed for the unrestricted agencies will apply to the small business.

Satellite Offices & Subcontractors

- Remote call monitoring (phone system or recorded calls) applies to the primary ED contractor (*includes all satellite offices*).
- If a primary contractor (small or unrestricted) uses a subcontractor to perform “collection calls,” the primary contractor must be able to *remotely monitor* the subcontractor collection calls at the *start of the subcontract award*; and, must be able to *record all subcontractor collection calls within 2 years of the subcontract award*.

ED will use remote phone monitoring and call recordings to perform compliance reviews of collection activities, assess call quality on ED accounts and monitor individual collectors with regards to specific complaints. The Contractor must inform all parties that calls will be recorded and/or monitored for quality review purposes. Any formal reviews will follow the guidelines outlined in the agency review guide.

Upon ED notification, agencies must provide ED with the following in reference to agency phone systems and/or call recordings as appropriate:

- Specific access instructions,
- Password/IDs,
 - Minimum access - two staff
 - Branch Chief and Point-of-Contact
- Any instructional manuals
- Training as needed
- Agency Point-of-Contact for remote access questions
- Listing of agency representative extensions/ID numbers
- Any additional information or documentation deemed necessary to properly review agency phone calls

Obtaining agency access information and instructional documentation may be a one-time process or, more likely, may be a periodic event depending upon agency security parameters, system requirements, modification/updates, etc.

Reference: SOW, 2.3.1 Remote Call Monitoring

3. FISMA CERTIFICATIONS

A. Authority to Operate

All PCAs must have an Authority to Operate (ATO) from the FSA CIO Office by 9/30/09 to work on the 2009 ED Collections contract. In order to receive this designation, PCAs must have:

- Completed a Privacy Impact Assessment (PIA)

- System Security Plan Approval
 - Completed a Security Authorization Boundary Document
 - The boundaries include all equipment, facilities and personnel used in the *processing, storage and transfer of Federal Student Aid data* directly or indirectly within the control of PCS.
 - This pertains to *subcontractor* systems, facilities, personnel, and processing centers and the interconnections between those systems.
 - Subcontractors that process, store or transfer ED data will be included in the assessment and need to meet FISMA guidelines
 - External subcontractors/facilities that do *not* process, store or transfer data do not need to be assessed but do need to be identified as END USERS
 - Developed a System Security Plan (SSP)
 - Independent Audit of the SSP
 - SSP updates thru audit findings
 - SSP submission to ED
 - ED SSP approval
- Security Assessment Plan Approval
 - Develop Security Assessment Plan
 - All controls should be at the moderate baseline unless focusing solely on availability
 - Security Assessment Plan Submission
 - ED Security Assessment Plan approval
- Security Authorization Package Approval
 - Independent Audit of Security Assessment Plan
 - *Contractors completing security assessments cannot have participated in the development, maintenance, or operations of a system.*
 - If a contractor creates the System Security Plan, that same contractor cannot assess the plan
 - However, the same contractor can create the security assessment plan and then execute the assessment after the plan is approved.
 - Auditors must have a 6C background clearance; if not, *a 6C cleared PCA staff member must escort the auditor at all times*
 - Corrective Actions/Milestones established (for identified deficiencies)
 - Pre-Authorization Package submission
 - Security Authorization Brief
 - CIO determines ATO viability
 - PCA explain open findings/weaknesses and PCA risk acceptance

B. Certified and Accredited

PCAs must be Certified and Accredited (C & A) by FSA's CIO Office for continued authorization to operate within ED systems/data:

- Every *three years*, OR
- Whenever there is a major change for their system which affects the security of the system

- Example would be adding a subcontractor that processes, stores or transmits ED information

The C & A process may be done through a self-certification process, ED formal reviews or a combination of certification techniques prescribed by the CIO.

***Independent audits (required by ED or through PCA initiative) will NOT replace ED agency reviews. Independent audits may supplement and enhance ED's oversight and compliance efforts.*

- Reference: SOW 6.2.1; NIST Pub 800-47 (interconnection agreements); NIST 800-53A (Security Controls for Federal Systems); Federal Information Security Management Act (FISMA); FSA CIO FISMA

4. CHECKS & BALANCES

All agencies should be aware that all processing, communication and interactions with the PCAs are subject to review and analysis. All work products, reports and documentation/data provided by or based upon PCA work may be scrutinized by ED for compliance purposes within all ED offices. Review items, follow-up reviews and/or ad hoc reviews are never stagnant and will constantly shift depending upon potential concerns, risk assessments and/or compliance schedules.

Above all, agencies should be conducting their own monitoring and quality control reviews to improve and prevent problems from arising. As always, any concerns discovered by an agency should be noted in the appropriate monthly reports and promptly provided to the appropriate ED official. For monthly report information, please see Chapter 17.

CHAPTER 20: CONTACT & RESOURCE INFORMATION

The following information is provided to assist agencies in identifying where or to whom to direct questions pertaining to a variety of issues under the ED collection contract.

***Please note: if unsure whom to speak with or where to go for help, PCAs are encouraged to contact their main Point-of-Contact in the Atlanta Regional Office for assistance.**

1. PCA WEBSITE

The PCA website is the primary resource for information related to ED's collection contract. The website contains a myriad of pertinent data including:

- Current & Past Performance Statistics
- Contract Administrator Notices (policy guidance)
- On Line IMFs to Vangent
- Manuals, training materials, worksheets/forms
- Statement of Work and RFQ

Website Address: <http://www.fsacollections.ed.gov/contractors>

2. REGIONAL OFFICES

Atlanta Regional Office (Region 4)
U.S. Department of Education
Federal Student Aid
61 Forsyth Street, SW, Room 19T89
Atlanta, GA 30303
Phone – 404-562-6012
Fax – 404-562-6059

Functions include:

- Main Contact for PCAs
- Technical Assistance
- Voucher Preparation
- PCA Letters & Forms approval
- On Site & Off Site Reviews
- Administrative Resolutions approval
- Borrower Account maintenance (IMFs)
- Administrative Wage Garnishment validation and compliance

Chicago Regional Office (Region 5)

U.S. Department of Education
Federal Student Aid
500 W. Madison Street, Suite 1520
Chicago, Ill 60661
Phone – 312-730-1477
Fax – 312-730-1457

Functions include:

- Treasury Offset Program Hearings
- Administrative Wage Garnishment Hearings
- Escalated Issues

San Francisco Regional Office (Region 9)

U.S. Department of Education
Federal Student Aid
50 Beale Street, Room 8601
San Francisco, CA 94105
Phone – 415-486-5633
Fax – 415-486-5669

Functions include:

- Litigation review
- U.S. Attorneys Liaison
- Closed School Requests
- Ability to Benefit Requests
- Unauthorized Signature Requests
- Oversee ECMC Bankruptcy issues

3. WASHINGTON D.C.

U.S. Department of Education
Federal Student Aid
830 First Street, NE
Washington, DC 20202

Contracting Officer – William Keller (William.Keller@ed.gov)
Contracting Specialist – Terri Smith (Terri.Smith@ed.gov)
Contracting Officer’s Representative (COR) – Chandrika Sriram (Chandrika.Siram@ed.gov)
Assistant COR – Lawannah Howell (Lawannah.Howell@ed.gov)
Security Officer – Greg Plenty (Gregory.Plenty@ed.gov)

4. CUSTOMER SERVICE HELP DESKS

CSB Help Desk: 1- 888-291-2160; csbhelpdesk@acs-inc.com

- Number for PCAs to call for all System related problems and issues

Customer Call Center for Borrowers (Vangent): 1-800-621-3115

- Handle in-house accounts
- Assist with dispute resolution

The customer call center number is for borrower use only and must not be used by PCA staff.

5. PAYMENT AND CORRESPONDENCE ADDRESSES

- Regular Borrower Payments:

National Payment Center
U.S. Department of Education
P.O. Box 105028
Atlanta, GA 30348-5028

- Address for borrowers to send payments by Overnight Services:

Bank of America
C/O Dept. of ED-105028
1075 Loop Road
Atlanta, GA 30337

- Wage Garnishment Payments - Garnishment Payments from Employers:

National Payment Center
U.S. Department of Education
P.O. Box 105081
Atlanta, GA 30348-5081

- Documents for Panagon System that Require Response from Vangent:

CSB – Panagon System
U.S. Department of Education
6201 Interstate 30 Highway
Greenville, TX 75402

****Should Not Contain Payments*

- Documents that ONLY need to be imaged into the borrower's file

CSB – SSU
U.S. Department of Education
6201 Interstate 30 Highway
Greenville, TX 75402

- *Borrower's SSN or Debt ID must be circled on front page of correspondence or written legibly in upper right hand corner of first page*
- *SSU sheet must also be included*

****PCAs should designate limited number of staff, (key personnel, managers) to communicate with Department of Education staff.**

CHAPTER 21: AD HOC FILES FOR PCAs

Ad Hoc TSO Files

List of Files

Dataset Name	Brief description	Schedule
Rxx.AGED-AWG.TEXT	AWG accts requiring action by PCA	Weekly, usually Tuesday morning
Rxx.AWG-STAT.TEXT	All AWG accts assigned to PCA	Weekly, usually Tuesday morning
Rxx.COMM-DTL.TEXT	Commission Detail Report	Monthly, NLT receipt of invoices
Rxx.COMM-SUM.TEXT	Commission Summary Report	Monthly, NLT receipt of invoices
Rxx.DL-CONS.TEXT	Consolidation applications received at DL	Weekly, usually Wednesdays
Rxx.DLREHAB2.TEXT	Accts included in DL rehab sweep	Monthly, when sweep stats are released
Rxx.DLRH.REDEFALT.TEXT	Previously rehabbed Direct Loans ineligible for rehab	Monthly, when sweep stats are released
Rxx.FASTDATA.TEXT	Delinquency data on Fast-Track borrowers	Upon notification
Rxx.FT SUBPAY.TEXT	Fast-Track borrowers with surplus payments	Upon notification
Rxx.NDSL RHAB.FLUNK.TEXT	Accts rejected from NDSL rehab sweep	Monthly, when sweep stats are released
Rxx.NDSL RHAB.TEXT	Accts included in NDSL rehab sweep	Monthly, when sweep stats are released
Rxx.PAYCOUNT.NEWREHAB.TEXT	Payment history analysis (FFEL/Direct rules)	Weekly, usually Tuesday morning
Rxx.PAYCOUNT.TEXT	Payment count (NDSL rules)	Weekly, usually Tuesday morning
Rxx.RHABBAD.TEXT	Accts included in FFEL rehab sale	Weekly, when rehab sale transmitted
Rxx.RHABGOOD.TEXT	Accts rejected from FFEL rehab sale	Weekly, when rehab sale transmitted

In general, file layouts and other info can be found in the relevant section of the Training/Procedures manual. What follows is information about some files that may not be included in that document.

AWG files

Rxx.AGED-AWG.TEXT

In an effort to streamline the handling of AWG hardship and VPY accounts, we are implementing a new system to monitor these accounts. Please implement the following procedural changes immediately:

1) Hardships will require review and renewal every six months unless there is documented evidence that the borrower's hardship will last longer than six months. For example, if the borrower provides evidence that a child support order that is creating hardship will remain in force for 12 months, the hardship status will expire at the time the support order expires (12 months). However, in no instance will an account be allowed to remain in a hardship status for more than 2 years without review and renewal. The ED hearings official (not the PCA) will indicate the hardship expiration date as follows on the L102:

***AWG HARDSHIP THRU mm/dd/yyyy

2) Voluntary payment (VPY) agreements will require review and renewal every 12 months unless the account is projected to be paid in full less than 12 months from the

scheduled review date. For example, if the borrower owes \$2200 at the time a VPY agreement of \$100/mo is established, the program will automatically review the account after 12 months. If the borrower has made 12 \$100 payments, the balance should be small enough that it will be projected to pay in full less than 12 months later. In this case, no further review of the VPY status will be required.

3) At the point a hardship or VPY review is needed, the new system will automatically generate a T03 letter to the borrower, unless either of the following is true:

- the account balance is less than \$200, or
- the borrower's address is undeliverable

In either instance where a T03 is not sent, the account will be written to a TSO worklist (see #5 below) so the PCA can take appropriate action.

4) If/when the borrower responds to the T03 by providing current financial information, the PCA should review the financial information and take appropriate action. If the PCA determines that the current hardship or VPY status is still valid, the PCA must annotate the L102 as follows:

***AWG STATUS xxx CONFIRMED STILL VALID

Where xxx is the current status (HR2, HR3 or VPY)

5) If, 20 days after the T03's issuance, the PCA has not confirmed that the status is valid (and has not changed the status), the account will be written to a TSO worklist so the PCA can take appropriate action. The TSO worklist will be created under the dataset name

Rxx.AGED-AWG.TEXT

Where Rxx is each agency's unique file prefix. This program will be run weekly, so PCAs should plan to retrieve and work their files each week. The file will typically be available at the beginning of the second working day of the week (i.e., Tuesday, unless Monday is a holiday).

The layout of the TSO file is as follows:

AG Code	1 - 3
SSN	5 - 13
Status Date	15 - 22
UD Mail Flag	24
Balance	26 - 34 (implied decimal before last two digits)
Hardship Exp Date	36 - 43
AWG status	45 - 47
Last review date	49 - 56

Rxx.AWG-STAT.TEXT

A listing of all accounts in AWG and their status can be found for each PCA under the TSO dataset name Rxx.AWG-STAT.TEXT (where Rxx is each agency's unique filename prefix). This dataset lists every account assigned to that PCA with an AWG status. The layout of this file is as follows:

SSN	1	9
STATUS*	11	3
STATUS DATE	15	8
FLAGS	24	22
AWG	24	1
CWG	25	1
FOR	26	1
GAR	27	1
HR1	28	1
HR2	29	1
HR3	30	1
HSF	31	1
LEX	32	1
LPT	33	1
NCE	34	1
NCL	35	1
NLE	36	1
OWF	37	1
OWR	38	1
OW1	39	1
OW2	40	1
SHR	41	1
SWG	42	1
THR	43	1
VPY	44	1
WG1	45	1
AGENCY CODE	48	3

*If an account has debts in multiple statuses, the status will be displayed as "MIX". The individual status flags will indicate which statuses are present in the account--a "Y" in any status flag indicates the account contains a debt in that status.

The date will be the most recent status date for any debt in the account.

All datasets are being created under each agency's 2004 contract TSO dataset name. So, e.g., only one file will be created for Pioneer and that file will list all accounts under both of Pioneer's "AG" numbers.

This dataset will be refreshed weekly, and the updated version will usually be available on Tuesday morning (Wednesday if Monday is a holiday).

Commission Reports

Rxx.COMM-DTL.TEXT

Rxx.COMM-SUM.TEXT

Agencies can access the monthly commission summary and detail reports in electronic format via TSO, under the following dataset names:

Rxx.COMM-SUM.TEXT (summary reports)

Rxx.COMM-DTL.TEXT (detail reports)

Where "Rxx" is each agency's unique file prefix node.

1. Each electronic file of summary reports includes all the summary reports for that month (commission, admin & lit) in the same format as the hard copy reports. Similarly, each electronic file of detail reports includes all of the detail data for that month in generally the same format as the hard copy reports.
2. On the file of detail data, payments are grouped by type (as on the hard copy reports) and each section begins with a single-line header record (e.g., "regular," "rehabilitation," and "consolidation"). Similarly, the admin and lit sections begin with a single-line header record.
3. Agencies with more than one contract (e.g., Diversified) will find all of their reports under their 2004 contract file name. Section header records within the file will identify the "AG" number associated with the following records.
4. Any month's data will only be available for about a month. At the beginning of each month, we will overwrite the files with a new month's data. January commission reports are currently available on TSO and will probably be overwritten in early March.
5. We will no longer be distributing the hard copy reports.

Payment Counts

We have developed a new program that will allow you to flag accounts for a pre-rehab eligibility review. These programs employ the same logic as the actual rehab programs and will count the number of consecutive payments the borrower has currently made. To flag an account for review, change the L103 collector code to 00164. We plan to run the program weekly; any accounts flagged by close of business on the previous Friday will be analyzed.

The program will create a TSO file for each agency, under the file name *Rxx.PAYCOUNT.TEXT* (where Rxx is your agency's unique three-character file prefix).

This file will contain one header record indicating the date the file was created. The detail records will include the following data elements:

- SSN
- Count of consecutive monthly payments
- AG code
- Billing amount
- Billing due date

Accounts must be on L103 billing (or on DDP) as of the preceding Friday in order to be evaluated. Agencies with multiple contracts will find all of their records in a single file, under their most recent contract number.

The program will evaluate any account, without regard to the loan types (FFEL, Direct, NDSL-Perkins), but it will only evaluate the payment history--it will not notify you if the account fails to meet other eligibility requirements (e.g., minimum balance, judgments, etc.).

Beginning next week, agencies will be able to request payment count analysis either by changing the collector code (which is the current procedure), or by uploading (i.e., transmitting via EFT) a list of SSNs. Agencies who wish to take advantage of this new option should contact me for instructions and to arrange for testing of the initial request file.

We have modified the "Paycount" and FFEL rehab programs in order to provide PCAs with more detailed information about a borrower's payment history.

If an account is rejected from a FFEL rehab sale because of payment history issues, a more detailed summary of what the programs saw will be added to your "RHABBAD" TSO file. Likewise, if you flag an account for payment history analysis (by changing the collector code to 00164), the programs will create this same detailed record of the borrower's payment history under the TSO file name Rxx.PAYCOUNT.NEWREHAB.TEXT (where Rxx is your agency's unique TSO file name prefix node). The pay count program will continue to create the regular Rxx.PAYCOUNT.TEXT file, which counts the number of consecutive payments under the "old" rehab rules (which are still in effect for NDSL-Perkins rehab).

See the rehab procedures document section on payment analysis (under the rejects file) for layout info.

ERRATA SECTION
(Updates, Corrections, Deletions & Additions)

The following section is designed to track changes within the PCA Procedures Manual, such as the addition of new information or deletion of outdated information; in order for PCAs and ED staff to better determine when procedural changes occurred.

This section will record (by Chapter):

- Where the updated occurred (Chapter, section, page number)
- What information was changed, deleted, or modified, and
- When the modification occurred

When any change occurs within the Manual, the “date last updated” on the front coversheet will be updated with the date the last change/modification occurred.

1. CHANGES

Chapter 1

1. Chapter X, Section X, Subsection X was modified on XX/XX/XX.

Change:



Chapter 2

1. Chapter X, Section X, Subsection X was modified on XX/XX/XX.

Change:

COMMENTS

Any comments, corrections, suggestions should be sent to:

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404-562-6004

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61 Forsyth St., SW
Room 19T89
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