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ABSTRACT
          Specifications of the current student financial aid
system, with attention to the Pell Grant, Guaranteed Student Loan
(GSL), and campus-based programs, are provided. The methodology used
to develop the specifications is also described. The campus-based
programs include the Supplemental Educational Opportunity Grant
Program, the College Work Study Program, and the National Direct
Student Loan Program. For each of the aid programs, program features
are identified for the following components of the delivery system:
pre-application, student application, student eligibility
determination, benefit calculation, fund disbursement, and account
reconciliation. Activities specific to each program are also covered
and further broken down into a series of steps characterized in
input-process-output chains (i.e., activities that initiate a series
of processes, the activities undertaken in response to inputs, and
documents/actions resulting from inputs and processes). A glossary is
appended. (SW)

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NE018121

ASSESSMENT OF ALTERNATIVE STUDENT AID DELIVERY SYSTEMS:

SPECIFICATION OF THE CURRENT SYSTEM

SUPPLEMENT II
TO THE
FINAL REPORT

Prepared for

Credit Management Board
U.S. Department of Education

and

Division of Quality Assurance
Office of Student Financial Assistance
U.S. Department of Education

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"Assessment of Alternative Student Aid Delivery Systems: Specification of the Current System, Supplement II to the Final Report," September 1983.

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CHAPTER ONE
INTRODUCTION AND METHODOLOGY

This report is a supplement to the Final Report for a one year study of the effects of alternative approaches to the delivery of Federal student financial aid. The study is focused on the major Title IV programs:

- The Pell Grant program (formerly Basic Educational Opportunity Grants)

- The Guaranteed Student Loan (GSL) program

- The Campus-Based programs:

    - Supplemental Educational Opportunity Grants (SEOG)
    - National Direct (formerly Defense) Student Loans (NDSL)
    - College Work-Study (CW-S).

The purpose of this study is to provide ninistrators within the U.S. Department of Education, including members of the Credit Management Board and the Secretary, with the information they need for decision-making regarding changes in the student aid delivery system. The study was conducted in three phases. The objectives of these phases were to:

- Phase I:

    - Develop the assessment model
    - Specify the current delivery system

- Phase II:

    - Assess the effects of the current system
    - Identify alternatives to the current system
    - Identify the objectives of the delivery system redesign

- Phase III:

    - Develop detailed descriptions of selected alternatives

    - Assess the differential effects of the alternatives, in comparison to the effects of the current system

-   Assess the time, costs, and risks associated with implementation of each alternative

-   Rank the alternatives according to various objectives of delivery system redesign.

This supplement presents the specification of the current delivery system, completed as part of the first phase.[1] Thse specifications were an important part of this analysis, since the descriptive information they contain made possible the detailed assessment of the current system and the alternatives, as well as the analysis of the time, costs and risks associated with implementation. These specifications can also be used as the basis for detailed design and implementation planning for any changes in the delivery system.

The remainder of this introduction describes the methodology that was utilized to develop these specifications. The following chapters then present the specifications themselves. For more information on other aspects of this study, and on the uses of these specifications, see the Final Report and Supplement I.

1.1 The General Assessment Model

In the first phase of this study, a general assessment model was developed to be used for the analysis of the effects of the current delivery system and alternatives. As illustrated in Figure 1-1, this model was developed in three lengthy documents, and links the features of the delivery system with the features of the programs that the system is designed to implement. The model then traces the effects of the system on its major participants, taking into account the intervening variables that also influence these effects and are beyond the direct control of the Department of Education (ED). The model then develops measures of these effects, and identifies data sources and methods of analysis for each measure.

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[1]As it was originally conceived, this supplement was to have also included detailed specifications of each of the five generic alternative systems selected for assessment. However, it was found that the less detailed descriptions available in Appendix A of the Final Report were adequate for the purposes of decision-making, forward planning, and further refinement. Due to the limited availability of resources, the Department therefore decided not to include these detailed specifications in this supplement. For the detailed descriptions of the proposals which formed the basis of these generic alternatives, see the draft report titled "Framework for the Specification of Alternatives".
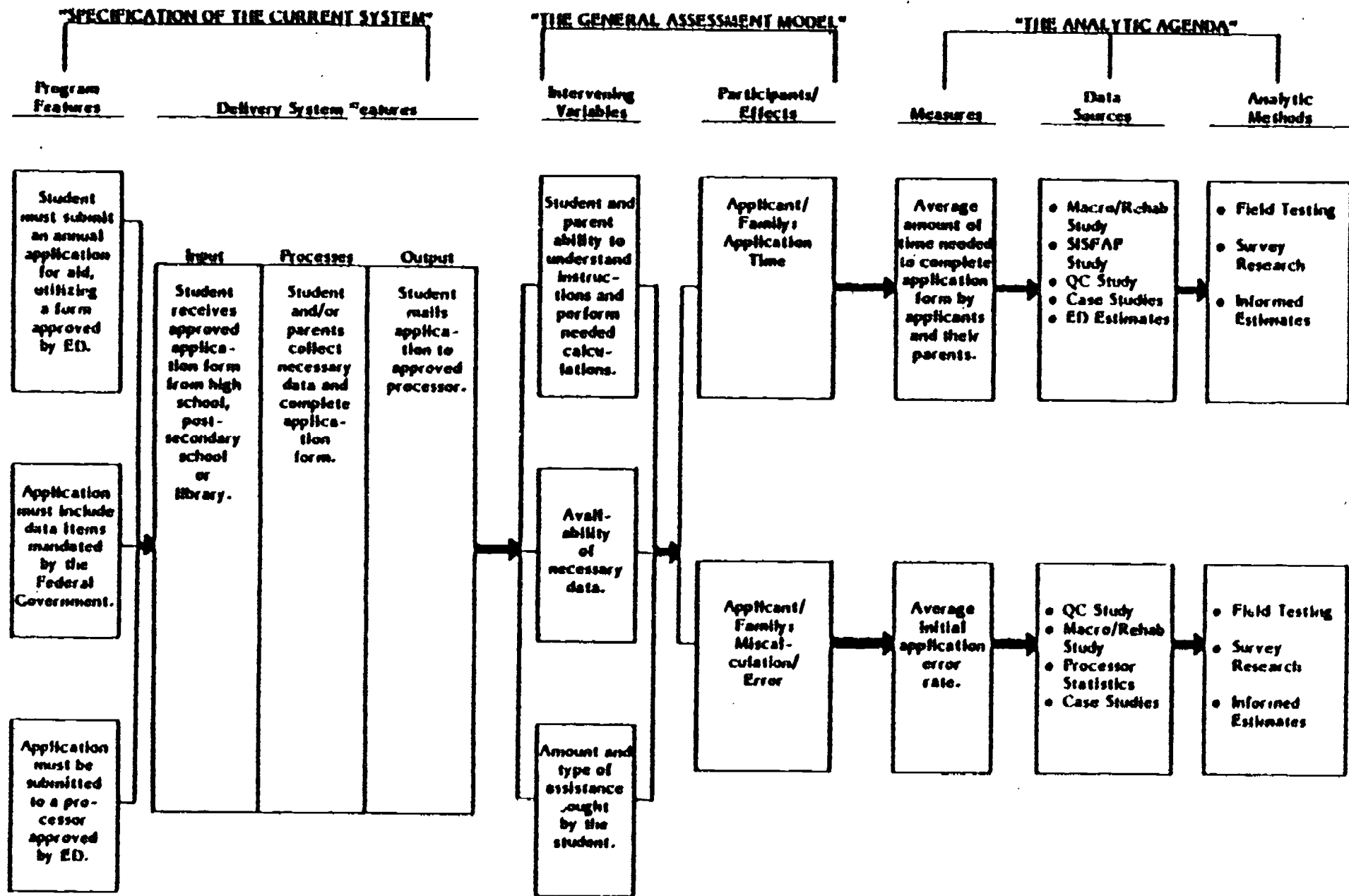
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"SPECIFICATION OF THE CURRENT SYSTEM"   "THE GENERAL ASSESSMENT MODEL"   "THE ANALYTIC AGENDA"

Program Features	Delivery System Features			Intervening Variables	Participants/ Effects	Measures	Data Sources	Analytic Methods

Program Features:
- Student must submit an annual application for aid, utilizing a form approved by ED.
- Application must include data items mandated by the Federal Government.
- Application must be submitted to a processor approved by ED.

Delivery System Features:

Input	Processes	Output
Student receives approved application form from high school, post-secondary school or library.	Student and/or parents collect necessary data and complete application form.	Student mails application to approved processor.

Intervening Variables:
- Student and parent ability to understand instructions and perform needed calculations.
- Availability of necessary data.
- Amount and type of assistance sought by the student.

Participants/Effects:
- Applicant/Family: Application Time
- Applicant/Family: Miscalculation/ Error

Measures:
- Average amount of time needed to complete application form by applicants and their parents.
- Average initial application error rate.

Data Sources (top):
- Macro/Rehab Study
- SISFAP Study
- QC Study
- Case Studies
- ED Estimates

Analytic Methods (top):
- Field Testing
- Survey Research
- Informed Estimates

Data Sources (bottom):
- QC Study
- Macro/Rehab Study
- Processor Statistics
- Case Studies

Analytic Methods (bottom):
- Field Testing
- Survey Research
- Informed Estimates

FIGURE 1-1

THE GENERAL ASSESSMENT MODEL: AN EXAMPLE

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Chapters Two through Four of this supplement present the first part of this model, the features of the delivery system and the associated program features which they are designed to implement. More information on the general assessment model and its applications is presented in the Final Report and Supplement I.

1.2 Framework for the Specification

The first step in developing the specification of the current system was the development of a framework based on the hierarchical inputs-processes-outputs (HIPO) structure which is frequently used in systems design and development. In the case of student aid delivery, the functional hierarchy is defined by the features of the program, which determine the requirements that the delivery system must meet. The operational inputs, processes and outputs represent the features of the delivery system which are designed to accomplish the goals of the programs. Program features include laws, regulations and administrative decisions, while delivery system features are the procedures that are used to implement these decisions.

This framework was further refined, by developing a categorization hierarchy that moves from the general to the specific. More precisely, this categorization includes:

- The programs and delivery system were first divided into three components, representing the programs under consideration:

    - The Pell Component
    - The GSL Component
    - The Campus-Based Component.

- Each of these components were then subdivided into six subsystems, representing the general functional categories of the student aid programs and delivery system.

    - The Pre-Application Subsystem
    - The Student Application Subsystem
    - The Student Eligibility Determination Subsystem
    - The Student Benefit Calculation Subsystem
    - The Funds Disbursement Subsystem
    - The Account Reconciliation Subsystem.

- Each of these subsystems were then further subdivided into a number of activities, that represent the specific functions that must be accomplished. These activities vary for each component, due to the differences in the requirements of each program. These program requirements are identified for each activity. The activities are presented in Figure 1-2.

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This chart lists the activities by subsystem which are currently utilized to implement the Pell Grant, GSL (state agency) and Campus-Based programs. Activities which are at least partially integrated across programs are marked with an asterisk (*).

THE PELL COMPONENT	THE GSL COMPONENT	THE CAMPUS-BASED COMPONENT
1. Pre-Application Subsystem	**1. Pre-Application Subsystem**	**1. Pre-Application Subsystem**
1.1 ED Budget Forecasting	1.1 ED Budget Forecasting	*1.1 ED Budget Development
*1.2 ED Budget Development	*1.2 ED Budget Development	*1.2 Development and Promulgation of Federal Regulations
*1.3 Development and Promulgation of Federal Regulations	1.3 ED Clearance of GA Regulations, Forms and Manuals	*1.3 ED Forms Development
*1.4 ED Forms Development	*1.4 Development and Promulgation of Federal Regulations	*1.4 ED Information Dissemination and and Training
*1.5 ED Information Dissemination and Training	*1.5 ED Forms Development	*1.5 ED Contract Development and Support
*1.6 ED Contract Development and Support	*1.6 ED Information Dissemination and Training	*1.6 ED Systems Planning and Revision
*1.7 ED Systems Planning and Revision	*1.7 ED Contract Development and Support	*1.7 ED Determination of Institutional Eligibility and Certification
*1.8 ED Determination of Institutional Eligibility and Certification	*1.8 ED Systems Planning and Revision	1.8 Establishment of Payment Systems for Institutions[1]
1.9 Establishment of Payment Systems for RDS Institutions[1]	*1.9 ED Determination of Institutional Eligibility and Certification	1.9 ED State Allotment
1.10 ED Initial Authorization of Funds to RDS Institutions	1.10 Optional GA Determination of Institutional Eligibility	1.10 Institutional Application for Funds
*1.11 Institutional Planning and Information Dissemination	1.11 GA Determination of Lender Eligibility	1.11 Tentative Institutional Allocation of Funds
	*1.12 Institutional Planning and Information Dissemination	1.12 Appeal of Tentative Allocation
	1.13 GA Planning and Information Dissemination	1.13 Final Allocation
	1.14 Lender Planning	1.14 Low-Income School List Development
		*1.15 Institutional Planning and Information Dissemination
2. Student Application Subsystem	**2. Student Application Subsystem**	**2. Student Application Subsystem**
*2.1 Student Application	*2.1 Student Application	*2.1 Student Application
3. Student Eligibility Determination Subsystem[2]	**3. Student Eligibility Determination Subsystem[2]**	**3. Student Eligibility Determination Subsystem[2]**
*3.1 Student Eligibility Determination	*3.1 Student Eligibility Determination	*3.1 Student Eligibility Determination
*3.2 Validation	*3.2 Optional Validation	*3.2 Optional Validation
4. Student Benefit Calculation Subsystem[2]	**4. Student Benefit Calculation Subsystem[2]**	**4. Student Benefit Calculation Subsystem[2]**
*4.1 Student Award Calculation (RDS)	*4.1 Institutional Determination of Loan Limits	*4.1 Student Award Calculation
*4.2 Student Award Calculation (ADS)	4.2 Lender Determination of Loan Amount	
	4.3 Guarantee Approval	

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[1] This activity is identical and completely integrated for the Pell and Campus-Based components.

[2] The starred activities under these subsystems are generally integrated at the institutional level, when the financial aid office determines aid packages for each student.

FIGURE 1-2

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CHART OF CURRENT DELIVERY SYSTEM ACTIVITIES

THE PELL COMPONENT (CONT'D)

5. Funds Disbursement Subsystem

   5.1   ED Disbursement to Institutions[3]
   5.2   RDS Institution Disbursement to Student
   5.3   ED Disbursement to ADS Students
  *5.4   Refunds

6. Account Reconciliation Subsystem

   6.1   Student Account Reconciliation
   6.2   Institution Account Reconciliation
  *6.3   Institution Audit
  *6.4   ED Program Review of Institutions

THE GSL COMPONENT (CONT'D)

5. Funds Disbursement Subsystem

   5.1   Issuance of Promissory Note
   5.2   Loan Disbursement
  *5.3   Refunds
   5.4   Note Transfer and/or Servicing Contract
   5.5   Interest and Special Allowance Payments
   5.6   ED Advances to GAs
   5.7   Administrative Cost Allowance Payment to GAs

6. Account Reconciliation Subsystem

   6.1   Enrollment Status Reporting
   6.2   Loan Consolidation
   6.3   Development of Repayment Schedule
   6.4   Loan Repayment
   6.5   Repayment Deferment
   6.6   Claims and Collections
   6.7   Lender Reporting
   6.8   GA Reporting
   6.9   Lender Reviews
  6.10 GA Audits
  6.11 ED Program Review of GAs
 *6.12 Institutional Audit
 *6.13 ED Program Review of Institutions

THE CAMPUS-BASED COMPONENT (CONT'D)

5. Funds Disbursement Subsystem

   5.1   ED Disbursement to Institutions[3]
   5.2   Award Acceptance
   5.3   SEOG Disbursement
   5.4   NDSL Disbursement
   5.5   CW-S Disbursement
  *5.6   Refunds

6. Account Reconciliation Subsystem

   6.1   NDSL Repayment
   6.2   NDSL Deferment
   6.3   NDSL Cancellation
   6.4   NDSL Collections
   6.5   Institutional Account Reconciliation
  *6.6   Institutional Audit
  *6.7   ED Program Review of Institutions

[2]The starred activities under these subsystems are generally integrated at the institutional level, when the financial aid office determines aid packages for each student.

[3]The initial disbursement of Pell and Campus-Based funds is completely integrated.

FIGURE 1-2 (Cont.)

CHART OF CURRENT DELIVERY SYSTEM ACTIVITIES

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- Each activity was then further subdivided into the actual delivery system inputs, processes and outputs that are utilized to accomplish the activity.

This categorization makes it possible to link the features of the delivery system with the program features they are designed to implement for each activity within the system. Chapters Two through Four present the use of this framework to specify the current delivery system.

1.3 Methodology

To develop the specifications in these chapters, a series of analytical steps were utilized. Because there were no existing, detailed descriptions of the delivery system, these specifications went through a number of iterations to ensure their accuracy.

The first step was the development of a preliminary version of the assessment model, which included a general overview of the relationship between program features and delivery system features. Next, research on the programs and on the delivery system was temporarily decoupled to ensure a comprehensive inventory of all the relevant features. This preliminary research relied primarily on in-house sources of information.

To develop a comprehensive description of the major features of the programs, the study team developed a list of questions which must be answered by the features of any program that is designed to deliver funding. These questions were then answered by reviewing previous studies and the applicable laws. In-house personnel with substantial program knowledge were also interviewed. In a few selected cases, ED personnel were interviewed by telephone. The study team also developed a legislative history of the programs which traced the major steps in their evolution.

Independently, the study team also developed a preliminary list of delivery system activities, and description of the associated inputs, processes and outputs, utilizing the same sources of information mentioned above. After completing these steps, the team matched the relevant program features with each delivery system activity. These preliminary specifications were then printed and distributed for review.

Personnel within the Department of Education and the aid community assisted greatly with the further refinement of these specifications. A large number of Office of Student Financial Assistance (OSFA) staff members, as well as a few staff

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from other ED offices, reviewed the preliminary specifications and offered detailed comments. Extensive interviews were also conducted with ED personnel to collect additional information and clarify specific aspects of the specifications. A full set of ED forms, manuals and handbooks were collected, along with the applicable regulations, and were carefully reviewed by members of the project team.

Through site visits and the study's Technical Advisory Panel, information was also collected from the aid community. Seventeen sites were visited, including diverse types of postsecondary institutions, state agencies, lenders and secondary markets. A substantial portion of these visits were devoted to collecting detailed information on how each organization accomp......hed their responsibilities with the delivery system. Documentation and studies were also collected from each site, as well as copies of the forms used by each organization.

Throughout this study, a Technical Advisory Panel provided guidance, ideas and data. This Panel consisted of administrators from postsecondary institutions, state agencies and a lender, who have extensive experience and knowledge related to student aid. This Panel also reviewed the preliminary specifications, and provided comments and additional information.

The study team then revised the specifications, incorporating all of the information received from the above sources. These revised specifications then went through an extensive in-house review, and were also submitted to ED for further comment. The specifications were then finalized, and are presented in this final form in Chapters Two through Four.

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CHAPTER TWO
THE CURRENT SYSTEM: PELL COMPONENT

The Pell Grant program, formerly called Basic Educational Opportunity Grants, was first created under the 1972 Amendments to Title IV of the Higher Education Act of 1965. This program provides Federal grant monies to eligible undergraduate postsecondary students. The purpose of this program is to provide financial resources to needy students, to encourage school attendance.

The delivery system that has evolved utilizes a central application processor, who is under contract to the Federal government. For most recipients, Federal funds are channeled through eligible postsecondary schools, who then distribute the funds to eligible recipients. Approximately one percent of the recipients receive funds directly from the Federal government, through the Alternate Disbursement System. The Federal government also collects per-applicant and recipient data for this program.

The following pages specify the current delivery system for the Pell Grant program, and identify the program features related to each activity. The methodology and format used in this specification are discussed in Chapter One, and a list of the activities was presented in Figure 1-2.

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PELL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.1 ED Budget Forecasting Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.1 • Program is quasi-entitlement; all students meeting eligibility criteria are entitled to a Pell Grant, the amount of which is determined by the family contribution schedule and established payment schedules.	1.1.1 • OPPD and DPO develop fund forecast model	• Expenditures and number of recipients are forecast for award year, using proposed grant award schedules and rules.	• Budget forecast is developed and forwarded to OPBE.

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PELL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.2 ED Budget Development Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
1.2 • Program is forward funded, and appropriation requests are developed by ED annually and supplemented as necessary. Requests are determined primarily by estimates of the number of recipients and award amounts and policy and budgetary priorities.	1.2.1 • DPPD/OPBE develop budget based on estimates from the forecast model and on policy decisions and priorities.	• Budget request approved through OSFA, OPBE, and ED Secretary.	• Initial ED budget document is completed.
	1.2.2 • ED submits budget to OMB.	• OMB reviews budget.	• Budget document approved/revised by OMB.
• Congress annually determines appropriations according to standard government-wide procedures. This process is repeated during a fiscal year if appropriations need to be adjusted.	1.2.3 • OMB submits administration's budget to Congress.	• Congress reviews, debates, and revises or approves budget. • Congress appropriates funds.	• Appropriated funds are authorized to be obligated by OMB.

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1. PRE-APPLICATION SUBSYSTEM

1.3 Development and Promulgation of Federal Regulations Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.3 • ED has authority to administer program and promulgate regulations. • Regulations governing the Expected Family Contribution Schedule (FCS) must be promulgated annually. • Regulations governing administrative and technical requirements, award calculation procedures, cost of attendance criteria, eligibility criteria, and need analysis formula, etc., are promulgated as needed.	1.3.1 • ED determines the need for regulations.	• DPPD drafts regulations. • DPPD sends draft through OFSA, OPE, OPBE, and OGC to ED Secretary for revision or approval.	• Draft regulations are completed and cleared.
	1.3.2 • NPRM is published in Federal Register by ED.	• Public responds to published NPRM.	• Draft regulations are revised by ED as needed.
	1.3.3 • Proposed regulations are submitted to OMB by ED.	• OMB either objects to proposed regulations (in which case they are revised and resubmitted) or approves them.	• OMB-approved regulations returned to ED.
	1.3.4 • ED submits final regulations to Congress.*	• Congress reviews regulations. • Congress either disallows regulations (in which case they are revised and resubmitted) or allows them to stand.	• Final regulations are published in Federal Register.

* This step will probably be deleted as the result of a recent Supreme Court decision.

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PELL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.4 ED Forms Development Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.4	● ED is required to maintain summary statistics on program, to determine institutional eligibility, to process student applications for grants, to monitor institutional disbursement of grant awards, etc.	1.4.1 ● DPPD and/or DPO determine data needed for ED processing and recordkeeping.	● DPPD and/or DPO determine changes in forms and instructions. ● Forms and supporting documentation are submitted to DEIM for review and clearance.	● Request for changes in forms and instructions submitted to OMB.
	● Form and instructions must be developed for ED reporting, processing, and recordkeeping, including: - Application for Federal Student Aid (ED 255) - Special Condition Application (ED 255-2) - Official Authorization Letter (ED 255-5) - ADS Request for Payment (ED 304, 304-1) - Student Aid Report (ED 255-1) - Institutional Progress Report (ED 255-3) - Student Validation Roster (ED 255-4).	1.4.2 ● OMB reviews forms and instructions. 1.4.3 ● DPPD, DPO, and DTD establish printing quantities and submit requisitions to GPO or required printer.	● OMB accepts or rejects proposed changes (in which case they are revised and resubmitted). ● Forms and instructions are printed. ● Forms are delivered to ED.	● Approved forms are returned to ED. ● Forms are delivered to relevant participants.

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PELL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.5 ED Information Dissemination and Training Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.5 • ED may provide training to program participants and OSFA personnel at its discretion.	1.5.1 • Division of Training and Dissemination (DTD)* determin: training needs.*	• DTD plans training sessions, sometimes using contractors.	• Training is provided by DTD.
• ED must write handbooks and manuals for program participants and the general public.	1.5.2 • DTD determines need for information dissemination.	• DTD prepares handbooks and manuals, with input from DPPD and DPO.	• Manuals and handbooks are printed and distributed by DTD.
• ED must answer inquiries from program participants and the general public.	1.5.3 • DTD and its contractors receive inquiries from OSFA personnel, other program participants, and the general public, by mail, phone and during training sessions.	• DTD assembles DPPD/DPO answers to inquiries.	• Inquiries are answered by DTD.

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* In addition to its training and information dissemination activities, DTD provides mail services for OSFA.

** Training sessions are usually planned for postsecondary financial aid administrators and fiscal officers, and high school counselors as well as OSFA headquarters and regional personnel. Other sessions may be developed as necessary.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.6 • ED may accomplish administrative functions through contractors. • ED must must comply with government-wide contracting policies and requirements.	1.6.1 • OSFA reviews processing needs and current contract support.	• OSFA determines need for additional contract support and/or for rebidding of existing contracts. • OSFA obtains clearances for issuing Requests for Proposals (RFPs). • OSFA develops RFPs.	• Requests for Proposals are published and disseminated.
	1.6.2 • OSFA receives proposals.	• OSFA reviews and evaluates proposals. • OSFA negotiates contract awards.	• Contracts are awarded to contractors.

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PELL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.7 ED Systems Planning and Revision Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.7 ● Program is subject to statutory, regulatory, policy and procedural changes. ● The Federal government is responsible for Pell application processing, disbursements, and reporting. ● ED accomplishes many of its data processing functions in the Pell program through the use of contractors.	1.7.1 ● OSFA reviews changes in statutes, regulations, and policies as well as relevant systems and procedures.	● DPO/DPPD assess need for revisions in internal and contracted systems. ● DPPD and DPO develop specifications to revise systems and procedures which may include: - Processing requirements - Editing criteria - Pell Grant formula/payment schedule requirements - Test cases - Computer comments - Form letters. ● DPPD and DPO relay system revision specifications to contractors or DSDD for implementation. ● Contractors, DSDD, DPPD and/or DPO test revised systems if necessary.	● New procedures and systems are implemented as needed.

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1. PRE-APPLICATION SUBSYSTEM

1.8 ED Determination of Institutional Eligibility and Certification Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.8	● To administer or participate in Title IV programs, institutions must be eligible under Congressionally established criteria.	1.8.1 ● Institution completes and submits Request for Institutional Eligibility (ED Form 1059) to ED.	● OPE reviews application and confirms eligibility, denies it, or requests additional information.	● OPE sends Eligibility Letter and Program Participation Agreement to institution if eligible, or notifies institution of reason for ineligibility.
	● Different Pell eligibility criteria are used for: - Traditional higher education institutions - Proprietary institutions - Postsecondary vocational institutions.	1.8.2 ● Institution completes Application for Certification (ED Form 633) and submits the application and Program Participation Agreement signed by school's chief executive officer to ED.	● DCPR reviews application and evaluates institution's financial responsibility and administrative capability, requesting additional information if needed. ● DCPR conducts program review of institution. (See activity 6.5.) ● DCPR approves or disapproves eligibility.	● If the school is determined responsible and capable, a copy of the Program Participation Agreement, signed by ED Secretary or designee, is mailed to the school. If not, the school is notified. DCPR also establishes annually a list of certified institutions and sends it to DPO and regional offices. Additions and deletions to the list are also distributed periodically throughout the year.
	● Individual educational programs administered by an institution must also meet established eligibility criteria.			
	● Institution must keep the Eligibility Letter available for review by ED officials.			
	● See program features on next page.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		

• To administer or participate in the Pell program, institutions must comply with the statutory and regulatory requirements of the Student Assistance General Provisions, Student Consumer Information Services Provisions, and the Pell Provisions under Title IV. These provisions include:

- No discrimination on the basis of race, color, national origin, sex, handicap, and age
- Dissemination of information on financial aid, academic programs, and the institution
- Annual or biennial audits of financial aid programs, under ED guidelines
- Maintenance of systematically organized records, including mandated information on aid recipients and other students, which must be made available for ED review upon request.

• See program features on next page.

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PELL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.8 ED Determination of Institutional Eligibility and Certification Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		
• To administer or participate in the Pell program, institutions must be certified by ED as administratively capable and financially responsible, and must be recertified every three years.			
• Institutions become eligible to participate in Title IV programs on the date the ED Secretary or his designee signs the Program Participation Agreement.			
• ED may require that institutions take corrective actions, or may fine, suspend, or terminate eligibility for institutions which:			
- Misrepresent information - Violate laws or regulations - Change ownership or close - Have default rates in excess of 20% - Have student withdrawal rates in excess of 33%.			

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1. PRE-APPLICATION SUBSYSTEM

1.9 Establishment of Payment Systems for RDS Institutions Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.9 • Institutions indicate on the Program Participation Agreement whether they wish to participate in the Pell Grant program's Regular Disbursement System (RDS) or Alternate Disbursement System (ADS). Under the former system, Federal funds are distributed to eligible applicants by the school. Under the latter system, ED disturses funds directly to eligible students.	1.9.1 • Institution, if eligible, may request Letter of Credit payment method from ED.	• DPO sets authorization limit. • ED Finance arranges for Letter of Credit payment system to be established for institution. • ED Finance notifies Treasury. • Institution establishes account at a commercial bank that acts as its agent with Treasury.	• Letter of Credit account is established for institution.
• Under the RDS, institutions may choose to receive payments through the Letter of Credit, if eligible, or the Cash Advance Request system payment methods.	1.9.2 • Institution may request Cash Advance Request system payment method.	• DPO sets authorization limit. • ED Finance arranges for Cash Advance Request payment system to be established for institution. • ED Finance notifies Treasury.	• Cash Advance Request system payment method is established for institution.
• To be eligible for the Letter of Credit payment method, institution must be scheduled to receive at least $120,000 yearly from ED.			
• For the Letter of Credit, ED authorizes the institution to draw funds as needed, up to the established ceiling, from the Federal Reserve System through a Federal Reserve Bank or a local commercial bank.			
• See program features on next page.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		
• For the Cash Advance Request System payment method, ED authorizes institutions to draw funds monthly, directly from the Federal government through ED Finance, under guidelines:			
- Funds may be requested only after institution has received an official Authorization Letter from ED, and only to meet current disbursements.			
- Institutions must request funds needed; funds are not advanced automatically.			
- Cash Advance Request System is for all programs ED Finance administers, not Pell Grants only.			
- Amount of each request cannot exceed combined grant authorization minus all previous payments received for award year.			

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PELL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.10 ED Initial Authorization of Funds to RDS Institutions Activity *

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.10 • Under RDS, participating institutions are responsible for disbursing Federal funds to eligible students. • RDS institutions receive an initial authorization, based on a formula developed annually by ED, which is an estimate of the funds the institution will need to pay grant recipients for the first scheduled payment period. Available funding is determined by Congressional appropriations. • RDS institutions receive an administrative cost allowance if it is included in the appropriation language for the award year.	1.10.1 • Pell Grant Disbursement System processor determines by funding algorithm an estimate of funds each institution requires for first payment period of award year and submits tape to ED Finance.	• ED Finance approves authorization levels. • Pell Grant Disbursement System processor generates Institutional Authorization Letter, which notifies institution of initial obligation.	• Institutional Authorization Letter is sent to Institution by DPO.

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* This activity is generally initiated four to six months after application processing has begun.

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PELL COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.11 Institutional Planning and Information Dissemination Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.11 • Participating institutions must meet information dissemination require- ments. Information must be pub- lished on costs of attendance, all aid programs, academic programs, school accreditation, approval and/or licens- ing status, the accessibility of the facilities for handicapped persons, and persons to contact for further information. Vocational schools must also provide information on the employment of their graduates.	1.11.1 • Institution reviews program requirements and changes, as well as internal policies.	• Institution assesses needs and revises internal systems, forms and manuals as needed. • Institution disseminates program information.	• Institution is prepared for the coming award year.
• The information must be made read- ily available (or mailed) to all current and prospective students, and school must designate employee(s) who will help students get this information.			
• Program requirements developed by ED are subject to change, and include procedural and recordkeeping requirements.			

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2. STUDENT APPLICATION SUBSYSTEM

2.1 Student Application Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
2.1 • Students must file a single approved application annually, through an authorized processor, to receive a Pell Grant. Authorized processors include the Pell Grant central processor and some needs analysis services.	2.1.1 • Student obtains application form* from their post-secondary school, high school, public library or Federal government.	• Student and/or parents fill out either Application for Federal Student Assistance or one of the approved needs analysis service forms, if required by institution.	• Application is completed by student.
• There is no charge to the student for Pell Grant processing. However, if the school(s) of choice designate a needs analysis service form to be used as an application for other aid programs, the student may be charged a fee for processing the application for other aid.	2.1.2 • Student sends completed application and application fee, if required, to appropriate processor.	• Student and/or parents fill out special condition form if relevant and supplemental forms if required by the institution(s) of choice. • If application is sent to needs analysis processor, appropriate data are forwarded to Pell Grant central processor.	• A SAR requesting additional information is sent to the student if application data are incomplete or inconsistent.
• Applicants may fill out a special condition form if relevant to their circumstances.		• Central processor passes application data through series of computer checks.	
• Institutions may require that supplemental forms be completed.	2.1.3 • If student receives SAR requesting additional information, student and/or parents make additions or corrections on SAR.	• Student resubmits SAR to central processor.	• Processor passes SAR through editing for consistency and completeness. (The procedure of sending SAR to student requesting additional information and/or corrections and student responding is repeated until all required data are received for processing.)
• Students must file application with processor between January 1 prior to the award year and March 15 of the award year to be eligible for a grant.			
• The application must contain demographic and financial data used by processor and institution to determine eligibility and financial need.			

* In many cases, the student will receive one packet of application materials from the school for all sources of aid.

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.1 Student Eligibility Determination Activity*

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
3.1 • Processor is responsible for preliminary determination of student eligibility for a Pell Grant, and for calculation of the Student Aid Index (SAI).	3.1.1 • Processor edits application data against established eligibility criteria.	• Processor determined whether student meets basic eligibility criteria.	• Student eligibility for a Pell Grant is determined.
• To be eligible for a Pell Grant, students must meet basic eligibility criteria established by law and regulations:	3.1.2 • Processor calculates SAI utilizing financial data supplied by student and mandated by formula.	• Processor generates a Student Aid Report (SAR) for each applicant.	• SAR is sent to student by processor, notifying him or her of approval or disapproval of categorical eligibility, as well as whether SAI is in eligible range.
- Be a U.S. citizen, national or permanent resident			
- Not have a bachelor's degree			
- Be accepted or enrolled in an eligible program and institution			
- Be enrolled at least half-time			
- Maintain satisfactory academic progress and be in good standing			
- Owe no Title IV grant repayment at the same institution			
- Owe no Title IV loan default at the same institution			
- File a statement that aid will be used for educational purposes only			
- File a financial aid transcript, if required			
- Register with the Selective Service, if required.			
o See program features on next page.			

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PELL COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.1 Student Eligibility Determination Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		

- To be eligible for a grant, a student must demonstrate financial eligibility exists as defined by the program. Congress and ED establish financial need criterias
- Dependency status
- Adjusted gross income
- Social Security benefits
- Other nontaxable income
- Veteran's educational benefits
- Home/business/investment assets
- Cash/savings/checking
- Federal income taxes paid
- Household size
- Number attending postsecondary institution
- Parents'/students' marital status
- Medical expenses
- Other educational expenses
- Dependent student's income/assets.

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PELL COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.2 Validation Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
3.2 • In order to reduce error and mis-reporting by applicants, certain applications are selected for validation. The percentage of applications to be validated fluctuates depending on ED policy decisions.	**3.2.1** • Central processor flags application for validation and sends SAR (along with a request for verification documents) to the applicant.	• Applicant receives SAR.	• Applicant submits SAR to school.
• Upon request, applicants must submit verifying documentation to the institution for review before a grant payment can be disbursed.	**3.2.2** • Institution receives SAR.	• Institution requests applicant to submit the necessary documentation. • Institution reviews SAR and documentation, requesting additional information if needed.	• If school is in ADS, school submits SAR and documentation to DCPR. If school is in RDS, school retains SAR and documentation.
• Institutions are required by ED to collect and validate: - A signed copy of the independent applicant's or the dependent applicant's parent's Federal income tax return that is identical to that filed with the IRS, or - A signed statement attesting that all data on the application are correct and that no tax return was or will be filed with the IRS, and - A statement from the Social Security Administration verifying applicant's benefits (if so requested on the SAR).	**3.2.3** • DCPR receives SAR and documentation, or school retains SAR and documentation.	• DCPR or institution compares SAR and documentation. • Institution or DCPR retains documentation.	• If validation leads to the conclusion that the SAR is correct, go to 4.1 or 4.2. If validation indicates that the SAR is incorrect, school or DCPR instructs applicant to make the necessary corrections, sign the SAR, and return it to the processor (go to 3.1).*
• Institutions also may validate data elements of their own choosing and on their own volition.			
• See program features on next page.			

* Under RDS, the institution must check the revised SAR for correctness after reprocessing. Under ADS, DCPR notifies schools when validation is completed.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
● See program features on previous page.	● See subsystem steps on previous page.		

● Applicants chosen for validation are given a 30-day period in which to provide documentation. Any applicant not complying within the 30-day period or the extension period (60 days after the last day of enrollment or August 15) forfeits the Pell Grant award for the entire year and is required to repay the full amount if disbursed.

● RDS institutions have two options in disbursing grant awards to students whose SARs have been flagged for validation:

- The institution may require the student to submit all required documentation before disbursing any award payment.

- The institution may disburse up to one-half the amount of the award for the award year, based on the SAI shown on the SAR under review, before receiving the documentation required for validation.

Under the second option, if the student fails to submit validation documents and, if necessary, the reprocessed SAR, before the end of the extension period, the institution must restore the full amount paid to the student to the Pell Grant fund.

● In certain cases, institutions can refer validation cases to ED for resolution.

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4. STUDENT BENEFIT CALCULATION SUBSYSTEM

4.1 Student Award Calculation (RDS) Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
4.1 ● In RDS, schools are responsible for calculating grant amounts for eligible applicants.	4.1.1 ● Applicant submits SAR to institution. (See 3.2 for validation processes.)	● Institution reviews student's eligibility status by checking SAR and its own records.	● Student is notified of ineligibility if applicable. If eligible, school may notify student of award amount. (See 5.2 for grant disbursement.)
● Grant amount is determined for eligible students using established criteria:		● Institution determines size of student's grant according to program criteria.	
- Enrollment status - Student Aid Index - Cost of attendance - Term length and type of school - Congressionally approved Pell Grant Payment Schedule.		● Institution determines number of individual disbursements.	
● Institution may utilize only the required criteria to determine awards. No discretion in benefit calculation is permitted.			

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4. STUDENT BENEFIT CALCULATION SUBSYSTEM

4.2 Student Award Calculation (ADS) Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
4.2 • A relatively small number of students (approximately 35,000) receive Pell Grants under the Alternate Disbursement System. These students attend institutions which cannot, or choose not to, calculate and disburse grant awards. Under ADS, ED acts as the financial aid administrator, calculating awards and issuing payments directly to the students.	**4.2.1** • Applicant submits SAR and Request for Payment (ED form 304) to institution. (See 3.2 for validation process.)	• Institution reviews student's eligibility status by checking SAR and its own records. • If student is eligible, institution completes and certifies the relevant portion of the 304 form.	• SAR and 304 form are returned to student.
• Grant amount is determined for eligible students using established criteria: - Enrollment status - Student Aid Index - Cost of attendance - Term length and type of school - Congressionally approved Pell Grant Payment Schedule.	**4.2.2** • Applicant submits SAR and 304 form to processor.	• Processor determines award amount according to program criteria.	• Notice of initial award amount is indicated on form 304-1 (Request for Additional Payments) which is sent to student. (See 5.3 for grant disbursement.)

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5. FUNDS DISBURSEMENT SUBSYSTEM

5.1 ED Disbursement to Institutions Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
5.1 • Under RDS, institutions are responsible for distributing Federal funds to eligible students. • Institutions may request payment from ED through the established Letter of Credit or Cash Advance Request systems. See also program features under activity 1.9. • RDS institutions must file periodic Progress Reports (ED Form 255-3) as well as SARs collected to date to the Pell Grant Disbursement System processor. • The Progress Report shows expenditures to date and estimated future expenditures, as well as other related information. • Progress Reports must be filed for accounting periods ending Oct. 31, Feb. 28, and June 30, and must reflect cumulative expenditures and obligations of Pell Grant funds for the award year. • See program features on next page.	5.1.1 • If utilizing the Cash Advance Request System, RDS institution submits a Recipient Cash Advance form (ED Form 874) to cover estimated expenditures for each month. 5.1.2 • If utilizing the Letter of Credit payment method, institution periodically submits Payment Voucher (TSF Form 5401) to its commercial bank. 5.1.3 • All RDS institutions submit, by specified dates three times each award year (and on an ad hoc basis if needed), a Progress Report (ED 255-3) and SARs collected to date. (See also activity 6.1 for use of Progress Reports.)	• ED Finance certifies payments and obligates funds up to authorization level. • ED Finance sends tape to Treasury. • Bank forwards copies of TSF 5401 to the Federal Reserve Bank and credits school's account. • Federal Reserve Bank sends copy of of TSF 5401 to Treasury and credits bank's account. • Treasury sends copy of TSF 5401 to ED Finance and credits Reserve Bank's account. • Pell Grant Disbursement System and DPO evaluate the Progress Report to determine authorization adjustments. • ED Finance is notified of all adjustments.	• Treasury transfers funds (by check) to the institution. • Institution receives funds, and ED Finance updates records. • Institution receives Authorization Adjustment Letter periodically from Pell Grant Disbursement System processor, if relevant.

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5. FUNDS DISBURSEMENT SUBSYSTEM

5.1 ED Disbursement to Institutions Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
• See program features on previous page.	5.1.4 • Each calendar quarter, RDS institution submits Recipient Report of Expenditures (ED Form 868). Institutions using Cash Advance Request System also submit Cash Reconciliation Statement, indicating total funds expended during quarter and cash balance on hand.	• ED Finance receives and processes reports.	• ED Finance updates its records.
• Progress Reports may be filed on an ad hoc basis if the authorization must be adjusted to carry out program obligations until the next scheduled adjustment.			
• Both RDS and ADS institutions receive an administrative cost allowance if it is included in the appropriation language for the award year. The cost allowance is based upon the number of grant recipients attending during the award year.	5.1.5 • If approved by Congress, Pell Grant Disbursement System processor calculates the number of eligible recipients for each school three times during the award year and submits tape to ED Finance.	• ED Finance approves payments. • ED Finance certifies payment and obligates funds. • ED Finance sends tape to Treasury.	• Treasury transfers funds to institutions.
• Funded RDS institutions eventually receive all funds necessary to make awards to all eligible students having submitted valid SARs.			

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5. FUNDS DISBURSEMENT SUBSYSTEM

5.2 RDS Institution Disbursement to Student Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.2 • Under RDS, institution may make grant payment to student by check, by crediting student's account, or both. • A grant payment must be disbursed at least once per term, or twice per year for clock-hour schools.	5.2.1 • RDS institution completes activities under subsystems 3 and 4, determining eligibility and amount of grant for recipient.	• Institution disburses grant award payment each term to student by check, by crediting student's account, or both, according to program requirements.	• Student receives Pell Grant payments.

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PELL COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM

5.3 ED Disbursement to ADS Students Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.3 • Under ADS, ED makes grant payments directly to student. • Payments must be disbursed at least twice a year. Students in term-based schools are eligible to request subsequent payments at the beginning of each new term; requirements differ for clock-hour schools.	5.3.1 • Student submits ADS Request for Payment of Pell Grant (ED Form 304) to ED ADS processor after completion of activities under subsystems 3 and 4.	• ED ADS processor processes forms and forwards tapes to DPO; DPO then reviews and forwards tapes to ED Finance and Pell Grant Disbursement System processor. • ED Finance certifies payments and obligates funds. • Tape is forwarded to Treasury.	• Treasury transfers funds to student by check.
	5.3.2 • Student submits ADS Student Report (ED Form 304-1), which has been signed by institution to verify enrollment information and cost data, to ED ADS processor.	• ED ADS processor processes forms and forwards tapes to DPO; DPO theb reviews and forwards tapes to ED Finance and Pell Grant Disbursement System processor. • ED Finance certifies payments and obligates funds. • Tape is forwarded to Treasury.	• Treasury transfers funds to student by check.

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PELL COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM

5.4 Refunds Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.4 • If grant recipient graduates early, withdraws or drops below half-time enrollment during the time covered by the grant, RDS institution is responsible for determining amount of refund according to statutory and regulatory criteria, and must return to ED the portion of the refund which is equal to the percentage of aid received by the student from the Pell program.	5.4.1 • RDS grant recipient graduates early, withdraws, or drops below half-time status.	• School determines amount of refund and proportion to be returned to ED, if any. • School collects refund from student, if relevant. • School updates records.*	• ED receives refund from institution.
• In calculating the amount of the refund, RDS institutions must consider separately the amount of Pell funds credited to the student's tuition account and the amount paid to the student to cover living expenses and books.	5.4.2 • ADS grant recipient graduates early, withdraws, or drops below half-time status.	• School notifies ADS processor of change in student status, and updates its own records.* • ADS processor determines amount of refund, if any, due to ED.	• ADS processor sends ED Form 304-1 to grant recipient, notifying recipient of amount due to ED, and sends repayment list to DPO.
• ADS schools must notify processor if grant recipient graduates early, withdraws or drops below half-time enrollment. Processor is responsible for determining amount of refund according to statutory and regulatory criteria.	5.4.3 • DPO receives ADS overpayment list from processor.	• DPO establishes accounts receivable for refunds due, and sends notification letter to grant recipient.	• ED receives refund from grant recipient.
• ADS recipients are responsible for paying back refunds to ED, if refund is due.			

* School is required to store records five years after grant recipient's graduation, withdrawal, or reduction to less than half-time status.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.1 Student Account Reconciliation Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.1 • RDS institutions must maintain accurate accounting records of disbursements.	6.1.1 • RDS institution maintains records of payments and compiles records of grant award recipients for award year.*	• At end of award year, institution reviews records and determines that grant amount disbursed to each recipient is correct.	• RDS institutions close student accounts for award year; or, if overpayment exists, go to 6.1.2 or 6.1.3.
• Institution must maintain records on each grant recipient for each award year. Student records include: - Admission and enrollment status - Program of study/courses being taken - Academic progress - All financial aid received - All refunds due or paid to student - Information on student receiving job from institution's placement service.	6.1.2 • If RDS institution makes overpayment to student due to institutional error, institution must recover overpayment.	• For overpayments made because of institutional error, institution: - Adjusts subsequent disbursements during award year, or - Contacts recipient and collects overpayment, or - Restores overpayment from institutional funds.	• Institution reconciles account for each RDS recipient.
• RDS institutions are liable for any overpayments made to students because of institutional error, and must collect overpayment from recipient or restore overpayment to Pell Grant account from institutional funds.	6.1.3 • If RDS institution makes overpayment to student due to student error, change in enrollment status, etc., institution attempts to recover overpayment or refers case to ED.	• For overpayments made due to student error or change in student status, institution: - Adjusts subsequent disbursements during award year, or - Attempts to recover overpayment by contacting recipient and establishing a repayment schedule, or - Refers case to ED for resolution if certain criteria are met.	• Institution reconciles account for each recipient or refers case to ED.
• Although not liable, RDS institutions must attempt to collect overpayments made because of student error.			
• RDS institutions can refer certain overpayment cases to ED for resolution.		• Overpayment cases referred to ED are handled by the Collections Task Force, which attempts to contact recipient and establish a repayment schedule.	
• ED is responsible for reconciling student accounts under ADS.			

• See program features on next page.

* Institution must retain student records for five years after recipient ceases to receive Pell Grant funds.

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.1 Student Account Reconciliation Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	6.1.4 • Pell Grant Disbursement System processor generates a final list of disbursements for total ADS recipients and submits it to DPO.	• DPO reconciles student accounts; if overpayments exist, DPO arranges for collection.	• ADS student accounts are reconciled.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.2 Institution Account Reconciliation Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.2 • Institution must maintain accounting records and recipient records for the award year.	6.2.1 • Institution submits Progress Report for period ending June 30.	• Pell Grant Disbursement System produces Student Validation Roster (SVR) based on institution's submission of SARs and Progress Reports.	• SVR is sent to institution.
• Institution must report all program expenditures to ED at end of award year.		• A SVR is also developed for ADS schools from SARs received and paid by the ADS processor. This SVR is for informational purposes only.	
• Institution must account for all expenditures at end of award year.	6.2.2 • Institution receives SVR from ED.	• RDS institution confirms all students listed on SVR were enrolled during year, adds information on eligible students omitted on SVR who received funds, corrects any data errors, and indicates actual amount paid to each recipient for the award year.	• Verified SVR is sent to ED.
• ED reconciles institution's account at the end of each award year by producing a Student Validation Roster (SVR) which:			
- Collects adjustments and corrections to data originally provided on SARs		• Institution checks that the sum of the actual disbursements to all recipients for the award year as reported on the SVR equals the Progress Report's net expenditure amount, and that the number of recipients equals the the Progress Report's total recipient count.	
- Obtains institutional verification of amount of Pell funds actually disbursed to each recipient.		• If the reconciled expenditure amount verified by the institution differs from the amount originally reported to ED, institution must submit a revised Progress Report to ED.	

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.2 Institution Account Reconciliation Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
● See program features on previous page.	6.2.3 ● ED receives verified SVR from institution.	● Data preparation contractor enters SVR data and edits them for internal consistency and for agreement with Progress Report data.	● Final Authorization Letter and Final Student Validation Roster are mailed to school by processor.
		● SVR data are forwarded to Pell Grant Disbursement System processor which edits data and produces Final SVR when the account is reconciled.	
		● Pell Grant Disbursement System processor generates Final Authorization letters and submits them to ED Finance for approval.	

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.3 Institutional Audit Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.3 • Participating institutions must be audited biennially by an independent auditor.	6.3.1 • Institution contacts independent auditor to perform audit.	• Auditor reviews institutional records and procedures for compliance with generally accepted accounting principles and procedures.	• Auditor's findings are reported to institution and regional ED Inspector General (EDIG).
• Auditors must adhere to governmental standards.	6.3.2 • Institution may decide to respond to auditor's report.	• Institution develops written response, which may disagree with auditor's findings, reports relevant facts or circumstances, and remedial actions taken or planned.	• Institution submits written response to EDIG.
• Institution has the right to respond to audit findings.	6.3.3 • EDIG receives auditor's report and institution's response.	• EDIG reviews reports for completeness and adherence to governmental procedures.	• EDIG forwards reports to DCPR.
	6.3.4 • DCPR receives reports from EDIG.	• DCPR reviews reports and determines adjustments or repayments if necessary.	• DCPR notifies institutions of its findings.
	6.3.5 • Institution receives findings from DCPR.	• Institution decides whether to accept or appeal findings. • If institution appeals, it can redraw a sample of recipient records, or review all records and report findings to DCPR.	• If appeal is successful, DCPR amends audit reports and notifies institution. Institution takes corrective actions if necessary. If not, original findings stand and institution responds accordingly.

PELL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.4 ED Program Review of Institutions Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.4 • ED is authorized to review participating institutions to determine compliance with rules and regulations. • A number of difference conditions will cause an institution to be chosen for review. These conditions are identified via: - Application for participation (see activity 1.8) - Scores according to a point system developed by ED, from data submitted by the institution for the Pell and Campus-Based programs - Determination by an ED regional office that an institution should be reviewed - Results of an audit - Period of time since last program review.	6.4.1 • Institution is selected for review by DPCR, or applies for participation. (See also activity 1.8 in the latter case.)	• DCPR contacts institution to set dates for review. • DCPR reviews institutional records and procedures to determine compliance with rules and regulations.	• Institution takes corrective actions if necessary.

CHAPTER THREE
THE CURRENT SYSTEM: GSL COMPONENT

The Guaranteed Student Loan (GSL) program was first created under the Higher Education Act of 1965. This program subsidizes loans made to eligible postsecondary students, through the payment of a special allowance and in-school interest subsidies to lenders. The Federal government also provides loan insurance (or a guarantee) in the case of borrower default, death, disability or bankruptcy. The program is designed to provide incentives for eligible lenders to grant loans to needy undergraduate or graduate students to support postsecondary school attendance.

Originally, the delivery system was focused on Federal provision of loan guarantees (the Federal Insured Student Loan, or FISL, program). Over time, the focus has shifted to state responsibility for the initial loan guarantee, the state guarantee is then reinsured by the Federal government. Less than five percent of the loans originated in recent years have been directly guaranteed by the Federal government. Thus the delivery system involves complex interactions between the Federal government, state guarantee agencies, lenders, postsecondary schools and students. The Federal government primarily collects summary data from guarantee agencies and lenders.

The following pages specify the current delivery system for the GSL program, and identify the program features related to each activity. The methodology and format used in this specification are discussed in Chapter One, and a list of the activities was presented in Figure 1-2.

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NOTE: This specification is for the state agency program only. Because the Federally insured program (FISL) is being phased out, almost all new loans will be originated under state agency auspices. However, outstanding FISL loans will continue to receive interest and special allowance subsidies, and will continue to be processed under the activities in the Account Reconciliation Subsystem. The procedures for FISL loans are essentially the same as those for state agency loans, except that the Department of Education (ED) plays the role of the state guarantee agency (GA). Although PLUS (auxiliary loans for parents) are also processed by the GAs, this program is currently very small in volume.

There are currently 58 GAs, covering all U.S. states, trusts, and territories. Each of these agencies must sign a "basic agreement" with ED, and may sign up to five additional agreements, which allow participation in various aspects of the program. With the exception of one or two agencies, all GAs have now signed all six agreements. In each agreement, the GA agrees to comply with various program requirements, in order to receive certain types of Federal payments. A guarantee agency may be a direct state agency, or a nonprofit agency designated by the state.

I. PRE-APPLICATION SUBSYSTEM

1.1 ED Budget Forecasting Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.1 • Program is quasi-entitlement; all loans made to students who meet eligibility requirements may receive loan guarantees; all loans to students who meet "need" criteria may receive loan subsidies. However, the student is responsible for locating a loan source.	1.1.1 • DPPD develops fund forecast model.	• Expenditures are forecast for award year, using possible interest and special allowance rates, estimates of loan volume, estimates of default rates, etc.	• Budget forecast is developed and forwarded to OPBE.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.2 ED Budget Development Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
1.2 • Appropriation requests are developed by ED annually and supplemented as necessary. Requests are determined primarily by interest and special allowance rates, by forecasts of loan volume and default rates, by estimated administrative costs, and policy and budgetary priorities.	1.2.1 • DPPD and OPBE develop budget based on estimates from forecast model, and on policy decisions and priorities.	• Budget request is approved through OSFA, OPBE, and ED Secretary.	• Initial ED budget document is completed.
• Congress annually determines appropriations according to standard government-wide procedures. This process is repeated during a fiscal year if appropriations need to be adjusted.	1.2.2 • ED submits budget to OMB.	• OMB reviews and revises or approves budget.	• Budget document is revised or approved.
	1.2.3 • OMB submits Administration's budget to Congress.	• Congress reviews, debates, and revises or approves budget. • Congress appropriates funds.	• Appropriated funds are authorized to be obligated by OMB.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.3 ED Clearance of GA Regulations, Forms, and Manuals Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.3	• All regulations, manuals, and forms developed by the GA that will have a "substantial impact" on the program must be cleared by ED prior to implementation.	1.3.1 • GA creates or changes regulations, forms, or manuals.	• GA submits relevant documents to DPPD if necessary. • DPPD reviews documents and approves them or returns them to GA for revision and resubmission.	• GA is notified of ED approval of regulations, forms, and manuals.
	• GAs may determine their own standards and regulations for program participation, subject to Federal statutes and regulations and ED approval.			
	• GAs are responsible for creating student applications and promissory notes which contain information mandated by laws, regulations, and policy decisions. These forms must be cleared by ED.			

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.4 Development and Promulgation of Federal Regulations Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.4 • ED has authority to administer porgram and promulgate regulations.	1.4.1 • ED determines the need for regulations.	• DPPD drafts regulations. • DPPD sends draft through OSFA, OPE, OPBE, and OGC to ED Secretary for revision or approval.	• Draft regulations are completed and cleared.
• Regulations governing the Family Contribution Schedule (FCS) must be promulgated annually.			
• Regulations governing program requirements and procedures, such as eligibility criteria, benefit calculation procedures, loan limits, interest rates, etc., must be promulgated as needed.	1.4.2 • NPRM is published in Federal Register by ED.	• Public responds to published NPRM.	• Draft regulations are revised by ED as needed.
	1.4.3 • Proposed regulations are submitted to OMB by ED.	• OMB either objects to proposed regulations (in which case they are revised and resubmitted) or approves them.	• OMB-approved regulations are returned to ED.
	1.4.4 • ED submits final regulations to Congress.*	• Congress reviews regulations. • Congress either disallows regulations (in which case they are revised and resubmitted) or allows them to stand.	• Final regulations are published in Federal Register.

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* This step will probably be deleted as the result of a recent Supreme Court decision.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.5 ED Forms Development Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.5 • ED is required to maintain summary statistics on program, to calculate interest and special allowance subsidies, to process claims under reinsurance provisions, to determine institutional eligibility, etc.	1.5.1 • DPPD and DPO determine data needed for ED processing and recordkeeping.	• DPPD and DPO determine changes in forms and instructions. • Forms and supporting documentation are submitted to DEIM for review and clearance.	• Requests for changes in forms and instructions are submitted to OMB.
• Forms and instructions must be developed for ED reporting, processing, and recordkeeping, including: - Guarantee Agency Quarterly Report (ED 1130) - Guarantee Agency Requests for Reimbursement (ED 1189 series) - Lender Request for Interest and Special Allowance (ED 799).	1.5.2 • OMB reviews forms and instructions.	• OMB accepts or rejects proposed changes (in which case they are revised and resubmitted).	• Approved forms are returned to ED.
	1.5.3 • DPPD, DPO, and DTD establish printing quantities and submit requisition to GPO or required printer.	• Forms and instructions are printed. • Forms are delivered to ED.	• Forms are delivered to relevant participants.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.6 ED Information Dissemination and Training Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.6 • ED may provide training to program participants and OSFA personnel at its discretion.	1.6.1 • Division of Training and Dissemination (DTD)* determines training needs.**	• DTD plans training sessions, sometimes using contractors.	• Training is provided by DTD.
• ED must write handbooks and manuals for program participants and the general public.	1.6.2 • DTD determines need for information dissemination.	• DTD prepares handbooks and manuals, with input from DPPD and DPO.	• Manuals and handbooks are printed and distributed by DTD.
• ED must answer inquiries from program participants and the general public.	1.6.3 • DTD and its contractors receive inquiries from OSFA personnel, other program participants, and the general public, by mail, phone and during training sessions.	• DTD assembles DPPD/DPO answers to inquiries.	• Inquiries are answered by DTD.

* In addition to its training and information dissemination activities, DTD provides mail services for OSFA.

** Training sessions are usually planned for postsecondary financial aid administrators, fiscal officers, high school counselors, as well as OSFA headquarters and regional personnel. Other sessions may be developed as necessary.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.7 ED Contract Development and Support Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.7 • ED may accomplish administrative functions through contractors.	1.7.1 • OSFA reviews processing needs and current contract support.	• OSFA determines need for additional contract support and/or for rebidding of existing contracts.	• Requests for Proposals are published and disseminated.
• ED must comply with government-wide contracting policies and requirements.		• OSFA obtains clearances for issuing Requests for Proposals (RFPs).	
		• OSFA develops RFPs.	
	1.7.2 • OSFA receives proposals.	• OSFA reviews and evaluates proposals.	• Contracts are awarded to contractors.
		• OSFA negotiates contract awards.	

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.8 ED Systems Planning and Revision Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.8 • Program is subject to statutory, regulatory, policy, and procedural changes. • The Federal government is responsible for processing payments to lenders/noteowners and GAs under the GSL progrun, and for reporting. • ED accomplishes many of its data processing functions in the GSL program through the use of contractors.	1.8.1 • OSFA reviews changes in statutes, regulations, and policies, as well as relevant procedures and systems.	• DPO/DPPD assess need for revisions of internal and contracted systems and procedures. • DPO/DPPD relay system revision specifications to contractors or DSDD for implementation. • Contractors, DSDD, DPPD and/or DPO test revised systems if necessary.	• New procedures and systems are implemented as needed.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.9 ED Determination of Institutional Eligibility and Certification Activity

PROGRAM FEATURES			
	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
1.9 • To administer or participate in Title IV programs, institutions must be eligible under Congressionally established criteria.	1.9.1 • Institution completes and submits Request for Institutional Eligibility (ED Form 1059) to ED.	• OPE reviews application and confirms eligibility, denies it, or requests additional information.	• OPE sends Eligibility Letter and Program Participation Agreement to institution if eligible, or notifies institution of reason for ineligibility.
• Different CSL eligibility criteria are used for: - Institutions of higher education (public and private, nonprofit and proprietary) - Postsecondary vocational institutions - Foreign schools (non-medical) - Foreign medical schools - Correspondence schools.	1.9.2 • Institution completes Application for Certification (ED Form 633) and submits the application and Program Participation Agreement signed by school's chief executive officer to ED.	• DCPR reviews application and evaluates institution's financial responsibility and administrative capability, requesting additional information if needed. • DCPR conducts program review of institution. (See activity 6.13.) • DCPR approves or disapproves eligibility.	• If school is determined responsible and capable, a copy of the Program Participation Agreement, signed by the ED Secretary or designeee, is mailed to the school. If not, school is notified. DCPR also establishes annually a list of certified institutions and sends it to DPO, regional offices, and state GAs. Additions and deletions to the list are also distributed periodically throughout the year.
• Individual educational programs administered by an institution must also meet established eligibility criteria.			
• Institution must keep the Eligibility Letter available for review by ED officials.			
• See program features on next page.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		

• To administer or participate in the GSL program, institutions must comply with the statutory and regulatory requirements of the Student Assistance General Provisions, Student Consumer Information Services Provisions, and the GSL Provisions under Title IV. These provisions include:

- No discrimination on the basis of race, color, national origin, sex, handicap, and age
- Dissemination of information on financial aid, academic programs, and the institution
- Annual or biennial audits of financial aid programs, under ED guidelines
- Maintenance of systematically organized records, including mandated information on aid recipients and other students, which must be made available for ED review upon request.

• To administer or participate in the GSL program, institutions must be certified by ED as administratively capable and financially responsible, and must be recertified every three years.

• Foreign schools are not subject to all of the above criteria.

• See program features on next page.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		
• Institutions become eligible to participate in Title IV programs on the date the ED Secretary or his designee signs the Program Participation Agreement.			
• ED may require that institutions take corrective actions, or may fine, suspend, or terminate eligibility for institutions which:			
- Misrepresent information			
- Violate laws or regulations			
- Change ownership or close			
- Have default rates in excess of 20%			
- Have student withdrawal rates in excess of 33%.			

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GSL COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.10 Optional GA Determination of Institutional Eligibility Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.10 • GA may determine additional eligibility criteria for those in-state institutions and out-of-state institutions attended by state residents, which participate in the GSL program. These criteria are subject to statutes and regulations and are in addition to the Federal criteria noted under activities 1.6 and 1.7.	1.10.1 • If GA requires, institution applies to GA for eligibility.	• GA reviews application and determines eligibility status.	• GA informs institution of eligibility status.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.11 GA Determination of Lender Eligibility Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.11 • GA is required to monitor lenders, and may determine eligibility criteria for lender participation in the program. Lenders may include:	1.11.1 • Lender applies to GA for GSL eligibility.	• GA reviews application and approves or disapproves eligibility.	• GA and lender negotiate contract if lender is eligible, or lender is notified if ineligible.
- Mutual savings banks			
- Commerical banks	1.11.2 • GA notifies ED of lender eligibility.	• DCPR assigns lender an eligibility number.	• GA is notified of lender eligibility number.
- Savings and loan associations			
- Credit unions			
- Pension funds			
- Insurance companies			
- Institutions of higher education			
- A state agency			
- A private, nonprofit agency designated by the state.			
• Lenders must meet eligibility criteria contained in Federal and state statutes and regulations, and agree to comply with recordkeeping, reporting, and nondiscrimination in lending requirements.			
• In-state educational institutions may be lenders of last resort, or have an origination relationship with certain lenders, where the school performs some pre-disbursement functions for the lenders. Eligibility requirements differ for schools which are lenders or have origination relationships.			

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.12 Institutional Planning and Information Dissemination Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.12 • Participating institutions must meet information dissemination require- ments. Information must be pub- lished on costs of attendance, all aid programs, academic programs, school accreditation. approval and/or licens- ing status, the accessibility of the facilities for handicapped persons, and persons to contact for further information. Vocational schools must also provide information on the employment of their graduates.	1.12.1 • Institution reviews program requirements and changes, as well as internal policies.	• Institution assesses needs and revises internal systems, forms, and manuals as needed. • Institution disseminates program information.	• Institution is prepared for the coming award year.
• This information must be made read- ily available (or mailed) to all current and prospective students, and school must designate employee(s) who will help students get this information.			
• Program requirements developed by ED and the relevant GAs are subject to change, and include procedural and recordkeeping requirements for insti- tutions.			

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.13 GA Planning and Information Dissemination Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.13 ● Program requirements developed by ED are subject to change, and include procedural, recordkeeping, and information dissemination requirements for GAs.	1.13.1 ● GA reviews program requirements and changes, as well as internal policies.	● GA assesses needs and revises systems, forms, and manuals as needed. (See activity 1.3 for changes that require ED clearance.) ● GA prints and distributes relevant forms and manuals.	● GA is prepared for the coming award year.

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GSL COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.14 Lender Planning Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.14 • Program requirements developed by ED and the GA are subject to change, and include procedural, recordkeeping, and information dissemination requirements for lenders and secondary markets.	1.14.1 • Lender or secondary market reviews program requirements and changes, as well as internal policies.	• Lender or secondary market assesses needs and revises systems, forms, and manuals as needed.	• Lender is prepared for the coming award year.

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GSL COMPONENT

2. STUDENT APPLICATION SUBSYSTEM

2.1 Student Application Activity *

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
2.1 • Student must file the loan application which is approved by the GA which may guarantee their loan. Applications must include mandated data items.	2.1.1 • Student obtains loan application (and supplements if required) from GA, lender, or school.	• Student and/or parents fill out relevant portion of application (and supplements if required).	• Student submits loan application to eligible school.
• Student is required to supply personal financial and credit data to determine eligibility for loan guarantee and loan subsidies.	2.1.2 • School receives loan application.	• School checks application for completeness, contacting student for additional information if needed.	• School retains completed/corrected loan application.
• The school and/or GA may designate what application forms and supplements may be used.		• School checks information reported by student against its own records.	
• There is generally no charge for processing GSL applications. (See activity 4.1 for use of need analysis services, GSL short needs test forms, and tax returns.)		• Student reconciles information on the application and in records if necessary.	

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* Foreign schools may utilize a different delivery mechanism. This activity is related to the application process for GSL only. Students applying to other aid programs are required to fill out additional forms. In many cases, the student will receive one packet of application materials from the school for all sources of aid.

GSL COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.1 Student Eligibility Determination Activity *

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
3.1	● School is responsible for preliminary determination of student eligibility for loan guarantee and loan subsidies.	3.1.1 ● School reviews application for compliance with eligibility requirements.	● School determines whether student meets basic GSL eligibility criteria.	● Student eligibility for loan guarantee is determined.
	● To be eligible for a loan guarantee, a student must meet basic eligibility criteria established by law and regulations: - Be a U.S. citizen, national, or permanent resident ** - Be enrolled or accepted in an eligible program and institution - Be enrolled at least half-time - Maintain satisfactory academic progress and be in good standing - Owe no Title IV grant repayment at the same institution - Not be in default on any Title IV loan at the same institution - Not report outstanding GSL loans that exceed maximums established by law - File a statement that aid will be used for educational purposes only - File a financial aid transcript, if required - Register with the Selective Service, if required.	3.1.2 ● If student has submitted financial information to an approved need analysis service, school receives output data, or school requests that student submit a tax return, or school requests that student complete and submit the GSL need analysis form.	● School calculates applicants' AGI from the data submitted. ● If AGI is greater than $30,000, the institution applies approved need analysis methodology to calculate the "Expected Family Contribution." If not, need is assumed to exist.	● Student eligibility for loan subsidies is determined.
	● See program features on next page.			

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* See also program features and subsystem steps under activity 4.1.

** Only U.S. citizens are eligible for GSL loans if they are attending foreign schools.

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3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.1 Student Eligibility Determination Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
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• See program features on previous page.	• See subsystem steps on previous page.		
• To be eligible for a loan subsidy, a student must demonstrate need. Need is assumed if Adjusted Gross Income (AGI) is $30,000 or less. If AGI exceeds $30,000, an approved need analysis test must be applied to determine need. Loans that are ineligible for subsidies can be guaranteed, as long as the applicant meets other criteria.			
• Institutions are required to utilize an approved methodology to determine the Expected Family Contribution, according to the schedule published in Federal regulations.			
• The GSL Family Contribution Schedule may be utilized for GSL needs analysis in lieu of the analysis generated b, approved need analysis methodology, provided applicant has not received Campus-Based funding, in which case same analysis must be used.			
• GA may determine additional eligibility criteria.			

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3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.2 Optional Validation Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
3.2 ● School may validate GSL applications at its discretion; data may be reviewed when validating applications for other aid programs.	3.2.1 ● School determines applications to be valida'. 1.	● School contacts students for documentation necessary for validation. ● Student collects and submits documentation. ● School checks application and documentation for consistency.	● Application is validated and application data/loan limit are adjusted as necessary.

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4. STUDENT BENEFIT CALCULATION SUBSYSTEM

4.1 Institutional Determination of Loan Limits Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
4.1	● Loan maximums are set by statute. These maximums are: – Undergraduate student: $2,500 per year; $12,500 total – Graduate student: $5,000 per year; $25,000 total (for undergraduate and graduate years).	4.1.1 ● School calculates maximum loan amount according to program criteria.	● School completes and certifies its portion of the application, which includes information on applicant enrollment status, cost of attendance, academic status, other financial aid, etc., if student is eligible for a loan. ● School updates its records.	● If student is eligible, application and notification of loan limit are returned to student, forwarded to a lender, or retained by the school if school is a lender or has an origination relationship with a lender. If student is ineligible, school notifies student.
	● GA may develop additional requirements related to loan limits.			
	● Loan limits may also differ if state agency is the lender or if school makes or originates the loan for certain first-year students.			
	● Loan amount may not exceed cost of attendance minus estimated financial assistance (and expected family contribution if AGI is greater than $30,000).			
	● Schools are required to maintain specific records on students, and to keep records on GSL recipients for five years after graduation, withdrawal, or reduction to less than half-time status.			

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4. STUDENT BENEFIT CALCULATION SUBSYSTEM

4.2 Lender Determination of Loan Amount Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
4.2 • Student is responsible for finding available loan capital, although school and GA may provide assistance.	4.2.1 • Eligible student or school submits application to lender (or school retains application if school is the lender or has an origination relationship with a lender).	• Lender decides whether to accept application.	• Student is notified of lender's decision, if required; copy of application must be sent to GA or its processor. If required, lender submits insurance premium to GA.
• Lender has discretion in determining loan amounts subject to maximum, and in approving individual applications according to its own policies.		• Lender reviews application for eligibility and completeness.	
		• Lender determines loan amount (if any) subject to limits.	
• Schools may be lenders of last resort, or have an origination relationship where the school processes applications for certain commercial lenders.		• Lender fills out relevant portion of the application, if loan is approved.	
		• Lender withdraws origination fee and/or insurance premium from its own funds, or deducts amount from loan proceeds, if desired.	
• Lender must receive a statement that funds will be used for educational purposes and must receive data necessary for determining student eligibility and loan limits. In general, this information is provided on the application by the student and the school.			
• Lender must deduct a 5% origination fee, from subsequent requests for Federal payment of interest and special allowance subsidies. This fee may be deducted from the face value of the loan.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		
• Lender must pay insurance premium if required by GA. Premium may not exceed 1% of loan principal multiplied by the length of the student's enrollment and grace period. GA may use premium to pay for loan losses and administrative costs only. This premium is sometimes called an insurance fee, endorsement fee, administrative cost fee, guarantee fee, or guarantee premium. It may be deducted from the face value of the loan.			

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GSL COMPONENT

4. STUDENT BENEFIT CALCULATION SUBSYSTEM

4.3 Guarantee Approval Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
4.3 • GA provides loan insurance subject to program requirements. • GA must insure at least 80% of the unpaid principal balance of the loan.	4.3.1 • GA receives completed application (and other documention if required).	• GA reviews application for compliance with program requirements. • GA approves or disapproves loan application and guarantee.	• Lender is notified of GA decision. GA or lender also notifies student and/or school.

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GSL COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM

NOTE: The flow of funds for loan repayment, claims, and collections is covered under Subsystem 6, Account Reconciliation.

5.1 Issuance of Promissory Note Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.1 • Promissory note must be signed by student and must include information on loan conditions, on repayment schedule, and on truth-in-lending requirement.	• Lender develops the promissory note (or lender recieves promissory note developed by GA).	• Lender contacts student* and provides promissory note. • Student signs note and returns it to the lender.	• Signed promissory note is retained by lender, and a copy is given to the borrower.
• Lender must notify borrower of his/her rights and responsibilities.			

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* In some states, applicants are required to have a face-to-face interview with the lender before the loan is disbursed.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.2 ● Loan disbursement is required at least once per year. Under some conditions, loans may be paid in multiple installments, in which case they are subject to additional criteria. ● Disbursement can be made directly to school with student approval; otherwise, funds go directly to the student. ● Student must maintain enrollment status to receive funds.	5.2.1 ● Lender issues check to student, or jointly to school and student with written permission from student. Check is mailed to student or school.	● If check is mailed to school and is payable to student only, school gives check to student. ● If check is mailed to school and is payable to student and school, school gets student's endorsement, cashes check, retains school portion, and gives remaining funds to student. ● If check is mailed to student, student receives check. ● If student does not enroll in school, school returns check to lender.	● Check is cashed or endorsed by student or returned to lender, and, if required, lender notifies GA of disbursement and/or cancellation.

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5. FUNDS DISBURSEMENT SUBSYSTEM

5.3 Refunds Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
5.3	• If borrower graduates early, withdraws, or drops below half-time enrollment during the time covered by the loan, refunds may be required. School is responsible for determining amount of refund according to statutory and regulatory criteria, and must return to the lender the portion of the refund which is equal to the percentage of aid received by the student from guaranteed loans.	5.3.1 • Borrower graduates early, withdraws, or drops below half-time status.	• School determines amount of refund and proportion to be returned to lender, if any. • School updates records.*	• Lender receives refund from school; lender updates records. Refund is credited to the borrower's account, and the borrower is notified.
	• GA is required to refund to lender any portion of the insurance premium attributable to the period if borrower cancels loan or lender receives refund because borrower graduates early, withdraws, or drops below half-time enrollment.	5.3.2 • School or lender notifies GA of change in student status.	• GA determines amount of insurance premium refund, if any. • GA updates records.	• Refund of insurance premium from GA is received by lender.

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* School is required to store records for five years after borrower's graduation, withdrawal, or reduction to less than half-time status.

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5. FUNDS DISBURSEMENT SUBSYSTEM

5.4 Note Transfer and/or Servicing Contract Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.4 • The Student Loan Marketing Association (SLMA), state agencies, and eligible lenders are permitted to provide a secondary market for GSL loans. SLMA may also warehouse loans, permitting the lender to borrow against the loan portfolio.	5.4.1 • Lender decides to sell or warehouse loans.	• Lender negotiates transfer with secondary market participants.	• Loan is sold or warehoused; GA is notified if required.
	5.4.2 • Lender or noteowner decides to contract out servicing functions.	• Lender negotiates contract with servicing agency.	• Responsibility for loan servicing is assumed by agency; GA is notified if required.
• Lenders may use standard loan servicing practices, including contractual arrangements with servicing organizations or GAs.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.5 • Noteowner is entitled to Federal payment of interest during student enrollment, grace, and deferment periods to subsidize borrower costs. Amount paid depends on when loan was made. At the present time, student need must be demonstrated for loan to receive subsidy; however, previously all loans were subsidized. Unsubsidized are theoretically available, but most lenders are not willing to make them.	5.5.1 • Noteowner or servicing agent submits Lender's Request for Interest and Special Allowance (ED Form 799 and relevant supplements) to data entry contractor for interest and special allowance payments.	• Data entry contractor performs edits and validation and enters data.	• Data are forwarded to processing contractor if payment can be machine processed, or to DPO if manual processing is required.
• Noteowner is entitled to Federal payment of special allowance over the life of the loan. Amount paid depends on when loan was made, on outstanding balance, on Treasury Bill rates, and on formula set by statute.	5.5.2 • Processing contractor or DPO receives 799 data.	• Processing contractor or DPO reviews 799 for completeness and accuracy. • Processing contractor or DPO determines amount of payment, adding penalty interest if payment is late. • Processing contractor forwards payment tape to DPO.	• Payment voucher is completed by DPO.
• Noteowner must request special allowance and interest subsidies from ED, reporting mandated data. Requests may be submitted annually, semi-annually, or quarterly.	5.5.3 • DPO submits payment voucher to ED Finance.	• ED Finance certifies payment and obligates funds. • ED Finance sends voucher to Treasury. • Treasury transfers funds to noteowner.	• DPO is notified of fund transfers.
• Origination fees must be subtracted from interest and special allowance requests. Alternately, lender may choose to pay this fee to ED by check.			
Noteowners are entitled to penalty interest payments if ED does not meet the criteria for timely payment.			

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• Loans paid in multiple installments are subject to special criteria.

GSL COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM

5.6 ED Advances to GAs Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.6 ● GAs may apply for advances from ED to be used to strengthen their reserve funds. Agencies which began operations after 1976 are eligible for advances for five years. (The advance fund for agencies which opened prior to 1976 has expired.) ● GAs are entitled to a minimum of $50,000 per year, and may receive more based on a formula that is focused on the number of loans entering repayment. Use of these funds is governed by statutory and regulatory criteria.	5.6.1 ● GA submits a request for advance funds to DPPD. This request is a letter which includes data needed to calculate the amount of advance funds.	● DPPD reviews letter and calculates the amount of the advance. ● DPPD submits voucher to ED Finance. ● ED Finance obligates funds and certifies payment. ● ED Finance forwards voucher to Treasury. ● Treasury transfers funds and notifies ED.	● Funding is received by GA from Treasury.

5. FUNDS DISBURSEMENT SUBSYSTEM

5.7 Administrative Cost Allowance Payment to GAs Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.7 • GA may receive an Administrative Cost Allowance (ACA) of up to 1% of the principal amount of new loans insured to cover operating expenditures.	5.7.1 • DPPD receives Quarterly Report (ED Form 1130) from GA.*	• DPPD reviews ACA request for accuracy and completeness. • If approved, DPPD submits payment voucher to ED Finance. • ED Finance certifies payment and obligates funds. • ED Finance sends voucher to Treasury.	• Treasury transfers funds to GA.

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* See activity 6.7 for other uses of this Quarterly Report.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.1 Enrollment Status Reporting Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.1 • The borrower is in in-school status as long as he or she is enrolled at least half-time in an eligible program at an eligible school.	6.1.1 • Each GA generates a roster or tape of student borrowers and sends it to the relevant schools.*	• School receives rosters or tapes of student borrowers. • School checks roster or tape and updates the data it contains.**	• Roster or tape is returned to GA by school.
• The borrower is entitled to a grace period between his or her in-school period and entrance into repayment. The grace period may be 6, 9, or 12 months, depending on when the loan was made. Grace periods may be reduced by agreement between the borrower and lender. Grace period requirements differ for correspondence school borrowers.	6.1.2 • GA receives roster or tape.	• GA reviews roster or tape and updates its records. • GA prepares rosters or tapes to be sent to lenders.	• Roster or tape is received by lenders, who update their records. (If necessary, lender sends corrections to GA.)
• Lenders are dependent upon borrowers or schools to notify them of changes in student status which trigger start of the grace period.			
• GA may determine additional requirements.			

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* Some lenders also send confirmation rosters to schools.

** School must retain student records for five years after graduation, withdrawal, or reduction to less than half-time status.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.2 • SLMA is authorized to consolidate loans for borrowers who meet certain conditions and who have multiple loans.	6.2.1 • Borrower contacts SLMA for loan consolidation.	• SLMA reviews application and, if approved, buys loans from original lender.	• Loan transaction is reported to GA by lender or SLMA if required.
• GA may encourage lenders to consolidate loans for borrowers who have loans from more than one lender.	6.2.2 • Lender and borrower may arrange for loan consolidation.	• One lender arranges to purchase all the borrower's loans from other lenders.	• Loan transaction is reported to GA by lender if required.
• GA may determine reporting requirements for lenders.			

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PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.3	• The loan repayment period generally lasts 5 to 10 years, although it may be as long as 15 years. Periods of deferment and forebearance are not counted as part of the repayment period. The length of the repayment period and minimum payments are governed by Federal and state laws and regulations, although the note-owner may adjust the repayment schedule within these requirements.	6.3.1 • Prior to end of grace and/or deferment periods, noteowner contacts borrower.	• Borrower and noteowner negotiate repayment schedule.	• Repayment schedule is received by student; GA is notified if required.*
	• Borrower is responsible for both interest and principle payments after in-school, grace, and deferment periods end.			
	• Repayment schedule may be nego-tiated between borrower and note-owner, based on the terms of the promissory note, program regula-tions, and mandated time and pay-ment limits. Repayment schedule must be completed by beginning of repayment period.			
	• GA may determine reporting require-ments for lenders.			

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* In some states, the student is required to sign a copy of the repayment schedule and return it to the lender.

GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.4 Loan Repayment Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.4 • Borrower is responsible for both interest and principal payments during repayment period. Borrower is responsible for adhering to repayment schedule.*	6.4.1 • Borrowers submits payments to note-owner or its servic-ing agency according to the repayment schedule.	• Noteowner returns promissory note to borrower when loan is paid in full.**	• GA is notified of payment, if required.
• Noteowner must return promissory note to borrower when loan is paid in full.			
• GA may determine reporting require-ments for lenders.			

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* Delinquent payments are treated under activity 6.5.

** Noteowner must keep records on borrower for five years after loan is paid in full.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.5 Repayment Deferment Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.5	• Borrower may apply for deferment at any point during the repayment period. Borrower must provide evidence of eligibility for deferment. There are 11 eligible categories of deferment, including disability, military service, specific volunteer activities, eligible internships, and unemployment.	6.5.1 • Borrower may contact noteowner to request deferment.	• Noteowner receives and reviews request for deferment and evidence of eligibility. • If deferment is approved, a new repayment schedule may be negotiated by noteowner and borrower. • Noteowner updates records.	• Revised repayment schedule is received by student if necessary; GA is notified if required.
	• The Federal government pays the interest on subsidized loans during deferment periods.			

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.6 Claims and Collections Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.6 ● Federal and state laws and regulations require that noteowners and GAs follow specific due diligence requirements for delinquent payments. These requirements must be at least as extensive and forceful as those practiced by financial institutions for consumer loans.	**6.6.1** ● Borrower misses payment.	● Noteowner (or its billing agency) begins to follow due diligence requirements, mailing notices of delinquency to borrower. ● Noteowner utilizes skip-tracing services (offered by private agencies as well as GAs and ED) to locate borrower if whereabouts is unknown.	● If borrower brings account up to date, he or she re-enters repayment status (go to 6.4). If borrower cannot bring account up to date, go to 6.6.2. If borrower is dead, disabled, or has his or her loans discharged in bankruptcy, go to 6.6.4. If borrower cannot be located after a specific number of days (determined by the GA), go to 6.6.3.
● Noteowners may, at their discretion, grant forebearance and may develop a new repayment schedule for borrowers who encounter temporary hardship.	**6.6.2** ● Borrower informs noteowner that temporary hardship prohibits him or her from bringing the account up to date.	● Noteowner reviews borrower status, and decides whether to grant forebearance. (See 6.3.2 if borrower is eligible for deferment.)	● If forebearance is granted, a new repayment schedule may be issued, and the borrower re-enters repayment status (go to 6.4). If forebearance is not granted, go to 6.6.3.
● If a borrower dies, is totally and permanently disabled, or has his or her loans discharged in bankruptcy proceedings, the noteowner is entitled to 100% reimbursement for lost principal and interest from the GA, and the GA is entitled to reimbursement from the Federal government. Federal reimbursement rates depend on when the loan was made.	**6.6.3** ● If borrower does not enter repayment after a specific number of days (determined by the GA), the noteowner contacts the GA for pre-claims assistance.	● GA or its collection agency provides pre-claims collection assistance to the noteowner.	● If borrower brings account up to date, or is granted forebearance or deferment, he or she re-enters repayment status (go to 6.4). If not, go to 6.6.4.
● See program features on next page.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page. • If a borrower defaults, the loan meets statutory and regulatory criteria, and the noteowner documents fulfillment of due diligence requirements, the lender receives 100% reimbursement for lost principal and interest from the GA. As long as the loan meets the requirements noted above and the GA also exercises due diligence, the GA is entitled to reimbursement for the claims from the Federal government. GA claims are generally reimbursed 100%, although the reim-bursement rate may be reduced if GA default rates exceed statuatory triggers.	6.6.4 • If noteowner or GA determines that borrower is dead, totally disabled, or has had his or her GSL loans discharged in bankruptcy, noteowner prepares claim.* If not, go to 6.6.5.	• GA receives claim form and supporting documentation. • GA reviews claim for completeness and compliance with laws and regulations. • GA requests additional documentation if necessary.	• If claim is approved, noteowner is paid for claim by GA (go to 6.6.5). If claim is not approved, noteowner must bear the loss.
	6.6.5 • If loan status is not resolved after 120-180 days (depending on terms of the loan), loan is considered in default and noteowner prepares claim.*	• GA receives claim form and supporting documentation. • GA reviews claim for completeness and compliance with laws and regulations. • GA requests additional documentation if necessary.	• If claim is approved, noteowner is paid for claim by GA.** If not, noteowner must bear the loss.
• A borrower is considered to be in default if he or she is not dead, or totally and permanently disabled, and has not had his or her loans discharged in bankruptcy proceedings, and payment is not received within 120 days after it is due for loans paid in monthly installments, within 180 days for loans paid less frequently. • See program features on next page.	6.6.6 • GA submits Guarantee Agency Request for Claims Paid (ED Forms 1189 series) to data entry contractor.	• Data entry contractor performs edits and enters data. • If necessary, DPO or contractor contacts GA for additional or corrected information.	• Data tape is forwarded to processing contractor.

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* Noteowner must keep borrower records for five years after claim is paid.

** Noteowners occasionally repurchase loans if the borrower re-entered repayment; however, this occurrence is very rare..

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	6.6.7 • Data processing contractor receives data tape.	• Data processing contractor calculates payment and produces report.	• Data processing contractor forwards payment data, reports, and documentation to DPO.
• The GA may determine additional requirements related to due diligence, collections, and claims. The GA also may determine if noteowners can charge for late payments, capitalize interest, or charge borrower for the costs of collections activity.	6.6.8 • DPO receives payment data and documentation.	• DPO reviews claims and prepares payment voucher.	• Payment voucher is submitted to ED Finance, if claim is approved. If not, the GA must bear the loss.
	6.6.9 • ED Finance receives payment voucher.	• ED Finance certifies payment and obligates funds.	• DPO is notified of fund transfers.
• After a claim is paid by the Federal government, the GA must sent the "Secretary's equitable share" of any subsequent collections to the Federal government. This payment is generally 70% of collections.		• ED Finance creates a receivable if payment is for a default claim. Otherwise, loan is cancelled.	
		• ED Finance sends voucher to Treasury.	
		• Treasury transfers funds to GA.	
	6.6.10 • If GA collects on a defaulted loan after ED claim is paid, GA completes Guarantee Agency Report of Recoveries on Claims Paid Under Federal Reinsurance (ED Form 1189-2) and submits it to DPO with a check.	• DPO reviews form and logs data. • DPO sends check to cashier.	• Forms are batched and sent to data entry contractor.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.7 Lender Reporting Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.7 • The GAs are required to monitor lenders whose loans they insure, and are responsible for developing reporting requirements.	6.7.1 • Lender prepares reports or tapes and submits them to GA, as required.	• GA receives reports or tapes. • GA reviews data, contacting the lender for additional data if needed.	• GA updates its records.
• Lenders who participate in the FISL program as well as the state agency program are required to report state guaranteed loans to ED, as part of FISL reporting requirements.	6.7.2 • Lender prepares manifest and/or call report for FISL program and submits it to DPO if required.	• DPO receives reports. • DPO reviews data, contacting the lender for additional data if needed.	• DPO updates its records.

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.8 GA Reporting Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.8 • GA must meet reporting requirements set by ED. These requirements include a semi-annual tape dump, quarterly reports, and an annual letter detailing the use of the administrative cost allowance and pre-claims and collections procedures.*	6.8.1 • GA prepares tape dump according to ED specifications and submits it to DPPD.	• Data processing contractor enters and reports data.	• Reports are received by DPPD.
• If the GA default rate exceeds statutory maximums, the Federal reimbursement rate for default claims must be reduced.	6.8.2 • GA prepares Quarterly Report (ED Form 1130) and submits it to DPPD.	• DPPD receives and reviews reports, and contacts GA for additional data if needed. • DPPD sets triggers for decrease in reimbursement rate for defaults. • Data processing contractor enters and reports data. • See also activity 5.7 for payment of administrative cost allowances.	• Reports are received by DPPD.
	6.8.3 • GA prepares letter detailing use of administrative cost allowance and submits it to DPPD.	• DPPD receives and reviews letter, contacting GA if additional data are needed.	• DPPD records are updated.

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* See activity 5.7 for calculation of administrative cost allowance, and see activity 5.6 for calculation of advances.

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.9 Lender Reviews Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.9 ● GAs are required to monitor lenders, and to determine whether they meet eligibility criteria and reporting requirements, and are in compliance with Federal and state rules and regulations.	6.9.1 ● GA selects lenders to be reviewed.	● GA reviews lender records and procedures to determine compliance.	● Lender is required to take corrective actions if necessary.
	6.9.2 ● DPCR selects lenders to be reviewed.	● DCPR investigates lender records and procedures to determine compliance.	● Lender is required to take corrective actions if necessary.
● ED may review lenders who participate in the FISL program.			

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.10 GA Audits Activity ...

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.10 ● GA use of ACA payments must be audited by an independent auditor, biannually if GA is a state agency, annually if GA is a nonprofit designated by the state. Biennial audits cover both years of activity. ● Auditors must adhere to governmental standards.	6.10.1 ● GA contacts independent auditor to perform the audit.	● Auditor reviews GA records and procedures to determine compliance with generally accepted accounting principles. ● Audit findings are reported to DPCR by auditor.	● GA takes corrective actions if necessary. (GA may appeal findings if desired.)

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GSL COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.11 ED Program Reviews of GAs Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.11 • ED is authorized to review GAs annually to determine compliance with rules and regulations.	6.11.1 • DCPR contacts GA to set dates for the review.	• DCPR reviews GA records and procedures to determine compliance with rules and regulations.	• GA takes corrective actions if necessary.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.12 Institutional Audit Activity *

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
6.12 • Participating institutions must be audited at least biennially by an independent auditor. Biennial audits cover both years of activity.	6.12.1 • Institution contacts independent auditor to perform audit.	• Auditor reviews institutional records and procedures for compliance with generally accepted accounting principles and procedures.	• Auditor's findings are reported to institution and regional ED Inspector General (EDIG).
• Auditors must adhere to governmental standards.	6.12.2 • Institution may decide to respond to auditor's report.	• Institution develops written response, which may disagree with auditor's findings, reports relevant facts or circumstances, and remedial actions taken or planned.	• Institution submits written response to EDIG.
• Institution has the right to respond to audit findings.	6.12.3 • EDIG receives auditor's report and institution's response.	• EDIG reviews reports for completeness and adherence to governmental procedures.	• EDIG forwards reports to DCPR.
	6.12.4 • DCPR receives reports from EDIG.	• DCPR reviews reports and determines adjustments or repayments if necessary.	• DCPR notifies institutions of its findings.
	6.12.5 • Institution receives findings from DCPR.	• Institution decides whether to accept or appeal findings. • If institution appeals, it can redraw a sample of recipient records, or review all records and report findings to DCPR.	• If appeal is successful, DCPR amends audit reports and notifies institution. Institution takes corrective actions if necessary. If not, original findings stand and institution responds accordingly.

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* At the present time, GSC accounts are not audited, pending development of an audit guide by DCPR. This audit requirement is currently scheduled for implementation as of June 30, 1984.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.13 ED Program Review of Institutions Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
6.13 • ED is authorized to review partici- pating institutions to determine com- pliance with rules and regulations.	6.13.1 • Institution is selected for review by DCPR, or applies for partici- pation. (See also activ- ity 1.8 in the latter case.)	• DCPR contacts institution to set dates for review. • DCPR reviews institutional records and procedures to determine compli- ance with rules and regulations.	• Institution takes corrective actions if necessary.
• A number of difference conditions will cause an institution to be chosen for review. These conditions include:			
- Application for participation (see activity 1.8)			
- Scores according to a point system developed by ED, from data sub- mitted by the institution for the Pell or Campus-Based programs			
- Determination by an ED regional office that an institution should be reviewed			
- Results of an audit			
- Period of time since last program review.			

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CHAPTER FOUR
THE CURRENT SYSTEM: CAMPUS-BASED COMPONENT

The Campus-Based component includes three programs:

- Supplemental Educational Opportunity Grants (SEOG)
- ~ National Direct (formerly Defense) Student Loans (NDSL)
- College Work-Study (CW-S)

SEOG was first created in the Higher Education Act of 1965, NDSL was created in the National Defense Education Act of 1958, and CW-S, in the Economic Opportunity Act of 1964. Over time these programs have evolved into the Campus-Based programs, so-called due to the high level of responsibility given to eligible postsecondary schools. As their names imply, SEOG provides grant monies for needy students, NDSL provides financial support for a revolving loan fund and CW-S provides wage subsidies for employment. Federal funds for these programs are allocated to the schools by formula. The schools then distribute these funds to eligible applicants based on Federal requirements and some discretionary factors.

Not surprisingly, these programs have lead to a delivery system that is primarily the responsibility of eligible postsecondary schools. While schools may choose to process their own applications, many, if not most, subscribe to one of the need analysis services for this processing. Data from the Pell central processor can also be used for these programs. The Federal government collects summary data on program expenditures from the schools, after the end of the award year.

The following pages specify the current delivery system for the Campus-Based programs, and identify the program features related to each activity. The methodology and format used in this specification is discussed in Chapter One, and a list of the activities was presented in Figure 1-2.

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.1 ED Budget Development Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	**Processes**	**Outputs**
1.1	● Congress annually determines appropriations according to standard government-wide procedures.	1.1.1 ● DPPD/OPBE develop budget based on policy decisions and priorities.	● Budget request approved through OSFA, OPBE, and ED Secretary.	● Initial ED budget document is completed.
	● Appropriation requests are developed by ED annually, based primarily on policy and budgetary priorities.	1.1.2 ● ED submits budget to OMB.	● OMB reviews budget.	● Budget document approved/revised by OMB.
		1.1.3 ● OMB submits administration's budget to Congress.	● Congress reviews, debates, and revises or approves budget.	● Appropriated funds are authorized to be obligated by OMB.
			● Congress appropriates funds.	

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.2 Development and Promulgation of Federal Regulations Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.2 • ED has authority to administer program and promulgate regulations.	1.2.1 • ED determines need for regulations.	• DPPD drafts regulations. • DPPD sends draft through OFSA, OPE, OPBE, and OGC to ED Secretary for revision or approval.	• Draft regulations are completed and cleared.
• Regulations governing the Family Contribution Schedule (FCS) must be promulgated annually.	1.2.2 • NPRM is published in Federal Register by ED.	• Public responds to published NPRM.	• Draft regulations are revised by ED as needed.
• Regulations governing administrative and technical requirements, award calculation procedures, cost of attendance criteria, eligibility criteria, and need analysis formula, etc., are promulgated as needed.	1.2.3 • Proposed regulations are submitted to OMB by ED.	• OMB either objects to proposed regulations (in which case they are revised and resubmitted) or approves them.	• OMB-approved regulations returned to ED.
	1.2.4 • ED submits final regulations to Congress.*	• Congress reviews regulations. • Congress either disallows regulations (in which case they are revised and resubmitted) or allows them to stand.	• Final regulations are published in Federal Register.

* This step will probably be deleted as the result of a recent Supreme Court decision.

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.3 ED Forms Development Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
1.3	• ED is required to maintain summary statistics on program, to determine institutional eligibility, to monitor institutional disbursement of awards, etc.	1.3.1 • DPPD and/or DPO determine data needed for ED processing and recordkeeping.	• DPPD and/or DPO determine changes in forms and instructions. • Forms and supporting documentation are submitted to DEIM for review and clearance.	• Request for changes in forms and instructions submitted to OMB.
	• Forms and instructions must be developed for ED reporting, processing, and recordkeeping, including: - Fiscal Operations Report and Application to Participate (FISAP) (ED 646)	1.3.2 • OMB reviews forms and instructions.	• OMB accepts or rejects proposed changes (in which case they are revised and resubmitted).	• Approved forms are returned to ED.
	- Semi-Annual Report on Defaulted Loans (ED 574) - Loan Assignment Form (ED 553) - NDSL Teache. Cancellation Form (ED 1129).	1.3.3 • DPPD, DPO, and DTD establish printing quantities and submit requisitions to GPO or required printer.	• Forms and instructions are printed. • Forms are delivered to ED.	• Forms are delivered to relevant participants.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.4 ED Information Dissemination and Training Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.4 • ED may provide training to program participants and OSFA personnel at its discretion.	1.4.1 • Division of Training and Dissemination (DTD)* determines training needs.**	• DTD plans training sessions, sometimes using contractors.	• Training is provided by DTD.
• ED must write handbooks and manuals for program participants and the general public.	1.4.2 • DTD determines need for information dissemination.	• DTD prepares handbooks and manuals, with input from DPPD and DPO.	• Manuals and handbooks are printed and distributed by DTD.
• ED must answer inquiries from program participants and the general public.	1.4.3 • DTD and its contractors receive inquiries from OSFA personnel, other program participants, and the general public, by mail, phone and during training sessions.	• DTD assembles DPPD/DPO answers to inquiries.	• Inquiries are answered by DTD.

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* In addition to its training and information dissemination activities, DTD provides mail services for OSFA.

** Training sessions are usually planned for postsecondary financial aid administrators and fiscal officers, and high school counselors as well as OSFA headquarters and regional personnel. Other sessions may be developed as necessary.

CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.5 ED Contract Development and Support Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.5 • ED may accomplish administrative functions through contractors. • ED must comply with government-wide contracting policies and requirements.	1.5.1 • OSFA reviews processing needs and current contract support.	• OSFA determines need for additional contract support and/or for re-bidding of existing contracts. • OSFA obtains clearances for issuing Requests for Proposals (RFPs). • OSFA develops RFPs.	• Requests for Proposals are published and disseminated.
	1.5.2 • OSFA receives proposals.	• OSFA reviews and evaluates proposals. • OSFA negotiates contract awards.	• Contracts are awarded to contractors.

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.6 ED Systems Planning and Revision Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.6 • Program is subject to statutory, regulatory, and policy changes.	1.6.1 • OSFA reviews changes in statutes, regula- tions. and policies as well as relevant sys- tems and procedures.	• DPPD/DPO assess need for revisions of internal and contracted systems.	• New procedures and systems are implemented as needed.
• The Federal government is reponsible for allocating Campus-Based funds to eligible institutions, and for monitor- ing participating schools.		• DPPD/DPO develop specifications to revise system, which may include: - Processing requirements - Editing criteria - Allocation formulae.	
• ED accomplishes many of its data processing functions in the Campus- Based program through the use of contractors.		• DPPD/DPO relay systems revision specifications to contractor or DSDD for implementation.	
		• Contractors, DSDD, DPPD and/or DPO test revised system if neces- sary.	

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.7 ED Determination of Institutional Eligibility and Certification Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.7 • To administer or participate in Title IV programs, institutions must be eligible under Congressionally established criteria.	1.7.1 • Institution completes and submits Request for Institutional Eligibility (ED Form 1059) to ED.	• OPE reviews application and confirms eligibility, denies it, or requests additional information.	• OPE sends Eligibility Letter and Program Participation Agreement to institution if eligible, or notifies institution of reason for ineligibility.
• Different eligibility criteria are used for: – Traditional higher education institutions – Proprietary institutions – Postsecondary vocational institutions.	1.7.2 • Institution completes Application for Certification (ED Form 633) and submits the application and Program Participation Agreement signed by school's chief executive officer to ED.	• DCPR reviews application and evaluates institution's financial responsibility and administrative capability, requesting additional information if needed. • DCPR conducts program review of institution. (See activity 6.9.) • DCPR approves or disapproves eligibility.	• If school is determined responsible and capable, a copy of the Program Participation Agreement signed by ED Secretary or designee is mailed to the school. If not, the school is notified. DCPR also establishes annually a list of certified institutions and sends it to DPO and regional offices. Additions and deletions to the list are also d'stributed periodically throughout the year.
• Individual educational programs administered by an institution must also meet established eligibility criteria.			
• Institut'on must keep the Eligibility Letter available for review by ED 'ials.			
• See program features on next page.			

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.7 ED Determination of Institutional Eligibility and Certification Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		

• To administer or participate in the Campus-Based program, institutions must comply with the statutory and regulatory requirements of the Student Assistance General Provisions, Student Consumer Information Services Provisions, and the Campus-Based Provisions under Title IV. These provisions include:

- No discrimination on the basis of race, color, national origin, sex, handicap, and age
- Dissemination of information on financial aid, academic programs, and the institution
- Annual or biennial audits of financial aid programs, under ED guidelines
- Maintenance of systematically organized records, including mandated information on aid recipients and other students, which must be made available for ED review upon request.

• To administer or participate in the Campus-Based program, institutions must be certified by ED as administratively capable and financially responsible, and must be recertified every three years.

• See program features on next page.

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.7 ED Determination of Institutional Eligibility and Certification Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		
• Institutions become eligible to participate in Title IV programs on the date the ED Secretary or designee signs Program Participation Agreement.			
• ED may require that institutions take corrective actions, or may fine, suspend, or terminate eligibility for institutions which:			
- Misrepresent information Violate laws or regulations			
- Change ownership or close			
- Have default rates in excess of 20%			
- Have student withdrawal rates in excess of 33%.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.8 • Institutions may choose to receive payments through the Letter of Credit, if eligible, or the Cash Advance Request System payment methods.	1.8.1 • Institution, if eligible, may request Letter of Credit payment method from ED.	• ED Finance arranges for Letter of Credit payment to be established for institution.	• Letter of Credit account is established.
		• ED Finance notifies Treasury.	
• To be eligible for the Letter of Credit payment method, institution must be scheduled to receive at least $120,000 yearly from ED.		• Institution establishes account at a commerical bank that acts as its agent with Treasury.	
• For the Letter of Credit, ED authorizes the institution to draw funds as needed, up to the established ceiling, from the Federal Reserve System through a Federal Reserve Bank or a local commercial bank.	1.8.2 • Institution may request Cash Advance Request System payment method.	• DPO sets authorization level.	• Cash Advance Request System payment method is established for institution.
• For the Cash Advance Request System payment method, ED authorizes institutions to draw funds monthly, directly from the Federal government through ED Finance, under guidelines:			
- Funds may be requested only after institution has received an official Authorization Letter from ED, and only to meet current disbursements.			
- Institutions must request funds needed; funds are not advanced automatically.			
- Cash Advance Request System is for all programs ED Finance administers, not for Campus-Based only.			
- Amount of request cannot exceed authorization level minus all previous payments received for the award year.			

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1. PRE-APPLICATION SUBSYSTEM

1.9 ED State Allotment Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.9 • Funds are allotted annually on a for-mula basis by state.	1.9.1 • Congress appropriates Title IV Campus-Based funds.	• DPO uses appropriate formula to determine state allotments.	• DPO completes state allotments.
• If Congressional appropriation is equal to or greater than FY 1981, 90% of funds are allotted by state on an enrollment-based formula, 10% by state based on 1979-80 SEOG/CW-S expenditures, 1980-81 NDSL expendi-tures, and a "fair share" formula.			
• If appropriation is less than FY 1981, state allotment is calculated as a proportion of the current appropri-ation equal to the state proportion of the 1981-82 appropriation.			

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.10 Institutional Application for Funds Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	**Processes**	**Outputs**
1.10 ● Institutions are required to apply annually for Campus-Based funds in order to participate in any or all Campus-Based programs, utilizing the FISAP form. ● Institutions must estimate needed funds for programs, which acts as a funding ceiling. ● A separate application is required for receipt of special CW-S funds for students from American Samoa or Trust Territory of the Pacific Islands.	1.10.1 ● Institution receives FISAP form.* 1.10.2 ● DPO receives FISAP.	· Institution collects necessary data. ● Institution estimates need for funds and completes the FISAP. ● DPO sends FISAP to contractor. ● Contractor keypunches data. ● Contractor processes and runs edit checks on data. ● Contractor identifies errors in FISAPs and sends keypunched FISAP with error messages to institution, if necessary. ● Institution provides corrected data to DPO, if necessary.	● FISAP is submitted to DPO by the institution. ● Contractor keys changes and produces final data.

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* See activities 6.3 and 6.5 for other uses of the FISAP form.

CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.11 Tentative Institutional Allocation of Funds Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.11 • Funds for all three programs are allocated on forward-funded basis. Funds are allocated to institutions in three general stages: - Conditional guarantee - State increase based on "fair share" of state apportionment - National increase based on "fair share" of national apportionment.	1.11.1 • DPO receives FISAP data from processor, corrected as necessary.	• DPO uses formula and data to establish allocation.	• Notification of tentative institutional allocation is sent to institution.
	1.11.2 • Institution receives tentative allocation notification.	• Institution reviews allocation. • Institution accepts allocation or appeals.	• If tentative allocation is accepted, go to activity 1.13. If tentative allocation is rejected, go to activity 1.12.
• Allocation includes an Administrative Cost Allowance (as well as aid funds eligible to be distributed to students), based on a formula which takes into account the amount of Campus-Based awards for each of the three programs, as well as the total level of expenditures.			
• Institution may appeal to the ED Secretary for a review of its computed expenditure level or tentative allocation. All appeals are reviewed by a National Appeals Panel appointed by the Secretary.			

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.12 Appeal of Tentative Allocation Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.12 • Institutions must provide additional documentation in support of appeal to National Appeals Panel, within the specified period.	1.12.1 • If institution decides to appeal tentative allocation, institution files notice of appeal with ED.	• Institution provides documentation in support of its appeal. • National Appeals Panel reviews appeal, and issues decision.	• DPO sends notification of decision to institution.
• Appeals must be based on new information not considered in the initial allocation, and must meet other criteria as required.	1.12.2 • DPO send notification of revised tentative allocations to processor.	• As necessary, processor makes changes in institutional data.	• Institution's allocation is established.
• The National Appeals Panel is composed of representatives of the Department of Education (headquarters and regions) and financial aid administrators.			

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.13 Final Allocation Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.13 • ED must notify Congress and institutions of final allocations and authorize disbursement from ED Finance. • Final allocations are based on the initial allocation and the results of any appeals. (See activities 1.11 and 1.12.) • Surplus Campus-Based funds may be carried over from prior year and re-allocated.	1.13 • Processor generates final allocations and submits them to DPO.	• DPO reviews allocations. • DPO adjusts allocations to reflect surplus funds available for re-allocation from previous year, if any.	• DPO sends final allocation notification to Congress, and subsequently to the institutions, and notifies ED Finance of authorization levels.

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CAMPUS-BASED COMPONENT

1. PRE-APPLICATION SUBSYSTEM

1.14 Low-Income School List Development Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.14 • NDSL recipients may have a portion of their loan cancelled for teaching service at an approved low-income school. • ED is required to publish annually a list of low-income schools.	1.14.1 • DPPD sends letter of solicitation to State Education Agencies (SEAs).	• DPPD consults with SEAs to identify elementary and secondary schools with high concentrations of low-income students. • DPPD receives and reviews responses. • DPPD checks responses against existing list and revises list to reflect any changes.	• Low-income school list for NDSL teacher cancellations is printed and distributed to institutions.

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CAMPUS-BASED COMPONENT

I. PRE-APPLICATION SUBSYSTEM

1.15 Institutional Planning and Information Dissemination Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
1.15 • Participating institutions must meet information dissemination requirements. Information must be published on costs of attendance, all aid programs, academic programs, school accreditation, approval and/or licensing status, the accessibility of the facilities for handicapped persons, and persons to contact for further information. Vocational schools must also provide information on the employment of their graduates.	1.15.1 • Institution reviews program requirements and changes, as well as internal policies.	• Institution assesses needs and revises internal systems, forms and manuals as needed. • Institution disseminates program information.	• Institution is prepared for the coming award year.
• The information must be made readily available (or mailed) to all current and prospective students, and school must designate employee(s) who will help students get this information.			
• Program requirements developed by ED are subject to change, and include procedural and recordkeeping requirements.			

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CAMPUS-BASED COMPONENT

2. STUDENT APPLICATION SUBSYSTEM

2.1 Student Application Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
2.1 • School may designate any application form as the application for Campus-Based aid, as long as it includes required data elements. These applications may include (but are not limited to) the forms developed by the following processors: - The Pell Grant central processor - Approved need analysis services. • Applications must be filed annually. • The applicant may be charged a fee for processing by need analysis services. • Institutions may require that other forms be completed as supplements to the application. • The application must contain demographic and financial data which are used by the processor and/or institution to determine eligibility and financial need.	2.1.1 • Student obtains application form (and supplements if required) from school.* 2.1.2 • If application is sent to processor, processor enters data. 2.1.3 • Institution receives application and/or output document from student and/or processor.	• Student and/or parents fill out application (and supplements). • Processor passes application through a series of edit checks. • If application is incomplete or inconsistent, processor requests additional information from student. • Once application is complete and consistent, processor calculates Expected Family (or Student) Contribution and generates output document. • School checks application for completeness, contacting student for additional information if needed. • School checks information reported by student against its own records. • School reconciles information on application and in records if necessary.	• Student sends application form(s) to school and/or processor, as well as application fee if required. • Processor sends output document to student and/or school. • School retains completed/corrected application.

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* In many cases, the student will receive one packet of application materials from the school for all sources of aid.

CAMPUS-BASED COMPONENT

3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.1 Student Eligibility Determination Activity *

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
3.1 • School is reponsible for determination of student eligibility for Campus-Based aid, including aid under the SEOG, NDSL, and CW-S programs.	3.1.1 • School reviews application for compliance with categorical eligibility criteria.	• School determines whether student meets categorical Campus-Based eligibility criteria.	• Student's categorical eligibility for Campus-Based aid is determined.
• To be eligible for Campus-Based aid, a student must meet generally eligibility criteria established by law and regulation:	3.1.2 • School reviews need analysis data received from student, usually via need analysis service, and determines cost of attendance.	• School verifies accuracy and appropriateness of need determination, receiving analysis as necessary.	• Student's financial need is determined.
- Be U.S. citizen, national, or permanent resident			
- Be enrolled or accepted in an eligible program and institution			
- Maintain satisfactory academic progress and be in good standing			
- Owe no Title IV grant repayment at the same institution			
- Not be in default on any Title IV loan at the same institution			
- File a statement that aid will be used for educational purposes only			
- File a financial aid transcript, if required			
- Register with the Selective Service, if required.			
• To be eligible for the SEOG program, the student must also not have a bachelor's degree.			
• See program features on next page.			

* See also program features and subsystem steps under activity 4.1.

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3. STUDENT ELIGIBILITY DETERMINATION SUBSYSTEM

3.1 Student Eligibility Determination Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		

• To be eligible for the NDSL program, the student must be enrolled at least half-time.

• To be eligible for Campus-Based aid, the applicant must also demonstrate need. Need is determined by utilizing an approved methodology to determine the Expected Family Contribution. Resources may be adjusted if institution believes they do not accurately represent available resources.

• Institution must determine the cost of attendance, including actual or average costs for tuition, room and board, and "reasonable" costs for other educational purposes, for each eligible applicant.

• Institution may determine single, standard cost of attendance (student budget) for all students, multiple budgets for distinct groups of applicants, or individualized budgets for each applicant.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
3.2 • School may validate Campus-Based applications at its discretion, or data may be reviewed during validation of applications for other aid programs.	3.2.1 • School determines applications to be validated.	• School contacts students for documentation for validation. • Student collects and submits documentation. • School checks application and documentation for consistency.	• Application is validated and application data/aid package are adjusted as necessary.

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4. STUDENT BENEFIT CALCULATION SUBSYSTEM

4.1 Student Award Calculation Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
4.1 • Institution is responsible for determination of Campus-Based award amounts. • Institution is free to package aid according to institutional philosophy and individual's circumstances, to cover net or remaining need. Net need is the difference between cost of attendance and the Expected Family Contribution and other aid received. • For SEOG, the maximum annual award is $2,000. • For NDSL, awards have aggregate limits only: - $3,000 for student who has completed two years of study toward bachelor's degree - $6,000 for student with at least third-year status who has not received bachelor's degree - $12,000 for graduate and professional study, including amounts borrowed for undergraduate study. • For CW-S, maximum annual award is limited to net need. • See program features on next page.	4.1-1 • Institution considers applicant's financial need, academic capacity, aid preferences and other student factors.	• Institution awards aid from three programs on the basis of aid packaging philosophy, availability of funds, and relevant program criteria. • Institution generates award letter which notifies student of eligibility or ineligibility, and the amount and type of aid awarded if eligible.	• Award letter is sent to applicant.

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4. STUDENT BENEFIT CALCULATION SUBSYSTEM

4.1 Student Award Calculation Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		
• Special CW-S funds are provided for students from American Samoa and Trust Territory of the Pacific Islands. These students are also eligible for all other funds.			

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CAMPUS-BASED COMPONENT

5. FUNDS DISBURSEMENT SUBSYSTEM

5.1 ED Disbursement to Institutions Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.1 • Under Campus-Based programs, institutions are responsible for distributing Federal funds to eligible students. • Institutions may request payment from ED through established Letter of Credit or Cash Advance Request systems. See also program features under activity 1.8.	5.1.1 • If utilizing the Cash Advance Request System, institution submits a Recipient Cash Advance Form (ED Form 874) to cover estimated expenditures for each month.	• ED Finance certifies payment and obligates funds. • ED Finance sends voucher to Treasury.	• Treasury transfers funds (by check) to the institution.
	5.1.2 • If utilizing the Letter of Credit payment method, institution periodically submits Payment Voucher (TSF Form 5401) to its commercial bank.	• Bank forwards copies of TSF 5401 to the Federal Reserve Bank, and credits school's account. • Federal Reserve Bank sends copy of TSF 5401 to Treasury, and credits bank's account. • Treasury sends copy of TSF 5401 to ED Finance, and credits Reserve Bank's account.	• Institution receives funds, and ED Finance updates records.
	5.1.3 • Each calendar quarter, institution submits Recipient Report of Expenditures (ED Form 868). Institutions using Cash Advance Request System also submit Cash Reconciliation Statement, indicating total funds expended during the quarter and cash balance on hand.	• ED Finance receives and processes reports.	• ED Finance updates its records.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.2 • Students must accept individual awards by signing award letter.	5.2.1 • Student signs and returns award letter.	• Institution receives signed award letter.	• Institution updates and retains student records. *
• Students must sign Statement of Educational Purpose (SEP) either on application, as a supplement to the application, or as a part of the award acceptance process.			
• School must retain a copy of the SEP for each recipient.			

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* School is required to store records for five years after recipient's graduation, withdrawal, or reduction to less than half-time status.

5. FUNDS DISBURSEMENT SUBSYSTEM

5.3 SEOG Disbursement Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.3 • SEOG must be disbursed once per term or at least twice a year. • Disbursement may be made by the institution by crediting a student's account or by a check issued to the student.	5.3.1 • Student accepts SEOG award, under activity 5.2.	• institution verifies enrollment status. • Institution credits student's account, issues check to student, or both.	• Student receives SEOG funds.

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5. FUNDS DISBURSEMENT SUBSYSTEM

5.4 NDSL Disbursement Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.4 • NDSL must be disbursed at least twice a year or once per term.	5.4.1 • Student accepts NDSL award, under activity 5.2.	• Institution issues NDSL promissory note.	• Student is notified of responsibilities for loan; data sheet is completed and promissory note signed by student; both are returned to the school.
• Disbursement may be made by the institution, by crediting student's account or issuing a check to student.		• Institution notifies student of rights and responsibilities for loan through a meeting or by mail.	
		• Institution issues student a data sheet.	
• Institution must provide an amount equal to one-ninth of the Federal Capital Contribution for NDSL loans.	5.4.2 • Institution issues schedule of loan advances to student.	• Student signs for loan advance.	• Student receives NDSL proceeds.
• NDSL promissory note must be signed by the student and must include information on loan conditions, and a repayment schedule.		• Institution verifies enrollment status.	
• School must notify borrower of his/her rights and responsibilities.		• Institution credits student's account, issues check, or both.	

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.5 ● CW-S funds must be disbursed as compensation for work completed by the recipient, and must be disbursed at least once per month.	5.5.1 ● Student accepts CW-S award, under activity 5.2.	● Student applies for specific job (on campus or with off-campus employer).	● Student accepts and is assigned to eligible job.
● Wage rate is determined by the employer, but must be at least the Federal minimum wage. Institution and/or employer must provide at least 20% of the total wages; the remaining percentage can be provided from Federal funds.		● Institution evaluates employer and job (if not previously approved) and certifies eligibility. ● If employer is off campus, institution executes off-campus agreement with employer. ● Employer sets wage rate.	
● The Federal portion of the student's wages must be paid by check. The institutional portion may be paid by check or "in-kind" compensation.	5.5.2 ● Student performs job.	● Student submits time sheet to employer for hours worked.	● Supervisor certifies that work has been performed.
● CW-S funds may be used to compensate the student for any job, as long as the job meets statutory and regulatory requirements. These requirements for employers include: - Non-profit - Non-sectarian - Non-political - Working for the public interest - May be any government agency except for the Department of Education - May be the school, as long as the school meets the above criteria.	5.5.3 ● Employer processes voucher for student payroll.	● If institution is the employer, institution issues check (and in-kind compensation if relevant) to student. ● If employer is other than institution, employer issues check to student and bills institution for up to 80% of wages, or institution issues check to student and bills employer for at least 20% of wages.	● Student receives CW-S pay.
	5.5.4 ● School develops Job Development and Location (JDL) center, if desired.	● School charges CW-S account for eligible costs of conducting JDL activities up to the maximum.	● School pays for JDL activities.
o See program features on next page.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
• See program features on previous page.	• See subsystem steps on previous page.		
• Off-campus employers must meet the above criteria, and sign an agreement with the school.			
• Institution may develop a Job Location and Development Program with CW-S funds to expand off-campus opportunities for all students. Up to the lessor of $25,000 or 10% of the school's CW-S allocation may be used to support this program, up to 80 percent of allowable costs.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
5.6 • If Campus-Based aid recipient graduates early, withdraws, or drops below half-time enrollment during the time covered by the aid, institution is responsible for determining the amount of refund according to statutory and regulatory criteria, and must return to its Campus-Based funds the portion of the refund that is equivalent to the percentage of aid originally received by the student from the Campus-Based programs.	5.6.1 • Campus-Based recipient graduates early, withdraws, drops below half-time status, or reports additional financial resources not included in the initial award calculation.	• School determines the amount of overpayment, if any. • School collects overpayment from student, adjust subsequent disbursements or subsequent year's award, or "writes off" overpayment if not recoverable.	• School updates its records. *
• If the school determines that the student's need has decreased (for example, due to additional earnings) since the time the award was calculated, the school is encouraged to adjust the aid package. Aid _must_ be adjusted if the change is greater than $200. Adjustments can be made to subsequent disbursements, to the subsequent year's award, or through repayments from the student. If the adjustment cannot be collected by any of these means, it can be "written off" by the school.			

* School is required to store records for five years after Campus-Based recipient's graduation, withdrawal, or reduction to less than half-time status.

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CAMPUS-BASED COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.1 NDSL Repayment Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.1 • Institutions must conduct an exit interview with NDSL recipients upon graduation or withdrawal; if an exit interview cannot be arranged, schools must mail the relevant materials to the borrower.	6.1.1 • NDSL borrower gradu- ates or withdraws from school.	• Institution conducts exit interview (or, if interview is not possible, mails materials to borrower). • Institution has borrower sign repay- ment schedule.	• Institution receives signed repayment schedule and updates its records. (Institution must also send the borrower two or three reminders during the grace period.)
• During or prior to the exit interview, the institution must contact the borrower and inform him/her of the borrower's rights and responsibilities. The borrower must be given a copy of the promissory note and the repay- ment schedule. The borrower must sign a copy of the repayment sched- ule and return it to the school.	6.1.2 • School or servicing agency bills borrower for payments accord- ing to repayment schedule, or a coupon book is issued to the borrower.	• Borrower submits payments to school or servicing agency until loan is paid in full.*	• When loan is paid in full, school marks promissory note as paid and returns it to the borrower, and updates its own records.**
• If the school is a GSL lender, GSL and NDSL repayment billings may be consolidated.			
• The repayment schedule must be developed by the institution, and must reflect the terms of the promis- sory note. The schedule must meet program requirements, including mandated time and payment limits.			
• See program features on next page.			

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* Delinquent payments are treated under activity 6.4; see activities 6.2 and 6.3 respectively for deferments and cancellations.

** School must keep records on borrower for five years after loan is paid in full.

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
● See program features from previous page.	● See subsystem steps on previous page.		
● The borrower is entitled to a grace period between his/her in-school period (or deferment period) and entrance into repayment. The grace period may be six or nine months, depending on when the loan was made. During the grace period, the school must send the borrower two or three reminders (depending on when the loan was made) that include the information presented in the exit interview.			
● Institutions may contract with a loan servicing organization to service NDSLs.			
● Institution or servicer must meet mandated requirements in maintaining contact with students, and may bill the student for payments (according to required procedures) or utilize a coupon book.			

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PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.2 • Borrower may request deferment on an annual basis, if the borrower is: - A student enrolled at least part-time (unlimited) - A member of the Armed Forces or Public Health Service (three-year maximum) - Serving in ACTION (three-year maximum) - In a recognized internship (three-year maximum, for loans made after Oct. 1, 1982 only). During these deferment periods, no repayment is expected and no interest accrues. • Loan repayment may be deferred for up to two years, during which interest does accrue if the borrower is disabled, unemployed, or under other extraordinary circumstances.	6.2.1 • Borrower submits "Request for Deferment" to institution.	• Institution reviews request and determines whether borrower is eligible for deferment.	• Institution notifies borrower of eligibility, and loan payments are deferred for a year, if borrower is eligible.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.3 NDSL Cancellation Activity

PROGRAM FEATURES		SUBSYSTEM STEPS		
		Inputs	Processes	Outputs
6.3	• A portion of a student loan may be cancelled for: - Teaching in a low-income school identified by the ED Secretary - Military service - "Head Start" service. • The proportion of the loan that is cancelled must be calculated according to statutory and regulatory requirements, and depends on when the loan was made and the type and length of service. • ED reimburses the institution for principal and interest for NDSL cancellations.	6.3.1	• Borrower submits "Request for Partial Cancellation" for the appropriate category to the institution.	• Institution reviews request and determines whether the borrower is eligible for cancellation of a portion of the loan. • If the borrower is eligible for loan cancellation, the institution cancels principal and interest at appropriate rate, and notifies student.	• Borrower is notified of decision.
	6.3.2	• Institution requests reimbursements for cancellations on FISAP form when submitting FISAP to DPO. (See activities 1.10 and 6.6 for more information on the use of the FISAP.)	• DPO reviews requests and submits payment voucher to ED Finance. • ED Finance certifies payment and obligates funds. • ED Finance sends voucher to Treasury.	• Treasury transfers funds to institution (by check).

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6. ACCOUNT RECONCILIATION SUBSYSTEM
6.4 NDSL Collections Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.4 • Institution must follow "due diligence" requirements established by law and regulations in attempting to collect loan payments. These requirements include a number of mail and/or phone contacts at specified intervals, and the use of skip-tracing services if necessary.	6.4.1 • Borrower misses payment.	• Institution (or its servicing or collection agency) follows due diligence requirements, mailing notices of delinquency to borrower. • Institution or its agent utilizes skip-tracing services to locate borrower if he/she cannot otherwise be found.	• If borrower brings account up to date, he or she re-enters repayment. (Go to 6.1.) If borrower is found to be eligible for deferment, go to 6.2. If repayment is not re-established after 105 days, loan may be declared in default. Institution updates its records.
• If institution is unsuccessful in its efforts to collect on delinquent loan payments, the school may: - Refer the loan to a collection agency - Sue the borrower - Use its own personnel to attempt to collect the amount due.	6.4.2 • Institution decides to assign loan to a collection agency.	• Agency continues collection activities. • If agency is successful, collected funds are returned to the school, minus a fee.	• Institution updates its records.
• If an NDSL has been in default for two years, it can be assigned to the Federal government for collection. • If the loan is assigned to ED, ED becomes responsible for collections activities. Assigned loans include the relevant loan funds provided by the institution as well as by the Federal government. The Department retains any funds collected on assigned loans.	6.4.3 • Institution decides to assign defaulted loan to ED.	• Institution sends appropriate documentation to ED. • ED determines acceptability of referral, and if so, continues collections activities, keeping any funds that are collected. • If the institution provides inadequate documentation, ED declines the referral, and returns responsibility to the institution.	• Institution updates its records.

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CAMPUS-BASED COMPONENT

6. ACCOUNT RECONCILIATION SUBSYSTEM

6.5 Institution Account Reconciliation Activity*

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.5 ● Institution must comply with specific recordkeeping, reporting, and account reconciliation requirements for the Campus-Based programs, including annual submission of the Fiscal Operations Report and Application to Participate (FISAP).	6.5.1 ● Institution receives FISAP form from ED.**	● Institution transfers funds between CW-S and SEOG accounts as needed, subject to maximum.	● Institution submits FISAP to DPO.
		● Institution transfers CW-S funds between current year and subsequent year accounts as needed, subject to maximums.	
● Institutions may, at their discretion, transfer up to 10% of the relevant funds between the SEOG and CW-S programs.		● Institution transfers CW-S funds to Job Location program accounts, subject to maximums.	
		● Institution transfers funds from program accounts to Administrative Cost Allowance accounts, subject to maximums.	
● Institutions may, at their discretion, transfer up to 10% of the CW-S funds from or to the subsequent year's allocation.		● Institution reconciles revenues and expenditures, determining the amount (if any) of unexpended funds.	
● The Department of Education is required to reconcile Campus-Based expenditures, to arrange for recovery of unexpended funds, and to transfer unexpended funds to subsequent year funding.	6.5.2 ● DPO receives FISAP form.	● Institution completes FISAP form. ● DPO reviews FISAP, and determines amount (if any) of unexpended funds.	● Institutional account is closed for that year by DPO and ED Finance.
		● DPO reconciles accounts.	
● See program features on next page.		● DPO notifies ED Finance of amount (if any) of unexpended funds.	
		● ED Finance recovers unexpended funds as necessary.	

* See activity 5.6 for the calculation of refunds or overawards for individual recipients.

** See activities 1.10 and 6.3 for other uses of the FISAP form.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.5 Institution Account Reconciliation Activity (Continued)

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
● See program features on previous page.	● See subsystem steps on previous page.		

● Institutions may, at their discretion, use up to 10% (or $25,000) of their CW-S funds to provide up to 80% of the funding for administration of a Job Location and Development Program, to expand off-campus job opportunities for all students.

● Institutions may, at their discretion, utilize a portion of their Campus-Based allocations as an Administrative Cost Allowance. The maximum allowance is determined by a formula which takes into account the amount of Campus-Based awards for each of the three programs, as well as the total level of expenditures.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.6 Institutional Audit Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.6 • Participating institutions must be audited at least biennially by an independent auditor. Biennial audits cover both years of activity.	6.6.1 • Institution contacts independent auditor to perform audit or arranges to use internal auditor, if eligible.	• Auditor reviews institutional records and procedures for compliance with generally accepted accounting principles and procedures.	• Auditor's findings are reported to institution and regional ED Inspector General (EDIG).
• Auditors must adhere to governmental standards.			
• Institution has the right to respond to audit findings.	6.6.2 • Institution may decide to respond to auditor's report.	• Institution develops written response, which may disagree with auditor's findings, reports relevant facts or circumstances, and remedial actions taken or planned.	• Institution submits written response to EDIG.
	6.6.3 • EDIG receives auditor's report and institution's response.	• EDIG reviews reports for completeness and adherence to governmental procedures.	• EDIG forwards reports to DCPR.
	6.6.4 • DCPR receives reports from EDIG.	• DCPR reviews reports and determines adjustments or repayments if necessary.	• DCPR notifies institutions of its findings.
	6.6.5 • Institution receives findings from DCPR.	• Institution decides whether to accept or appeal findings. • If institution appeals, it can redraw a sample of recipient records, or review all records and report findings to DCPR.	• If appeal is successful, DCPR amends audit reports and notifies institution. Institution takes corrective actions if necessary. If not, original findings stand and institution responds accordingly.

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6. ACCOUNT RECONCILIATION SUBSYSTEM

6.7 ED Program Review of Institutions Activity

PROGRAM FEATURES	SUBSYSTEM STEPS		
	Inputs	Processes	Outputs
6.7 • ED is authorized to review partici- pating institutions to determine com- pliance with rules and regulations. • A number of difference conditions will cause an institution to be chosen for review. These conditions are identified via: - Application for participation (see activity 1.8) - Scores according to a point system developed by ED, from data sub- mitted by the institution for the Pell and Campus-Based programs - D. termination by an ED regional office that an institution should be reviewed - Results of an audit - Period of time since last program review.	6.7.1 • Institution is selected for review by DPCR, or applies for partici- pation. (See also activ- ity 1.8 in the latter case.)	• DCPR contacts institution to set dates for review. • DCPR reviews institutional records and procedures to determine compl- ance with rules and regulations.	• Institution takes corrective actions if necessary.

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APPENDIX A

GLOSSARY OF FREQUENTLY USED ABBREVIATIONS

ACA — Administrative Cost Allowance.

ACT — American College Testing Service.

AD3 — Alternative Disbursement System (Pell program).

AGI — Adjusted Gross Income.

Campus-Based Programs — SEOG, NDSL, and CW-S programs.

CSS — College Scholarship Service.

CW-S — College Work-Study.

DCPR — Division of Certification and Program Review, Office of Student Financial Assistance, U.S. Department of Education.

DEIM — Division of Education Information Management, Information Resource Management Service, U.S. Department of Education.

DPO — Division of Program Operations, Office of Student Financial Assistance, U.S. Department of Education.

DPPD — Division of Policy and Program Development, Office of Student Financial Assistance, U.S. Department of Education.

DQA — Division of Quality Assurance, Office of Student Financial Assistance, U.S. Department of Education.

DSDD — Division of Systems Design and Development, Office of Student Financial Assistance, U.S. Department of Education.

GLOSSARY
(Continued)

DTD   Division of Training and Dissemination, Office of Student Financial Assistance, U.S. Department of Education.

ED   U.S. Department of Education.

ED Finance   Financial Management Service, U.S. Department of Education.

EDIG   Office of the Inspector General, U.S. Department of Education.

EDPMTS   Department of Education Payment System.

EFC   Expected Family Contribution.

FAA   Financial Aid Administrator.

FAO   Financial Aid Office.

FAT   Financial Aid Transcript.

FCC   Federal Capital Contribution (NDSL program).

FCS   Family Contribution Schedule.

FISAP   Fiscal Operations Report and Application to Participate (Campus-Based Programs).

FISL   Federal Insured Student Loan.

GAO   U.S. General Accounting Office.

GSL   Guaranteed Student Loan.

GLOSSARY
(Continued)

MDE Multiple Data Entry Processor (also known as need analysis services).

NAP National Appeals Panel (Campus-Based programs).

NDSL National Direct (and/or Defense) Student Loan.

NPRM Notice of Proposed Rule-Making.

OPE Office of Postsecondary Education, U.S. Department of Education.

OGC Office of the General Counsel, U.S. Department of Education.

OMB U.S. Office of Management and Budget, Executive Office of the President.

OPBE Office of Planning, Budget and Evaluation, U.S. Department of Education.

OSFA Office of Student Financial Assistance, U.S. Department of Education.

Pell Pell Grant (formerly BEOG--Basic Educational Opportunity Grant).

PLUS Parent Loans for Undergraduate Students (now includes ALAS--Auxiliary Loans to Assist Students).

PHEAA Pennsylvania Higher Education Assistance Agency.

RDS Regular Disbursement System (Pell program).

RFP Request for Proposal.

GLOSSARY
(Continued)

SAI   Student Aid Index (Pell program).

SAR   Student Aid Report (Pell program).

SCR   Student Confirmation Report (GSL/FISL programs).

SEOG   Supplemental Educational Opportunity Grant.

SEP   Statement of Educational Purpose (formerly AEP--Affidavit of Educational Purpose).

SFATP   Student Financial Assistance Training Program.

SVR   Student Validation Roster (Pell program).

UM   Uniform Methodology.