

Federal regulations require that institutions participating in the Federal Direct Student Loan (FDSL) Program maintain policies and procedures ensuring that administratively capable and compliant processes are used when administering FDSL program funds. Compliant administration begins with student application and continues throughout the award packaging, disbursement, reporting, and reconciliation stages. The following processes are implemented in response to the Direct Loan Quality Assurance requirements:

Student Application

All students seeking to obtain a FDSL award are required to file a Free Application for Federal Student Aid (FAFSA) and are encouraged to import their financial information via the IRS/DRT (Data Retrieval Tool) if available to them while submitting their FAFSA. Use of this tool ensures the most accurate submission of financial information to the CPS for ISIR preparation and EFC determination. Proper application and EFC determination is the start to ensuring compliant delivery of student loan awards. Students' ISIRs received from FAFSAs filed are reviewed by the institution, and any C code or verification requirements are resolved by the institution or GEMCOR prior to award packaging. As evidenced by the restrictions in GEMCOR's TEAM Software System, federal grant or loan awards cannot be packaged until all required verification and C code conditions are resolved.

Award Packaging

Significant and detailed system edits and code in GEMCOR's TEAM Software System provide for the most comprehensive and compliant processes available today for accurate FDSL award eligibility and loan amount determination. The following requirements and limitations are all taken into consideration by the software when determining loan eligibility amounts:

- Academic program length or remaining portion thereof
- Academic year length (Scheduled or Borrower Based)
- Loan period length
- Federal minimum loan period limitations
- Tuition and fees incurred during the loan period
- Estimated room and board expenses during the loan period
- Estimated personal expenses during the loan period
- Transportation expenses during the loan period
- Estimated other financial assistance during the loan period
- Expected family financial contributions for the loan period
- Annual Loan Limits
- Maximum eligibility periods (MEPs)
- Subsidized loan usage (SLU) periods
- Remaining eligibility periods (REPs)
- Aggregate outstanding principal balances of existing loans
- Counseling requirements
- Promissory note execution

The image on the following page demonstrates the data taken into consideration by the software system when packaging a loan award.

The screenshot displays the TEAM software interface for award administration. The main content area shows the following details for student JIMMY JOHN:

- ISIR: 1718 | 000000036|001 | 000000 | JIMMY JOHN
- Award Type: FDSL Federal Subsidized Loan
- Budget: O-COA1 - Students who dependents & living with a parent
- Award/Loan Period Begin Date: 01/01/2017
- Award/Loan Period End Date: 10/27/2017
- Hours To Be Completed This Academic Year: 36.00
- Num Payment Periods in this Award: 3
- First Payment Period For This Award: 1
- Months in Award/Loan Period: 8.88
- Award Amount: \$3,500
- Maximum Award Amount: \$3,500
- First Time Borrower:

The details panel on the right provides further information:

- Student: JIMMY JOHN, 443.854.0505
- ISIR: 00000036|001, Print ISIR, Print Quick View
- ISIR Student ID: 000000036|001
- ISIR Process Date: 2/17/2016
- EPC: 000000
- Pell LEU: 250.000
- Bachelors Degree Before July 1: NO
- Working on Master's/Doctorate: NO
- ADPB Sub: \$5,750.00
- ADPB Combined: \$12,750.00
- MEP: 3.0000
- SLU: 0.0000
- REP: 3.0000
- Dependency Status: INDEPENDENT
- MPN: Entrance Counseling
- Two Academic Year Associates of Science Degree (2AYAS) - 01/30/2017
- Program Start Date: 1/30/2017
- Program Length hours: 90.00
- Transfer Hours: 0.00
- Academic Year: 1 [edit], Print Award Letter
- Academic Year Start: 1/30/2017
- Academic Year End: 10/27/2017
- Enrollment Status: FT
- Hours in Academic Year: 36.00
- Award: Pell [edit], Student Data Sheet

The bottom of the screenshot shows a Windows taskbar with the system clock at 6:43 PM on 10/12/2017.

Videos available at <http://www.gemcorinc.com/technicalsupport.html> also describe the controls in place to ensure direct loan quality administration.

Loan Counseling

First time student loan borrowers are required to complete entrance counseling prior to the first disbursement of their loan proceeds. Loan counseling can be in the form of printed material or group, or individual, discussion but students are encouraged to complete the entrance counseling requirement online through the USDE's loan counseling material at www.studentloans.gov. The online process ensures that up to date information is provided to students regarding loan regulations and the borrower's rights and responsibilities. Additionally, GEMCOR will obtain counseling confirmation from the Common Origination & Disbursement (COD) System and will reflect this data in the TEAM System daily. This allows client institutions to immediately confirm that online counseling has been completed prior to disbursement.

Master Promissory Notes

Student borrowers are advised to complete an electronic master promissory note (E-MPN) at www.studentloans.gov. Although Direct Loan awards can be packaged in GEMCOR's TEAM Software System before a promissory note is executed, GEMCOR's internal system limitations and controls prohibit the drawdown of any federal loan funds from G5 for any loans that are not attached to a valid promissory note in COD. This restricts any possibility of a condition referred to as "Unbooked Loans". FDSL monthly reconciliation is a process that identifies and reconciles unbooked loans (loans funded for which a promissory note is not linked). Accordingly, using GEMCOR's quality assurance program, there is never a condition of reconciliation errors due to unbooked loans.

Loan Disbursement

When a student is eligible for a disbursement of loan proceeds for a payment period, the institution will approve that it wishes to make that disbursement through processes provided for in the TEAM Software System. At this time, an authorized school official will confirm the student's eligibility for this disbursement through a series of certifications. This process occurs with each disbursement of each loan award to further ensure program compliance.

This institutional eligibility approval is then processed through GEMCOR's internal computer systems which provide an additional layer of review and confirmation of the expected disbursement and amount. This loan disbursement record is then electronically reported to COD for a third layer of edits and approval. Upon acceptance and approval of the disbursement by COD, and only upon such acceptance, is the institution notified that it may then disburse those funds on behalf of the student borrower for the payment period intended. Although federal regulations require that institutions report disbursements of federal aid up to 15 days after such funds are disbursed, GEMCOR's policies and procedures require that disbursements of federal aid by client institutions be reported to and accepted by COD before funds are ever drawn down from G5. This "records first" process is well known by the USDE and results in the tightest control of federal financial transactions. Requiring that loan disbursements be approved and accepted by the USDE's COD system before being funded further ensures that routine reconciliation of program activity is 100% balanced in real time on a daily basis resulting in the strictest quality assurance for Direct Loan transactions.

The above processes also result in strict cash management compliance regarding drawdowns of federal funds and excess cash restrictions. See Section 11 of this Guide for detailed information and policies regarding cash management, refund transactions, treatment of refund cash on hand, and their additional impact on quality assurances regarding Direct Loan Program administration.

Daily Reconciliations

As described above, daily student disbursement records and disbursement adjustments resulting from refunds are reported to COD each day. This daily process ensures the quickest possible reporting of federal fund activity to the USDE. Each day GEMCOR reviews the results received electronically from COD for the prior day's submission of student records. This process requires a GEMCOR official to match the number of records submitted to COD in that batch with the number of response records received from COD relative to that records batch. Any discrepancies in record totals are immediately resolved. Subsequent to reconciliation of daily record counts, each disbursement or disbursement adjustment record is reviewed to ensure acceptance and approval of that record by COD. Any rejects or warning notifications are immediately resolved and resubmitted to COD if necessary. These daily reconciliation functions ensure that award activity is reconciled between institution's records and COD's records on a daily basis.

GEMCOR's systems provide for a *Daily Award Journal* to be created and electronically disseminated to each client for each day the institution has award activity. The institution then reconciles this *Daily Award Journal* with its student ledger accounts further resulting in daily award reconciliation processes between GEMCOR, COD, and the institution.

Monthly Reconciliation

Multiple reconciliations of federal transactions are performed on a monthly basis by GEMCOR on behalf of its client institutions. These reconciliations involve cash activity reconciliations and cumulative disbursement activity reconciliations.

Cash activity reconciliations involve both bank statement reconciliation as well as Direct Loan Account Summary (DLSAS) reconciliation. GEMCOR's accounting department maintains the responsibility for monthly bank statement reconciliation. See Section 11 of this Guide for detailed information about cash management. Reconciliation of each institution's monthly federal funds bank statement with its general ledger ensures that federal cash activity is properly balanced, properly accounted for, and that funds are not improperly maintained beyond allowable timeframes. Any cash on hand from refund activity is routinely and regularly returned to the USDE electronically through its G5 cash management system. This process further ensures administrative compliance, quality assurance, and zero unbalanced award documents.

Similar to bank account statements, monthly Direct Loan account statements (DLSASs) are received during the first week of the subsequent month. GEMCOR's FDSL Department maintains control and responsibility for prompt and routine reconciliation of DL account statements. As mentioned previously, GEMCOR's existing controls during award generation, calculation, COD reporting, and its daily reconciliation procedures significantly minimize any reconciliation matters with monthly DL account statements. Account statements routinely indicate zero irregularities with activity balanced within each month. In the event the account statements indicate cash activity other than zero balance, the amounts are manually reconciled with COD activity and GEMCOR general ledger activity.

Ad Hoc Reconciliation

As institutions administer daily activity on-campus, student withdrawal information is provided to GEMCOR. Upon receipt of withdrawal information from the institution GEMCOR performs the following adjustments to the student's record:

- Reduction of disbursement amounts to reflect any refund activity, if applicable.
- Review the loan origination record to determine the need for any loan period modification.
- Reduce any unpaid subsequent disbursement records to \$0
- Adjust loan period ending dates, if applicable.
- Report common record changes to COD, if applicable.

The above functions ensure that all student origination records are accurate and compliant with 150% subsidized loan usage limitation regulations and requirements.

Annual Reconciliations/Close Outs

GEMCOR reconciles all disbursement activity for the award year on behalf of its client institutions. Upon the conclusion of the award year and subsequent to the end of all loan periods for awards originated during that award year, GEMCOR will confer with the institution to balance all unpaid expected disbursement records that remain active. Any existing unpaid disbursements are reduced to \$0 and loan period end dates are adjusted if applicable. This ensures that there are no remaining disbursement records in COD for the recently completed award year. After reconciling any disbursement records as mentioned above, and after confirming a zero cash balance, GEMCOR will officially process a close out of the award year with COD.

Finally, in preparation for the institution's required annual compliance audit process, GEMCOR performs an additional annual review of all program activity to confirm administrative compliance. GEMCOR's Audit Package provides cumulative net disbursement information for the award year separated by Title IV program along with COD and G5 documentation balancing all disbursement activity with cash activity for the award year.