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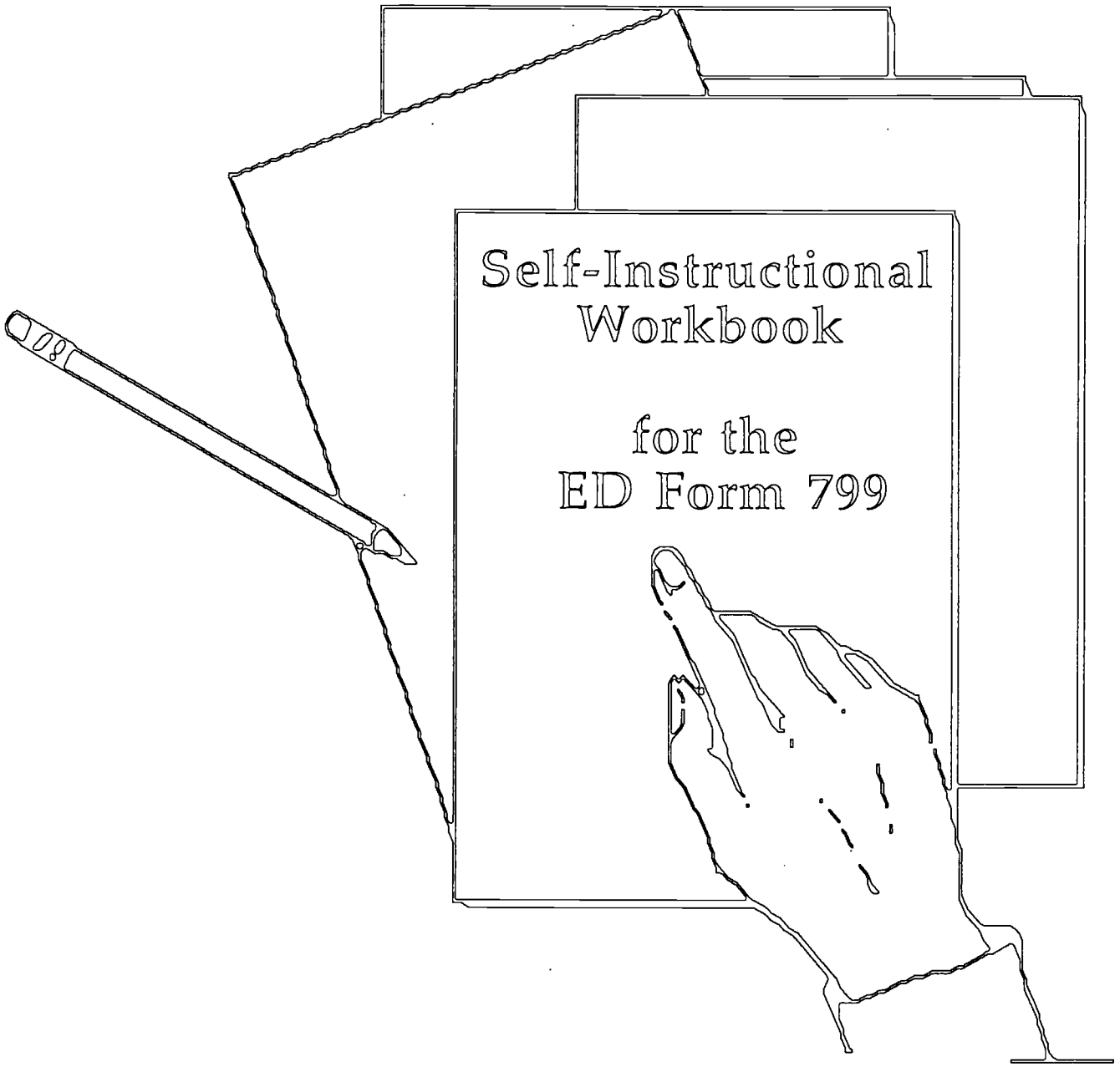
ABSTRACT

To assist in making funds available for student higher education loans and to keep their interest rates as low as possible, the Department of Education compensates participating lending institutions using a combination of interest subsidies and special allowance payments. Lenders use ED Form 799, Lender's Interest and Special Allowance Request and Report, to obtain payments under the federal loan programs. This workbook was designed to help users learn how to prepare the form without assistance. It contains instructions, examples, practice exercises, and self-tests so users can check their progress. The workbook was not intended to explain all the responsibilities of lenders participating in the Federal Family Education Loan Program. Additional information is available from guaranty agencies, ED Regional Offices, and related publications, listed in appendices to the document. The workbook includes one unit on Federal Family Education Loan Programs' quarterly reports and five units on ED Form 799 which cover: identification and certification, the loan origination fee, interest benefits, special allowance, and changes in loan principal and portfolio analysis. The final chapter concerns quality assurance in student loan reporting. Appendices list additional sources of information, guaranty agencies, references, and frequently asked questions. (MAH)



United States Department of Education
Student Financial Assistance Programs

March, 1994

FOREWORD

This Workbook is designed to help you learn how to prepare the revised ED Form 799, Lender's Interest and Special Allowance Request and Report. The Workbook has been modified to incorporate changes mandated by the reauthorization of the Higher Education Act of 1965 signed on July 23, 1992, the Omnibus Budget Reconciliation Act signed August 10, 1993, and the Technical Amendments signed in December 1993. The instructions and examples will guide you through all of the steps. Practice exercises appear frequently to help you learn by doing, and to familiarize you with the procedures. There is also a Self-Test at the end of each Unit to let you know how well you are progressing.

It is important that you fully understand every step, whether the form is completed by hand or through computer processing. Some of the instructions are complex, such as those covering interest benefits and special allowance, but you will be able to prepare your reports promptly and accurately if you take the time now to learn what you need to do to complete each part of the form.

This Workbook is not intended to explain all of the responsibilities of lenders participating in the Federal Family Education Loan (FFEL) Program formerly GSL. You can get additional information by contacting your guaranty agency, your ED Regional Office, or by requesting copies of publications about the FFEL programs. Lists of guaranty agencies, ED Regional Offices, and publications that may be of interest to you are provided in the appendices at the end of this Workbook.

The Workbook is designed to help you learn how to prepare ED Form 799 on your own. Read the Directions to Learners thoroughly. By following these instructions carefully, you will be able to gain the most from your efforts.

DIRECTIONS TO LEARNERS

This Workbook consists of seven Units that take you through the entire process of preparing the new ED Form 799. Each Unit focuses on a particular part of the process. The entire Workbook should take you approximately five working days to complete. You can schedule your sessions over several days or devote full time to the Workbook until it is completed. Work at your own pace, but try to finish a Unit in one sitting.

Do not hurry through any explanations or omit any Practice Exercises. Your learning will be easier and faster if you make sure you have mastered each Unit before going on to the next one. If you are already familiar with some of the steps, you should be able to complete that section of the Workbook quickly and still be certain you have not missed something important.

Some calculations are required to complete many of the Practice Exercises. These problems have been kept as brief as possible while still giving you the range of examples that you need to understand. Use a hand or desk calculator to perform the calculations. You should do every exercise, even if your institution will prepare its ED Form 799 using a computer. By doing the calculations manually, you will see what is supposed to happen in each step. This, in turn, will alert you to possible sources of mistakes in how loans have been grouped or coded for reporting purposes.

When you come to a Practice Exercise, write out every answer either directly in this Workbook or on separate sheets of paper. Practice is important because it will help you remember what you learn. If you make a mistake in an answer, be sure you understand why you made the error. If you still do not understand some point, contact your ED Regional Office for an explanation. The only way to avoid costly errors and delays is to become thoroughly familiar with the whole process for completing the new ED Form 799.

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UNIT I
FEDERAL FAMILY EDUCATION LOAN PROGRAMS: QUARTERLY REPORTS

1. OVERVIEW

Part B student loans

Guaranteed, reduced interest loans are an important source of financial assistance for students enrolled in higher education. Authorization for these loans was first provided under Part B of Title IV of the Higher Education Act of 1965. Since then, these Federal Family Education Loan (FFEL) programs, (formerly Guaranteed Student Loan (GSL) programs), have given large numbers of students the opportunity to participate in educational programs that might otherwise be beyond their means.

New ED Form 799

In order to assist in making funds available for Part B loans and to keep their interest rates as low as possible, the Department of Education compensates participating lending institutions using a combination of interest subsidies and special allowance payments. Lenders request these payments and report on the status of their loan portfolios each calendar quarter. Since January 1, 1990, lenders have used ED Form 799: Lender's Interest and Special Allowance Request and Report to obtain payments under the FFEL programs. You must use this form for all submissions, even for those covering earlier quarters.

Avoid mistakes

It is important to submit a complete and accurate ED Form 799 to allow prompt processing of the form and rapid payment of amounts reported. In the past, lenders have made frequent errors in preparing their loan reports. Correcting these mistakes delays payment. It is much better to thoroughly understand the form and how to complete it, so it will be correct when you submit it. These instructional materials are designed to help you learn how to complete the new form. They take you through the form, step-by-step, to show you what has to be done to fill in each of its parts.

These materials are not intended to teach everything you should know about the FFEL program. You can get assistance on the details of this program by contacting your student loan guaranty agency, listed in Appendix B, or by contacting one of the ED Regional Offices listed in Appendix A. You can also contact these sources if you want to learn more about how student loans are made, what regulations apply, and the responsibilities of participating lenders. They will help identify pertinent publications and other instructional materials that are available.

Other sources of information

There are certain basic definitions and concepts you will have to know to properly fill out the form. First, you should know that there are five different types of loans included in the FFEL program. The type of loan affects the way payments to the lender under the program are calculated. Here are the five types of loans that currently are authorized. Each description also lists earlier types of loans that are no longer available, but are treated the same way for lender reports using ED Form 799.

Types of Federal Family Education Loans

- Subsidized Federal Stafford Loans are made available to students who have been determined to be eligible because they meet specific financial need and income criteria. A student may borrow up to a specified amount in each of the first two academic years of postsecondary study, and then increasing amounts for each remaining academic year of undergraduate enrollment and for postgraduate or professional studies. Until Congress changed the name of these loans in 1988, they were known as GSL (Guaranteed Student Loans). The earlier FISL (Federally Insured Student Loans) are similar to Federal Stafford Loans and are grouped with them for ED Form 799 reporting. Most Subsidized Federal Stafford Loans qualify for both interest benefits and special allowance. These interest subsidies are paid by ED if the borrower is determined to be eligible by the participating school using family income and financial need criteria. Lenders disbursing Subsidized Federal Stafford Loans are responsible for paying ED an origination fee. Refer to 34 CFR Part 682 for permissable charges by lenders to borrowers.

Subsidized Federal Stafford Loans

- Unsubsidized Federal Stafford Loans are made to borrowers who do not meet specific financial need and family income criteria. These loans are eligible for special allowance, but do not qualify for interest benefits.

Unsubsidized Federal Stafford Loans

- Federal Supplemental Loans for Students, or FSLS Loans are available without regard to financial need. A student may be eligible for an FSLS Loan in addition to a Federal Stafford Loan. Limits also apply to the maximum that may be borrowed under the FSLS program. FSLS Loans were called PLUS (Student) and ALAS (Auxiliary Loans to Assist Students) Loans in the past, and these older types of loans are grouped with FSLS Loans for reporting purposes on ED Form 799. ED Payments to lenders holding these loans are limited to special allowances only. A 5% origination fee is due to ED on loans made on or after 10/1/92. **No new FSLS Loans may be made for a period of enrollment beginning on or after July 1, 1994.**

FSLS Loans

- Federal PLUS Loans are made to parents who are assisting their children with the expenses of postsecondary education. It is not necessary to demonstrate financial need to be eligible for a Federal PLUS Loan. Amounts borrowed under this program are in addition to any financing provided directly to the student through a Federal Stafford Loan. In the past, these were called PLUS (Parent) Loans. For this type of loan, the lender is eligible for special allowances but not interest benefits. A 5% origination fee is due to ED on loans made on or after 10/1/92.

PLUS Loans

- Federal Consolidation Loans are a way for a student to combine outstanding FFEL program loans, and for any Federal PLUS Loans to their parents made on or after 10/1/92, so they have only a single payment to make. Although they are not FFEL program loans, Health Professions Student Loans and Federal Perkins Loans also can be included in Federal Consolidation Loans. Often, a Federal Consolidation Loan will extend the repayment term and lower the amount of the monthly payments. Lenders receive special allowance for Federal Consolidation Loans. A borrower who submits an application to a lender for a Federal Consolidation Loan on or after 1/1/93 will be eligible to receive Federal interest subsidies during periods of authorized deferments. No origination fee is due ED on these loans. **However, for loan applications received on or after 8/10/93, periods of deferment are not subsidized except for Consolidation loans discharging only subsidized Federal Stafford loans.**

Federal Consolidation Loans

Earlier loans

On ED Form 799, all references to Federal Stafford loans include GSL and FISL loans. Similarly, Federal PLUS (Student) and ALAS loans are included where FSLS loans are to be reported, and Federal PLUS (Parent) loans are to be included with Federal PLUS loans. Some lenders may not be able to distinguish Federal PLUS (Student) or ALAS loans made prior to October 17, 1986 from Federal PLUS (Parent) loans. If these older loans cannot be distinguished, report them as Federal PLUS loans.

Interest limits

Various other provisions apply to FFEL program loans, such as the maximum repayment period, the conditions under which the borrower may defer payments, and the amount that may be borrowed for all loans combined. There also are limits on the amount of interest that may be charged for each type of loan. These limits have changed over the years to reflect changes in the law. For Federal Stafford loans, the interest rate on a borrower's first loan continues for subsequent loans unless all prior loans have been repaid in full.

A number of specialized terms also are used on ED Form 799. You should know what each of these terms means. Some will be explained more fully as you learn about the procedure for completing each part of the form. However, these brief explanations will help you understand the student loan reporting process overall.

Interest benefits

- Interest benefits are payments ED makes to lenders holding qualifying FFEL and FISL loans while the student is in school, for grace periods, and during authorized deferment periods when repayments are not required. The lender receives the full amount of the actual interest on these loans so long as the borrower remains eligible. No interest benefits are paid by ED on Federal Stafford loans during their repayment period unless deferred.

Special allowances

- Special allowance are payments to lenders that allow them to offer all types of FFEL program loans at prevailing interest rates or less. The amount of the special allowance depends on the average 91 day T-Bill rate, the applicable interest rate on the loan, and a "special allowance factor" established by law. The special allowance rate is updated each quarter by ED. The amount of special allowance due on your institution's student loan portfolio is calculated by ED.

- Loan origination fee is an amount that must be paid by lenders to ED for each disbursement of a qualifying Federal Stafford, Federal PLUS, or Federal SLS loan. The amount currently is 5% of the principal amount of the disbursement before any deductions for insurance premiums or origination fee. This may be increased to 5.5% to meet certain budget deficit reduction requirements. Borrowers receiving unsubsidized Federal Stafford loans made to cover costs of instruction for periods of enrollment beginning on or after October 1, 1992 must pay a combined origination fee/insurance premium of 6.5%. For Federal Supplemental Loans for Students and Federal PLUS loans made on or after October 1, 1992 the amount of the origination fee is 5% of the principal amount of the loan.

Loan origination fee & insurance premium

- **Lender loan fee is an amount that must be paid by lenders to ED for each disbursement of a FFEL Program loan made on or after October 1, 1993. The amount currently is .5% of the principal amount of the disbursement before any deductions for insurance premiums or origination fees.**

Lender loan fee

- Applicable interest rates are the maximum interest rates a lender may charge under the FFEL program at the time the loan is disbursed. The lender may charge less than the applicable interest rate. Applicable interest rates vary with the type of loan, and these limits have been changed periodically.

Applicable interest rate

- Actual interest rates are the rates actually charged by the lender on a FFEL program loan. Interest benefits on qualifying Federal Stafford and Federal Consolidation loans are calculated using the loan's actual, not the applicable, interest rate.

Actual interest rate

- Variable interest rates apply to FSLS and Federal PLUS loans refinanced beginning January 1, 1987, or first disbursed beginning July 1, 1987. The variable interest rate applicable to these loans changes for each 12-month period beginning July 1 of each year. Variable interest rates apply to any Federal Stafford loans for which the first disbursement is made on or after October 1, 1992 for a borrower who has no outstanding balance of principal or interest on any FFEL program loans on the date the promissory note is signed. The applicable interest rate is

Variable interest rate

determined on June 1 of each 12-month period and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to June 1, plus 3.1%.

- 8%/10% interest rates are the rates that apply to Federal Stafford Loans first disbursed on or after July 1, 1988 for new borrowers, those who do not have existing Federal Stafford or FISL Loans still outstanding. The 8% rate is in effect while the student is in school and during the grace period, and for the first four years after repayment begins. The 10% rate then applies for the remainder of the repayment period.

8%/10% interest rate

- Adjustments are corrections to information on loans already reported on an earlier ED Form 799. The principal amount of a loan may increase, for example, because a disbursement was omitted from a previous report. The principal amount may decrease, for instance, if the student fails to enroll and the loan check is returned uncashed after 120 days.

Adjustments

- Disbursements are the individual loan checks or electronic fund transfers provided by the lender on behalf of students or their parents. Multiple disbursements are required for most loans.

Disbursements

- Date of loan is the date of the loan check or electronic funds transfer that represents the first distribution of the loan. The date the loan was made determines the origination fee, applicable interest rate, and special allowance.

Date of loan

- Principal balance is the amount of principal outstanding on a loan at the close of business on a particular day. Accrued interest is not included unless it has been capitalized. Interest may be capitalized when allowed by Federal regulations and the policies of the guaranty agency. Repayments on student loans normally include both principal and interest. However, only the portion of the repayment representing principal should be subtracted from the principal balance outstanding.

Principal balance

- Close of business is used by ED to establish the amount of principal balance outstanding for the entire day. The daily principal balance for a loan includes any disbursements made that day. Any repayments of principal made that day are subtracted when the daily principal balance is determined. The principal amount of loans purchased that day are included in the total principal balance outstanding for the day, and the principal amounts of loans sold are not included.

Close of business day

- Guaranty agencies have been designated to guarantee loans made under the FFEL program. The guaranty agency will reimburse the lender on an eligible loan in case of default, or because of the borrower's death, bankruptcy, or total and permanent disability.

Guaranty agencies

- Insurance premiums are the amounts charged by the guaranty agency, generally a percentage of the amount of the loan. These premiums are called "guaranty fees" by many guaranty agencies. They usually are deducted by the lender from loan disbursements. The guaranty agency determines the amount of the premium, (up to 3% of the loan amount).

Insurance premuims

Practice Exercise 1

Here are some questions on your understanding of terms used in ED Form 799. Answer every question. If you are not sure of the answer, go back and read that part again. Then check your answers with those given on the page following the exercise.

A. FISL loans are no longer being made. With what type of loan are they grouped for reporting purposes on ED Form 799?

Answer _____

B. In order to receive prompt payment for interest benefits and special allowances, how often should a lender submit an ED Form 799?

Answer _____

C. What term is used to describe the highest allowable interest rate for a student loan authorized by law?

Answer _____

D. On what three types of student loans must the lender pay an origination fee to ED?

Answer _____

E. What determines the date on which a loan is made?

Answer _____

F. What kinds of changes are considered "adjustments" on ED Form 799?

Answer _____

G. Which type of Part B loans are made to the parents of students, and what were these loans called earlier?

Answer _____

H. What three factors affect the amount of special allowance a lender will receive on a Part B loan?

Answer _____

I. Generally, what determines the interest rate on a Stafford Loan made to a borrower who already has an outstanding Stafford Loan?

Answer _____

Exercise 1 Answers

Here are the answers to this Practice Exercise. Your answers do not have to be worded exactly the same as these to be correct, but you should understand each of the terms or concepts well enough to get a perfect score.

A. **Subsidized Federal Stafford loans**. This group also includes FISL Loans for reporting purposes.

B. **Quarterly**. ED Form 799 should be submitted within 90 days after the end of each calender quarter or it is not considered timely and not eligible for penalty interest if ED pays late.

C. **Applicable**. A lender may charge a lower, actual interest rate.

D. **Subsidized and unsubsidized Federal Stafford Loans, FSLS, and Federal PLUS loans**. The origination fee applies to qualifying Stafford Loans, those with subsidized interest benefits and special allowance and FSLS and Federal PLUS loans made on or after October 1, 1992.

E. **Date of first loan check or Electronic Funds Transfer**. The promissory note may have been signed earlier.

F. **Corrections to previously reported information on FFEL Program loans.** These "adjustments" may increase or decrease the amounts reported earlier.

G. **Federal PLUS and Federal PLUS (Parent) loans**. Both of these types of loans to parents are grouped together for reporting purposes on ED Form 799.

H. **The 91 day T-Bill rate, the applicable interest rate on the FFEL Program loan, and the date the loan was made.** ED will calculate the amount due the lender.

I. **The actual rate of the first loan.** Subsequent Federal Stafford Loans generally must have the same interest rate unless the existing loans have been repaid in full.

2. ED FORM 799

ED Form 799 has six parts

The ED Form 799 consists of six parts. Look at Exhibit I-1 on pages I-13 through I-24. This is how the form will usually look when you receive it from ED, with some preprinted identifying information already entered. Each part of the form has directions on how to assemble and report the information needed for that part. The directions begin on the back of the preceding page so you can see each part of the form and its directions at the same time. The directions for Part I begin on the back of the last page of the form.

Part I

Part I: **Identification and Certification**. This Part includes all of the needed information about the lending institution submitting the form. Someone authorized by the institution is required to sign the Certification section. The instructions for Part I as well as General Instructions for preparing the form appear on the back of the very last page of the form.

Part II

Part II: **Loan Origination Fee and Lender Loan Fee.** This Part is used to calculate and report the amount of loan origination **and lender loan fees** due to ED on disbursements of Federal Stafford loans, Federal SLS, Federal PLUS, and unsubsidized Federal Stafford loans. **Federal Consolidation Loans are also subject to lender loan fees.** The instructions for preparing Part II begin on the back of the first page.

Part III

Part III: **Interest Benefits Excess Interest Rebates.** This Part is used to calculate and report interest benefits due to the lender for qualifying Federal Stafford loans, (except unsubsidized Stafford), and Federal Consolidations loans. Generally, ED pays the interest due on subsidized Federal Stafford and FISL Loans while the borrower is in school at least one-half of the time, in grace, and in deferment. ED also pays interest on Federal Consolidation loans for which a deferment is granted if the lender received the loan application on or after January 1, 1993. Federal Stafford Loans (subsidized and unsubsidized) made on or after July 23, 1992 may be subject to a rebate of excess interest. **Refer to Dear Colleague Letter 93-L-160 for guidance on calculating and reporting rebates of excess interest or refer to Dear Guaranty Agency Directors Letter dated March 30, 1994.**

Part IV: **Special Allowance.** Lenders may receive a special allowance on eligible FFEL program loans. ED will calculate the amount of special allowance due you. The instructions for Part IV begin on the page facing the form.

Part IV

All loans eligible for special allowance beginning on or after October 1, 1992, must be reported by loan type in Part IV, Special Allowance.

Part V: **Changes in Loan Principal for the Quarter.** This Part of the form is used to report increases and decreases that occurred during the quarter in the principal amounts of all FFEL program loans held by the lender. This information, together with the information reported in Part VI, is used by ED to track the loan programs. It also provides the lender and ED with a summary of the institution's loan portfolio that can be used to verify the completeness and accuracy of the information reported on other Parts of the form. The instructions for Part V begin on the page facing this Part.

Part V

Part VI: **Loan Portfolio Analysis for End of Quarter**. This Part of ED Form 799 reports the repayment status of the institution's FFEL program loans as of the end of the quarter. For this Part, loans are categorized as to whether repayments have not yet begun, whether a repayment deferment has been authorized or, if the loan is in repayment, whether the payments are past due. The instructions for Part VI appear on the page facing this Part.

Part VI

ED Form 799, 1/94 (4/93 version still useable)

FORM 799 GENERAL INSTRUCTIONS

The ED Form 799 is used by the U.S. Department of Education (ED) to calculate interest subsidies and special allowance payments due a lender, to calculate origination fees and lender fees owed ED, and to obtain information on a lender's portfolio under the Federal Family Education Loan Program. ED distributes it quarterly. A lender must submit the form for each quarter it owes fees to ED and for each quarter it desires payments from ED. The form should be submitted within 90 days of the quarter's end. For a detailed explanation and examples of how to complete the form, refer to the booklet, "799 Explanation." Help can also be obtained by calling an ED regional office. Extra copies of the booklet and ED regional office numbers can be obtained from the Federal Student Aid Information Center at (800) 433-3243. The collection of this information is authorized by 20 U.S.C. 1071 et seq.

The ED Form 799 has 6 parts. Failure to submit any part will result in rejection of the entire form. The instructions for each part of the form begin on the back of the previous part of the form, except for Part I which is included on this page. If additional space is needed for Parts II, III or IV, make additional copies, and check the block at the bottom of each page to indicate additional pages are being submitted. Unless otherwise stated, calculate each monetary amount to the nearest cent, then round it to the nearest dollar and then enter it on the form. Show rates and percentages as 2, 3, or 4 place decimals as appropriate, and include the decimal point (e.g. show 5.5% as .055). Sign and date the form, number all pages sequentially starting with Part I, and then send it to the address shown on the front of Part I.

PART I: IDENTIFICATION AND CERTIFICATION

1. **LID, Lender Name and Address**: This is preprinted by ED. The LID (lender identification number) is a 6 digit code assigned by ED to each lender who participates in the programs. If any information is wrong, cross it out and print in the correction. Print in any missing information.

2. **Servicer Name and Address, if applicable**: If the lender has been having a servicing organization complete the form, then ED preprinted the name and address of the servicer here, and mailed the form to this address. If this information is wrong, cross it out and print in the correction. Cross off the preprinted information if the lender wants the form sent directly to it in the future. If this item is blank and the lender wishes ED to send future forms to a servicer, print in the servicer's name and address.

3. **Employer Identification Number**: This preprinted item is the 9 digit employer identification number (EIN) assigned to the lender by the U.S. Internal Revenue Service. If the item is blank, complete it. If the EIN is wrong, cross it out and insert the correct EIN.

4. **Routing Number**: This preprinted item is the 9 digit routing number used by the U.S. Treasury to make electronic funds transfer (EFT) payments to the lender. If the number is wrong, contact ED headquarters at (202) 708-9776 before submitting the form. If the item is blank, then the lender will receive payments by check. If the lender wishes to start using EFT, contact ED headquarters. This item and the next item must both be completed or both left blank.

5. **Account Number for Deposit**: This preprinted number is used by the institution receiving the lender's payment to credit the payment to the lender. If the number is wrong, contact ED headquarters (202) 708-9776 before submitting the form.

6. **Quarter Ending**: Check the box showing the last day of the quarter and insert the last 2 digits of the calendar year for the quarter covered by this form.

7. **Signature**: Read the certification statement and sign the form in ink. Forms signed with signature stamps and unsigned forms will be returned.

8. **Date**: Enter the date the ED Form 799 is signed.

9. **Typed Name and Title**: Type or print (do not write) the name and title of the official signing the form.

10. **Contact Name**: Print the name of the person who can answer questions from ED about the information provided.

11. **Contact Telephone Number**: Enter the telephone number of the person named as the contact in item 10.

U.S. DEPARTMENT OF EDUCATION
Federal Family Education Loan Program

OMB No.: 1840-0034 Exp. Date: 1/96
LD Form 799, 1/94 (4/93 version still useable)

PAGE 1
Read Instructions for Each Part Before Completing This Form

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

PART I: IDENTIFICATION AND CERTIFICATION
(General and Part I Instructions on Back of Last Page)

1. LID, Lender Name, and Address:

   898989
   First Student's Bank
   111 Savings Way
   Deposit, WY 82809-1515

2. Servicer Name and Address, if applicable:

3. Employer Identification Number: 62-7497335

4. Routing Number: 276482099

5. Account Number for Deposit: SL-6773

6. Quarter Ending (Check and Complete One):
   1 [ ] March 31, 19____
   2 [ ] June 30, 19____
   3 [ ] September 30, 19____
   4 [ ] December 31, 19____

CERTIFICATION:
I certify that the information included in this report is correct to the best of my knowledge and belief and that it conforms to applicable laws, regulations, and policies relating to the Federal Family Education Loan Program. I acknowledge that all documents, files, and accounts relating to loans made under this program shall be subject to review and audit by the Department of Education or its agents, other agencies of the Federal Government, and by any guaranty agency in accordance with the Department's regulations and requirements.

7. Signature _____

8. Date _____

9. Typed Name and Title _____

10. Contact Name _____

11. Contact Telephone Number (_____)_____

Mail Completed Form To:
U.S. Department of Education
Interest Payment Processing
Post Office Box 4134
Greenville, TX 75403-4134

WARNING: Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under Title IV of the Higher Education Act of 1965, as amended, or attempts to so destroy or conceal with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under Part B of Title IV, shall upon conviction thereof, be fined not more than $20,000 or imprisoned not more than 5 years, or both, under the provisions of 20 U.S.C. 1097.

REPORTING BURDEN: Public reporting burden for this collection of information is estimated to average 3.75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: U.S. Department of Education, Director, Information Management & Compliance Division, Washington, DC 20202-4651, and to the Office of Management and Budget, Paperwork Reduction Project 1840-0517, Washington, DC 20503.

Exhibit I-1 (Continued)

ED Form 799, 1/94 (4/93 version still useable)

PART II: LOAN ORIGINATION AND LENDER LOAN FEES - CODES AND INSTRUCTIONS:

Loan Type (A):
- TG - Federal Stafford (except Unsubsidized Stafford)
- TS - Federal SLS
- TP - Federal PLUS
- TC - Federal Consolidation
- TU - Unsubsidized Stafford

Fee Code (C):

Origination fees for current quarter:
- FN - New loans you made (including those then sold) in the quarter covered by this form if you owe the origination fees
- FS - Loans you made and sold in the quarter covered by this form if the purchaser owes the origination fees
- FB - Loans you bought from another lender in the quarter covered by this form if you owe the origination fees

Origination fee adjustments to previously reported quarters:
- FI - Net increase in loans you made or bought as reported for a previous quarter if you owe the origination fees
- FD - Net decrease in loans you made or bought as reported for a previous quarter if the fees are to be credited to you

Lender fees for current quarter:
- LN - New loans you made (including those then sold) in the quarter covered by this form if you owe the lender fees
- LS - Loans you made and sold in the quarter covered by this form if the purchaser owes the lender fees
- LB - Loans you bought from another lender in the quarter covered by this form if you owe the lender fees

Lender fee adjustments to previously reported quarters:
- LI - Net increase in loans you made or bought as reported for a previous quarter if you owe the lender fees
- LD - Net decrease in loans you made or bought as reported for a previous quarter if the fees are to be credited to you

Applicability: Most FFEL Program loans are subject to a loan origination fee which is a percentage of the loan principal and is deducted proportionately from each loan disbursement. The fee depends on the period of enrollment covered by the loan:
- Period of enrollment beginning before July 1, 1994:
  - Federal Stafford, Federal SLS and Federal PLUS fee is 5%
  - Unsubsidized Stafford combined origination fee/insurance premium is 6.5%
- Period of enrollment beginning on or after July 1, 1994:
  - Federal Stafford, Federal PLUS and Unsubsidized Stafford fee is 3%
  - Federal SLS loans can no longer be made

In addition, all FFEL Program loans made on or after October 1, 1993, are subject to a lender fee which is 0.5% of the loan principal and is charged proportionately against each loan disbursement.

Part II: This part is divided into 6 columns. Make separate line entries for each unique combination of Loan Type, Fee Percent, Fee Code, and Loan Interest Rate. For each line, if any column is completed, all columns for that line must be completed. Always make two entries for loans for the current quarter, one for origination fees and one for loan fees, even if the Principal Amount of Loans and the Fees Due are zero ($0). Report adjustments to previous quarters only if applicable. If additional space is needed, make a copy of this blank page and check the block at the bottom of each page.

LID and Page: The LID is preprinted at the top of the page. If incorrect, cross out and insert the correct LID. If blank, complete it. Number the page using the space provided.

(A) Loan Type: Enter the 2 letter code for the loan type being reported as explained above. Use TG for all Federal Stafford (formerly GSL) loans except Unsubsidized Stafford Loans. Use TS for Federal Supplemental Loans for Students (SLS). Use TP for Federal PLUS Loans (PLUS). Use TC for Federal Consolidation Loans. Use TU for Unsubsidized Stafford Loans for Middle-Income Borrowers (Unsubsidized Stafford). TU loans are made for periods of enrollment beginning on/after 10/1/92 and are not eligible for interest benefits.

(B) Fee Percent: Enter the percentage (as a decimal) of the loan used to determine the origination or the lender fee. For the origination fee, this entry is usually .05 (5%) for Federal Stafford, Federal SLS and Federal PLUS loans, and .065 (6.5%) for Unsubsidized Stafford Loans when the enrollment period began before July 1, 1994. Except for Federal SLS, the entry is .03 (3%) when the enrollment period began on or after July 1, 1994. Federal SLS loans cannot be made for an enrollment period beginning on or after July 1, 1994 unless the loan is certified before July 1, 1994 and made after July 1, 1994. For the loan fee, the entry is always .005 (0.5%). See the "799 Explanation" booklet for further information concerning different fee percents.

(C) Fee Code: Enter the code for the period and type of loan activity being reported as explained above. Separate entries must be made for origination fees and for loan fees. For lines containing the codes FN, FB, FI, LN, LB and LI, you will be charged the fee by ED. (The word "you" refers to the lending institution completing this form.) For lines containing the codes FD and LD, you will receive credit toward fees due. Use the current quarter codes only for loans made, bought or sold in the quarter covered by this form. If a loan transaction occurred in the current quarter and an adjustment was made to it in the same quarter, only report the net result. Do not report the original action and the adjustment separately. Use one of the adjustment codes to report activity on loans made in all prior quarters. Include all loans which can be classified under the same loan type, the same adjustment fee code, the same fee percent, and the same loan interest rate in one line item. Do not make separate entries for each separate prior quarter.

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

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PART II: LOAN ORIGINATION AND LENDER LOAN FEES

Loan Type (A)	Fee Percent (B)	Fee Code (C)	Loan Interest Rate (D)	Principal Amount of Loans (E)	Fee Due (F)

☐ Check here if submitting additional pages for Part II

PART II: CODES AND INSTRUCTIONS

(D) **Loan Interest Rate**: Enter the applicable interest rate (as a decimal) for each group of loans. Use "EVAR" for Federal Stafford and Unsubsidized Stafford variable rate loans made to new borrowers on/after 10/1/92. Also use "EVAR" for Federal PLUS and Federal SLS variable rate loans made on/after 10/1/92. **Use FVAR 7, FVAR 8, FVAR 9, or FVAR 10 respectively for converted fixed rate loans of 7, 8, 9, or 8/10 percent.**

(E) **Principal Amount of Loans**: Enter the total principal amount of loans (whole dollars only) made or bought which are covered by the transaction indicated by the Loan Type and Fee Code. Do not include amounts representing cancellations or adjustments which occur in the same quarter that the loan was made. The principal amount of the loan is the amount disbursed plus the amount of the insurance premium and origination fee deducted prior to disbursement. (The loan fee is based on this same amount. The loan fee is a charge to a lender. It cannot be charged to the borrower, that is, it cannot be deducted from the loan principal.) For a Fee Code of FI and LI, report the additional amount which was not previously reported to ED. For a Fee Code of FD and LD, report the amount which was previously reported but has now been cancelled, or which was overstated in previous quarters.

(F) **Fee Due**: For each line, multiply the amount in the Principal Amount of Loans by the Fee Percent, round off to the nearest dollar, and enter here. This column is optional and is provided to permit the lender to make its own fee calculations and to ensure the accuracy of the data reported. ED will make its own fee calculations for payment purposes based on the data in the other columns.

Exhibit I-1 (Continued)

PART III: INTEREST BENEFITS - CODES AND INSTRUCTIONS

Loan Type (A):

TG - Federal Stafford (except Unsubsidized Stafford) and FISL
TC - Federal Consolidation

Interest Rate (B)

- **for 6% enter .06**
- **for 7% enter .07**
- **for 8% enter .08**
- **for 9% enter .09**
- **for 10% enter .10**
- **for other than the above rates, and for variable rates, enter the actual rate (up to 4 decimal places, then round)**

Billing Code (C):

BC - For interest due for current quarter
BI - Adjustment, resulting in a net increase in the interest due from previous quarters' billings
BD - Adjustment, resulting in a net decrease in the interest due from previous quarters' billings
EC - For excess interest due for new loans made during the current quarter which are subject to 1992 excess interest rule
EI - Adjustment, net increase in interest due for previous quarters due to 1992 excess interest rule
ED - Adjustment, net decrease in interest due for previous quarters due to 1992 excess interest rule

Applicability: In general, ED pays the interest due on subsidized Federal Stafford and FISL loans while the borrower is in school at least 1/2 time, in grace and in deferment. ED also pays interest on Federal Consolidation loans on which a deferment is granted if the lender received the loan application on/after 8/10/93. For specifics consult the "799 Explanation" booklet and the appropriate laws, regulations, and policy issuances.

Part III: This part is divided into 6 columns. When billing for interest for the quarter covered by the form (if Billing Code is BC), make separate line entries for each different loan type and allowable interest rate. Columns A - E must be completed. Column F, Interest Amount is optional. If column F is completed, ED will pay this amount if it is reasonable when considered with the information in columns A - E. If it is left blank, ED will use the information provided in columns A - E to calculate the interest benefits due. When billing for adjustments, make separate line entries for each type of adjustment (Billing Code is BI, EI, BD or ED). Complete columns A, C and F. Leave the other columns blank. If additional space is needed, make a copy of this blank page and check the block at the bottom of each page.

LID and Page: The LID is preprinted at the top of the page. If incorrect, cross out and insert the correct LID. If blank, complete it. Number the page using the space provided.

(A) Loan Type: Enter the 2 letter code for the loan type being reported. These are explained above and in Part II.

(B) Interest Rate: Enter the interest rate (as a decimal) for loans on which you are billing for interest for the quarter covered by this form as explained above. For loans made at rates other than those shown, make separate lines entries for each actual rate (up to 4 decimal places, then round) used. For lines showing an adjustment, leave this column blank.

(C) Billing Code: Enter the code for the period and type of loan activity being reported. The codes and their meanings are explained above. For lines containing the codes BC, BI and EI, a lender will receive an interest payment from ED. For lines containing the codes BD, EC and ED, a lender will be charged for the amount it owes ED. Use code BC for interest being billed for the quarter covered by this form. Use code EC for interest due under the 1992 excess interest rule on loans made during the quarter covered by this form. If an interest transaction occurred in the current quarter and an adjustment was made to it in the same quarter, only report the net result. Do not report the original action and the adjustment separately. However, do report interest subject to the 1992 excess interest rule separately from other interest. Use codes BI and BD to report adjustments to interest activity for all prior quarters combined, regardless of the loans' individual interest rate. Use codes EI and ED to report adjustments to interest activity due to the 1992 excess interest rule for all prior quarters combined, regardless of the rate.

(D) Ending Principal Balance: Enter the total unpaid principal balance outstanding on all loans eligible for interest benefits (whole dollars only) for the stated Loan Type, Interest Rate and Billing Code combination as of the last day of the quarter covered by this form. Complete this column only for lines with the Billing Code of BC.

(E) Average Daily Principal Balance: For each combination of Loan Type, Interest Rate and Billing Code, enter the average (whole dollars only) of the daily principal balances of all eligible loans for the quarter covered by this form. This is calculated by adding the outstanding principal balance of all eligible loans for each day in the quarter and dividing by the number of days in the quarter. This column must be completed for any line with a Billing Code of BC, whether or not column F is completed.

(F) Interest Amount: For each combination of Loan Type, Interest Rate and Billing Code, enter to the nearest penny the amount of interest due you or owed to ED. This column is optional for interest due for the current quarter (Billing Code is BC). However, if completed, ED will pay the amount if it is reasonable in comparison to the amount in the Average Daily Principal Balance column. This column is required for all lines with a Billing Code of EC. It is also required for adjustments (Billing Code is BI, EI, BD or ED). Enter a positive number only. ED will use the Billing Code to determine whether the lender is to receive money or pay money to ED.

Exhibit I-1 (Continued)

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

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PART III: INTEREST BENEFITS

Loan Type (A)	Interest Rate (B)	Billing Code (C)	Ending Principal Balance (D)	Average Daily Principal Balance (E)	Interest Amount (F)

☐ Check here if submitting additional pages for Part III

Exhibit I-1 (Continued)

PART IV: SPECIAL ALLOWANCE - CODES AND INSTRUCTIONS

Quarter Code (B):
1 - March 31
2 - June 30
3 - September 30
4 - December 31

Special Allowance Category (C):
(Tax-exempt lenders see "799 Explanation" booklet for codes)
- SA - for loans made before 10/1/81
- SB - for loans made on/after 10/1/81 & before 10/17/86
  - for loans made on/after 10/17/86 & before 11/16/86, for enrollment beginning before 11/16/86
- SC - used for sequester periods only
- SD - for loans made on/after 10/17/86 & before 11/16/86, for enrollment beginning on/after 11/16/86
  - for loans made on/after 11/16/86 & before 10/1/92
- SE - for loans made on/after 10/1/92 & before 7/1/94 (regardless of enrollment period), or loans made after 7/1/94
  - for SLS loans certified before 7/1/94 and made after 7/1/94
- SF - reserved by ED (do not use)
- SG - for loans made on/after 7/1/94 for period of enrollment that begin on/after 7/1/94 or that include that date.

Loan Type (D):
- TG - Federal Stafford (except Unsubsidized Stafford) and FISL
- TS - Federal SLS
- TP - Federal PLUS
- TC - Federal Consolidation
- TU - Unsubsidized Stafford

Billing Code (F):
- BC - For special allowance due for current quarter
- BI - Adjustment resulting in a net increase in the special allowance previously paid for a given quarter
- BD - Adjustment resulting in a net decrease in the special allowance previously paid for a given quarter

Applicability: In general, special allowance may be paid on all loans, except certain Federal Stafford and FISL loans, if certain qualifications are met. For specifics consult the "799 Explanation" booklet and other applicable materials.

Part IV: This part is divided into 9 columns. Make separate line entries for each different combination of Calendar Year, Quarter Code, Special Allowance Category, Loan Type, Interest Rate and Billing Code. These 6 columns must always be completed If additional space is needed, make a copy of this blank page and check the block at the bottom of each page.

LID and Page: The LID is preprinted at the top of the page. If incorrect, cross out and insert the correct LID. If blank, complete it. Number the page using the space provided.

(A) **Calendar Year:** Enter the last 2 digits of the year being reported (e.g., 92 for the year 1992).

(B) **Quarter Code:** Enter the digit for the quarter being reported as explained above.

(C) **Special Allowance Category:** Enter the code for the loans being reported as explained above. (For taxable loans that have been converted to variable interest rates, the special allowance category shall be based on the date the loan was made.)

(D) **Loan Type:** Enter the 2 letter code for the loans being reported as explained above and in Part II.

(E) **Interest Rate:** Enter the applicable interest rate (as a decimal) for each group of loans. Allowable rates are: .07 (includes < 7% loans), .08, .09, .10, .11, .12, .13 and .14. For variable rate loans, use: "EVAR" for Federal Stafford and Unsubsidized Stafford loans made to new borrowers on/after 10/1/92, and for PLUS and SLS loans made on/after 10/1/92, "CVAR" for Federal PLUS and Federal SLS loans made in 1986-7 where the interest rate changes each January 1, and "VAR" for all others. **Except converted fixed rate loans which shall be reported as FVAR7, FVAR8, FVAR9, and FVAR10.**

(F) **Billing Code:** Enter the code for the period and type of loan activity being reported as explained above. For lines containing the codes BC and BI, the lender will receive a payment from ED. For a line containing the code BD, the lender will be charged for the amount it owes ED. Use code BC for special allowance being billed for the quarter covered by this form. If a special allowance transaction occurred in the current quarter and an adjustment was made to it in the same quarter, only report the net result.

(G) **Ending Principal Balance:** Enter the total unpaid principal balance outstanding on all loans eligible for special allowance (whole dollars only) for the stated combination of entries in columns A - F as of the last day of the quarter covered by this form. Complete this column only for a Billing Code of BC.

(H) **Average Daily Principal Balance:** For each combination of columns A through F, enter the average daily principal balance (whole dollars only) of all eligible loans for the quarter. (Use the same calculation as provided in Column E from Part III.) Complete this column only for a Billing Code of BC.

(I) **Adjustments for Difference in Average Daily Principal Balance:** Enter the difference in the Average Daily Principal Balance (whole dollars only, positive number) between what should have been reported and what was originally reported Complete this column only for a Billing Code of BI or BD

Exhibit I-1 (Continued)

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

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PART IV: SPECIAL ALLOWANCE

Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)

☐ Check here if submitting additional pages for Part IV

Exhibit I-1 (Continued)

ED Form 799, 1/94 (4/93 version still usable)

PART V: CHANGES IN GUARANTEED LOAN PRINCIPAL FOR THE QUARTER - INSTRUCTIONS

Applicability: Part V shows the changes which have occurred to the guaranteed loan principal in a lender's portfolio for each type of loan for the quarter covered by this form. Loan principal includes capitalized interest as defined in line 4. This part must be completed and submitted each time a lender submits the ED Form 799. This part has 5 columns and 11 lines. Report all amounts in whole dollars.

LID and Page: The LID is preprinted at the top of the page. If incorrect, cross out and insert the correct LID. If blank, complete it. Number the page using the space provided.

Enter all loan information in the appropriate column:

- **(A)** Stafford (except Unsubsidized Stafford) and FISL
- **(B)** Federal PLUS
- **(C)** Federal SLS
- **(D)** Federal Consolidation
- **(E)** Unsubsidized Stafford

1. **Check if adjustment to prior quarter**: Check each box where the Beginning Principal Balance (line 2) for the quarter covered by this form is different from the Ending Principal Balance (line 11) from the prior quarter's form. Do not enter the dollar amount difference, just a check mark indicating a difference exists. A lender must be able to justify the adjustment on request. ED will reject the entire form if the two amounts differ and this item is not checked.

2. **Beginning Principal Balance**: Enter the outstanding principal balance of loans at the start of business on the first day of the quarter. This normally should be the same as the Ending Principal Balance (line 11) from the previous quarter's form unless an adjustment has been made.

3. **Loan Principal Disbursed**: Enter the principal amount of loans disbursed during the quarter. This may be new loans or additional disbursements for loans initially disbursed in a prior quarter. Report the gross amount, that is, the amount prior to any deductions for insurance premiums or origination fees. Include amounts actually disbursed for Consolidation loans and for refinanced PLUS and SLS loans. Do not report amounts disbursed and then cancelled (e.g., checks returned uncashed) in the same quarter.

4. **Interest Capitalized or Other Principal Increases**: Enter the amount of interest and unpaid insurance premiums which were added to principal during the quarter in accordance with program regulations, principal transferred from other LID's assigned to your institution, and any other increases in your portfolio not shown elsewhere.

5. **Principal of Loans Purchased**: Enter the principal amount of loans purchased (including interest capitalized prior to purchase) from other lenders. Do not include amounts disbursed to consolidate a loan.

6. **Principal of Loans Cured**: Enter the principal amount of loans on which insurance coverage was reinstated (cured) in accordance with program regulations.

7. **Principal of Loans Sold**: Enter the principal amount of loans sold (including interest capitalized prior to sale) to other lenders. Do not include loans paid in full through consolidation. Also, do not include Federal PLUS and SLS loans paid in full as part of a refinancing of those loans.

8. **Principal Paid by Insurance Claims**: Enter the amount received from the guarantor for principal (including interest capitalized prior to claim filing) for default, death, disability, bankruptcy and other authorized claim.

9. **Principal of Loans on Which the Guarantee Was Voided**: Enter the principal amount of loans on which the insurance guarantee was voided due to a due diligence, timely filing, or other violation.

10. **Principal Paid by Borrower's and Other Principal Reductions**: Enter the amount of payments received to reduce outstanding principal, including payments from borrowers, refunds received from schools, checks returned uncashed for loans reported disbursed in prior quarters, and amounts received to pay off loans included in Federal Consolidation and refinanced Federal PLUS and SLS loans. Do not include claim payments from guarantors.

11. **Ending Principal Balance**: Enter the principal balance of outstanding loans at the end of business on the last day of the quarter. Allowing for rounding, this must equal the sum of lines 2, 3, 4, 5 and 6, minus lines 7, 8, 9 and 10. In other words:

$$(11) = (2) + (3) + (4) + (5) + (6) - (7) - (8) - (9) - (10)$$

This must be the same as the amount reported for the Beginning Principal Balance (line 2) of your ED Form 799 submitted for the next quarter unless an adjustment is made. It must also equal line 4, Ending Principal Balance, from Part VI, Guaranteed Loan Portfolio Analysis for End of Quarter, of this form. Your form will be rejected if these figures do not match.

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

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PART V: CHANGES IN GUARANTEED LOAN PRINCIPAL FOR THE QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Check if adjustment to prior quarter	[ ]	[ ]	[ ]	[ ]	[ ]
2. Beginning Principal Balance					
3. Loan Principal Disbursed					
4. Interest Capitalized or Other Principal Increases					
5. Principal of Loans Purchased					
6. Principal of Loans Cured					
7. Principal of Loans Sold					
8. Principal Paid by Insurance Claims					
9. Principal of Loans on Which the Guarantee Was Voided					
10. Principal Paid by Borrowers and Other Principal Reductions					
11. Ending Principal Balance					

Exhibit I-1 (Continued)

PART VI: GUARANTEED LOAN PORTFOLIO ANALYSIS FOR END OF QUARTER - INSTRUCTIONS

Applicability: Part VI shows the status of the outstanding guaranteed loan principal in the lender's portfolio for each type of loan as of the end of the quarter covered by this form. Principal includes capitalized interest. Include all guaranteed loans in this part, even if they do not qualify for interest or special allowance benefits. Do not include loans on which the guarantee was voided, but do include loans which were voided and then cured. This part must be completed and submitted each time a lender submits the ED Form 799. This part has 5 columns, each covering a specific type of loan, and 4 lines, with line 3 containing 8 sub-lines. Report all amounts in whole dollars.

LID and Page: The LID is preprinted at the top of the page. If incorrect, cross out and insert the correct LID. If blank, complete it. Number the page using the space provided.

Enter all loan information in the appropriate column:

- **(A)** Stafford (except Unsubsidized Stafford) and FISL
- **(B)** Federal PLUS
- **(C)** Federal SLS
- **(D)** Federal Consolidation
- **(E)** Unsubsidized Stafford

1. **Loans in School and in Grace**: Enter the principal amount of all Stafford, FISL and Unsubsidized Stafford loans in an "in school or grace period" status. Do not include loans for which the borrower has a deferment due to returning to school after the expiration of the grace period. These loans are to be included in line 2. Also note that this status does not apply to Federal PLUS, Federal SLS or Federal Consolidation loans.

2. **Loans in Authorized Deferment**: Enter the principal amount of all loans in a period of authorized deferment.

3. **Loans in Repayment or in Forbearance**: Enter in the appropriate category the principal amount of all loans in a repayment or forbearance status. Include loans on which the grace period has ended and no deferment has been authorized, whether or not the borrower has made repayment arrangements or has made a payment. Do not include loans on which a claim has been filed with a guarantor in lines 3a through 3g. These loans are reported in line 3h.

4. **Ending Principal Balance**: Enter the principal balance of outstanding loans at the end of business on the last day of the quarter. Allowing for rounding, this must equal the sum of lines 1, 2, and 3a through 3h. In other words:

   (4) = (1) + (2) + (3a) + (3b) + (3c) + (3d) + (3e) + (3f) + (3g) + (3h)

   It must also equal line 11, Ending Principal Balance, from Part V, Changes in Guaranteed Loan Principal for the Quarter, of this form. The form will be rejected if these figures do not match.

Exhibit I-1 (Continued)

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

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PART VI: GUARANTEED LOAN PORTFOLIO ANALYSIS FOR END OF QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Loans in School and in Grace					
2. Loans in Authorized Deferment					
3. Loans in Repayment or Forbearance:					
a. current or less than 31 days past due					
b. 31 - 60 days past due					
c. 61 - 90 days past due					
d. 91 - 120 days past due					
e. 121 - 180 days past due					
f. 181 - 270 days past due					
g. 271 days or more past due					
h. claims filed, but not yet paid and not listed above					
4. Ending Principal Balance (sum column)					

Exhibit I-1 (Continued)

Practice Exercise 2

Examine the ED Form 799 shown in Exhibit I-1 to answer these questions.

A. According to the General Instructions, how many days after the end of a quarter should the form be submitted to be considered "timely"?

Answer _____

B. Principal amounts of loans purchased by a lender are reported in Part V. On what line of the form are they reported?

Answer _____

C. Which code should be entered in Column (C) on Part III to represent interest payments due to the lender for the current quarter?

Answer _____

D. The instructions for Column (B) of Part II indicate .05 is one "Fee Percent" that can be entered. What are the others?

Answer _____

E. What column is used to report on ALAS Loans in Part VI, if these loans can be distinguished?

Answer _____

F. What Column is used to report loan type in Part II, and what other loan programs are now subject to origination fees, and a combined origination fee and insurance premium?

Answer _____

Exercise 2 Answers

A. **90 days**. Meeting this due date will assure prompt receipt of amounts due from ED. ED will not pay any penalty interest because of delayed processing unless the form was "timely".

B. **Line(5)**.The lender must report all Federal Family Education Loan Program (FFELP) loans purchased during the quarter, by type, in PartV.

C. **Code BC**. This code is used to identify principal amounts of qualifying Federal Stafford and Federal Consolidation Loans on which the lender will receive interest accrued during the quarter.

D. **.055 and .065**. This origination fee applied to Federal Stafford Loans made between March 1, 1986 and September 30, 1986 and between October 1, 1989 and December 31, 1989, is .055. The .065 (6.5%) origination fee/ insurance premium is used for unsubsidized Federal Stafford loans for period of enrollment beginning on or after October 1, 1992.

E. **Column (C)**. ALAS Loans that can be distinguished from PLUS Loans are reported with SLS Loans in Column (C).

F. **Column (A).** Federal FSLS (TS) and Federal PLUS (TP) loans are subject to an origination fee which is usually 5%. Unsubsidized Federal Stafford loans (TU) are subject to a combined origination fee, and insurance premuim which is 6.5% of the loan principal and is deducted proportionately from each loan disbursement.

3. PREPARING LOAN RECORDS

Loan information needed

The lending institution should maintain its record in such a manner that certain information is readily available both on a loan-by-loan basis and a "grouped" basis. The lender should keep in mind that the billing records must be maintained so that each billing can be documented for auditors and program reviewers. You will save considerable time, and reduce opportunities for mistakes, by checking all of your institution's student loan records well before you begin to work on the form. You will also need this information to be able to demonstrate how you arrived at the figures you reported on ED Form 799 for an audit/program review.

Each lending institution, of course, has its own way of setting up loan records. You are not required to use any particular format or coding structure. However, you will not be able to prepare an ED Form 799 without the following information on each loan. In addition to an identifying loan account number, each loan record will have to contain these items.

Type of loan

a. Type of Loan. For purposes of ED Form 799, there are five types of FFEL program loans:

- Subsidized Federal Stafford, (including FISL Loans)
- Unsubsidized Federal Stafford
- Federal SLS, including PLUS (Student) and ALAS Loans
- Federal PLUS, including PLUS (Parent) Loans
- Federal Consolidation Loans.

Loans must be sorted by type when you prepare **the ED Form 799.**

Date loan made

b. Date the Loan was Made. This is the date of the loan check or electronic funds transfer that represents the first distribution of the loan. The date the loan was made determines the origination fee, applicable interest rate, and special allowance.

Applicable interest rate

c. Applicable Interest Rate. The applicable statutory interest rate, whether the loan was made at this or a lower rate, is needed to prepare Parts II and IV of ED Form 799. The applicable interest rates depend on the type of loan and the date the loan was made.

d. Actual Interest Rate. The actual interest rate charged for Federal Stafford loans and Federal Consolidation loans are needed for Part III of the form. The actual interest rate cannot exceed the applicable interest rate in effect at the time the loan was made.

Actual interest rate

e. Loan Status. You must know the status of every loan to complete Parts III, IV, V and VI of the form. You must know whether the loan is in an in-school or in-grace status, in an authorized period of deferment, in repayment, or in forbearance. You must know whether payments are past due at the end of the quarter, and how many days past due they are. You also must know whether a claim has been filed with your institution's guaranty agency.

Status of loan

f. Beginning Principal Balance and Adjustments. You will need to know the total of the beginning principal balances for each type of loan, and whether any of those amounts are different from the total ending principal balances reported for the previous quarter.

Beginning principal balance

g. Principal Amounts of Disbursements. This information is required on all loans to complete Part V, and on qualifying Federal Stafford, Federal PLUS, unsubsidized and subsidized Federal Staffords, Federal Consolidation, and Federal SLS loans to complete Part II. The principal amount of a disbursement is the gross amount prior to any deduction for insurance premiums or the origination fee. **The principal amount is also used to calculate lender loan fees owed to ED.**

Disbursement amounts

h. Amount of Repayments. Repayments and other reductions in the outstanding balances of loans must be reported in Part V, and must be used to calculate ending principal balances as well as the average daily principal balance for Parts III and IV.

Repayment amounts

i. Average Daily Principal Balance. This information is required for Parts III and IV of ED Form 799. The average daily principal balance is the sum of the principal amounts outstanding each day of the quarter divided by the number of days in the quarter. This information must be reviewable at a loan-by-loan level. **The Average Daily Principal Balance can now be used in the calculation of excess interest.**

Average daily balance

j. Purchases and Sales. FFEL program loans may be bought and sold by lenders participating in the FFEL program. Your institution's records should contain the date of the purchase or sale of a loan, the principal amount outstanding on that date, and the name of the institution it was bought from or sold to. Purchases and sales must be reported in Part V, and will affect the average daily balances reported in Parts III and IV. They may also have to be reported in Part II.

Purchases and sales

k. Other Information. In addition to the information already described, you will have to know whether each of your institution's Federal Stafford, unsubsidized Federal Stafford, FISL, and Federal Consolidation loans qualify for subsidies, whether any interest has been capitalized on a loan, and whether any loans in your institution's portfolio have had the guarantee voided, have been "cured", or have had a claim on the principal paid by the guaranty agency during the quarter.

Other information

Practice Exercise 3

Here are two example of loan records that lending institutions might have in their loan portfolios. Inspect them carefully and then answer the questions beneath each record.

J.Adams Acct: 489-40-6711

Federal Stafford loan at max rate: .08/.10 Report Date: 9/30/89

TRANSACTION	DATE	AMOUNT	BAL DUE
Disbursement	09/02/89	1,400.00	
Insurance	09/02/89	42.00	
Origin. Fee	09/02/89	70.00	
Paid by Check	09/02/89	1,288.00	1,400.00

In-school, no current interest due from borrower.

1. What type of student loan did J. Adams take out?

   Answer _____

2. How many disbursements were made on this loan?

   Answer _____

3. What interest rate applies to this loan?

   Answer _____

P. Jones Acct: 895-51-0483

Federal Plus loan at VAR Rate: .1045 Report Date: 12/31/89

TRANSACTION	DATE	AMOUNT	BAL DUE
Disbursement	10/15/89	1,000.00	
Insurance	10/15/89	30.00	
Paid by Check	10/15/89	970.00	1,000.00
Interest Accrued	12/15/89	8.63	1,008.63
Payment Rec'd.	12/15/89	80.00	928.63

In repayment.

4. Why was there no deduction for an origination fee?

Answer _____

5. This loan was made at a variable interest rate. What does that mean?

Answer _____

6. What was the principal amount outstanding on this loan as of the end of the quarter?

Answer _____

Exercise 3 Answers

1. **Federal Stafford Loan**. Because J. Adams is in school, no interest accrues and no repayments currently are required.

2. **One**. J. Adams was issued a check for $1,288.00 on September 2, 1989 for the full principal of the loan after deductions for the insurance premium and the origination fee.

3. **8%/10%**. This was the applicable, or maximum, interest rate at the time the loan was made prior to October 1, 1992.

4. **This is a Federal PLUS Loan**. No origination fees are required for Federal PLUS Loans made prior to October 1, 1992.

5. **The rate is calculated by ED every year**. The rate is determined by ED on July 1 each year.

6. **$928.63**. Payments generally include accrued interest as well as a portion of the principal.

UNIT I SELF-TEST

Each unit in this Workbook has a Self-Test. Take the Self-Test to make sure you understand what the Unit covered. The same problem will be used throughout all of the Units. Look at Exhibit I-2. It includes a memo from the Loan Operations Director and a summary of the First Student's Bank Federal Family Education Loan Program loan portfolio as of December 31, 1992. There were **16** loans remaining in the portfolio on that date. During the quarter, the Bank sold a block of loans to another lender.

For this Self-Test, examine each loan record so you understand all of the entries. Then answer the following questions. For most of the Units, you will be asked to code each record, make the necessary calculations, and prepare that Part of ED Form 799.

1. How many Federal SLS Loans are in this portfolio?

   Answer _____

2. How many loans in this portfolio are in repayment?

   Answer _____

3. One disbursement check was not cashed within the required time limit. What is this student's name?

   Answer _____

4. What was the amount of the loan disbursement to G. Brett during this quarter?

   Answer _____

5. How many of the loans in the portfolio are past due as of December 31, 1992?

Answer _____

6. What is the ending balance on J. Austin's Federal PLUS Loan as of December 31, 1992?

Answer _____

7. How many loans made in an earlier quarter had additional disbursements during this quarter?

Answer _____

Exhibit I-2

FIRST STUDENT'S BANK
111 Savings Way
Deposit, WY 82809-1515
(307) 444-9000

MEMORANDUM

TO: Lee Washington, Student Accounts Specialist

FROM: N.W. Campus, Vice President and Loan Operations Director

DATE: July 1, 1992

Beginning with the quarterly submission covering the period October 1, 1992 through December 31, 1992, this bank will be switching to the new ED Form 799 to report student loan information. This new form is different in many ways from the forms you have been using. Please make every effort to become thoroughly familiar with the new form and its requirements. I know we can continue to count on you to submit on-time, error-free reports to the Department of Education on our student loan activities.

As in the past, I will sign the form on behalf of this institution. You will be expected to have the fourth quarter 1992 report ready for my signature on January 31, 1993. As a reminder, our correct LID is 898989 and our EIN is 62-7497335. Our Routing Number and Account Number for EFT are 276482099 and SL-6773. We will continue to prepare our report ourselves without assistance from a Servicer.

Thank you.

QUARTER ENDING DECEMBER 31, 1992

NAME	LOAN TYPE	INT RATE	DATE OF LOAN	DISBURSEMENT DATES	STATUS AT END OF QTR	REPAYMEN BEGAN	QTR BEGIN BALANCE	PYMT DATE	PRIN PYMT	QTR END	ADDITIONAL INFORMATION
G. BRETT	TU	.0694	10/01/92	10/01/92	IN-SCHOOL	-	0	-	-	2,000	
A. JONES	TU	.0694	10/30/92	10/30/92	IN-SCHOOL	-	0	-	-	3,000	
O. HENRY	TU	.0694	11/15/92	11/15/92	IN-SCHOOL	-	0	-	-	2,750	
B. RUTH*	TG	08/10	08/08/91	08/08/91, 12/5/92	IN-SCHOOL	-	3,000	-	-	4,000	
J. JOYCE*	TG	08/10	02/02/91	02/02/91, 11/20/92	IN-SCHOOL	-	5,000	-	-	6,000	
T. ELLIOT	TG	08/10	8/05/92	8/05/92	IN-SCHOOL	-	3,500	-	-	3,500	
D. TRAVIS	TG	08/10	08/31/92	08/31/92	IN-SCHOOL	-	1,000	-	-	0	CHECK NOT CASHED WITHIN 120 DAYS OF DATE OF DISBURSEMENT
BLOCK OF LOANS	TG	08/10	08/25/92	08/25/92	IN-SCHOOL	-	25,000	-	-	0	THE ENTIRE BLOCK OF LOANS MADE THE SAME DATE WERE SOLD 11/13/92
M. HARRIS	TG	.08	08/08/86	08/08/86	REPAYMENT	11/08/90	5,000	12/08/92	50	4950	
B. RADLEY	TG	.09	08/14/83	08/14/83	REPAYMENT	11/14/87	1,000	12/14/92	40	960	
S. MARTIN	TG	.08	08/07/83	08/07/83	REPAYMENT	05/24/86	800			800	92 DAYS PAST DUE
F. SCOTT	TP	.0736	11/05/92	11/05/92	REPAYMENT	11/05/92	0	-	-	1,500	
R. ARNOLD	TP	VAR	12/09/90	12/09/90	DEFERMENT	12/09/90	2,000			2,000	
J. AUSTIN	TP	VAR	01/08/92	01/08/92	REPAYMENT	01/08/92	3,000	11/08/92	20	2980	
A. SIDDONS	TS	.0736	12/05/92	12/05/92	REPAYMENT	12/05/92	0	-	-	1,600	
J. BOND	TS	VAR	05/05/92	05/05/92	DEFERMENT	05/05/92	2,400	-	-	2,400	
R. BUTLER	TS	VAR	07/14/92	07/14/92	REPAYMENT	07/14/92	1,000	10/14/92	25	975	

*Note: The second disbursement for B. Ruth and J. Joyce was for $1,000.

Exhibit I-2 (Continued)

ANSWERS TO SELF-TEST

1. **3.** These are the loans to A. Siddons, T. Bond, and R. Butler.

2. **7**. Be sure you excluded loans in deferment.

3 **D. Travis**. This is noted in the "Additional Information" column.

4. **$2,000.00**.

5. **1.** This is noted in the "Additional Information" column.

6. **$2,980.00**. This is the principal balance outstanding after all repayments during the quarter.

7. **2.**

UNIT II

ED FORM 799
GENERAL INSTRUCTIONS AND PART I: IDENTIFICATION AND CERTIFICATION

1. GENERAL INSTRUCTIONS FOR ED FORM 799

Obtaining the form

The Department of Education will send each lender participating in the FFEL program an ED Form 799 with preprinted lender identification information. You will receive the form toward the end of each quarter (March 31, June 30, September 30, and December 31). If the form is damaged or you do not receive one by the end of the quarter, telephone the Federal Student Aid Information Center at 1-800-443-3243 (1-800-4 FED AID) to obtain a replacement. Lenders who do not submit an ED Form 799 for four consecutive quarters are subject to deactivation from the program.

Submit all six parts

ED Form 799 has six parts. You must submit all six parts. If you need additional space to complete any part of the form, you may make copies of that part and use them as continuation pages. Be sure to number every page in the report in sequence, including any continuation pages.

Computer printouts acceptable

You are permitted to generate your report using computer printouts. If you prepare your report this way, you must use 8-1/2" by 11" or 11" by 15" size paper. You cannot use color bar paper; upon reduction the coloring makes the document illegible. You may exclude the instructions that appear on the form from your report. Make sure every column and row is properly labeled, and that your Lender Identification Number, or LID, appears at the top of each page. Number every page sequentially using arabic numbers (e.g., 1, 2, 3) not Roman numerals. Do not number each part of the form separately. All of the information requested in each part of ED Form 799 must be provided. Make sure the complete certification statement from Part I of the form is included on the printout and that it is properly signed. If you prepare the report manually, PLEASE print clearly.

When the form is prepared, all monetary amounts on the form, except those in Part III, Column (F), should be rounded to the nearest whole dollar. Amounts of fifty cents or more must be rounded up, and amounts of less than fifty cents must be rounded down. For example, $243.83 would become $244, $189.50 would become $190, and $321.47 would become $321. You must round amounts only when making entries on the form. All calculations must be performed using dollars and cents.

Round off dollar amounts

Percentage rates must be indicated as decimal numbers. When necessary, show the rate to as many as four places after the decimal point. You should record 8% as .08, 6.5% as .065, and 7.85% as .0785.

Enter percents as decimals

Send your completed ED Form 799 to the Processing Center in Greenville, TX. The address appears on the first page of the form. The Processing Center uses a Post Office Box number. Commercial couriers such as Federal Express, Airborne, or United Parcel Service cannot make deliveries to a Post Office Box, so you must send in the form using the U. S. Postal Service. If you want overnight delivery, you must use the Express Mail service provided by the U. S. Postal Service.

Send form to processing center

Prepare and submit an ED Form 799 each quarter if you want payments from ED covering interest benefits and special allowance for that quarter, or if you owe origination fees or interest rebates to ED for the quarter. The form must be submitted within 90 days after the end of the quarter to be considered timely. ED will authorize payments of any amounts due to you within 30 days after receiving an acceptable report. If the report contains errors or is incomplete, ED will return the form to you for correction and resubmission.

Be prompt and accurate

If you need help when preparing the form, contact your ED Regional Office. A list of the Regional Offices with their addresses and telephone numbers is provided in Appendix A.

Getting help

Practice Exercise 1

Here are some questions concerning your understanding of the General Instructions for ED Form 799. The answers are on the following page.

A. What should a lender participating in FFEL programs do if the new ED Form 799 fails to arrive?

Answer _____

B. How should the percentage rate of 8.37% be recorded on ED Form 799?

Answer _____

C. Should parts of the form that contain no entries be submitted along with those parts that have entries on them?

Answer _____

D. What page numbers do you give to two continuation pages that have to be added after page 3 of the form?

Answer _____

E. How many times each year does a lender participating in the FFEL programs submit an ED Form 799?

Answer _____

F. What value should the amount $877.29 be rounded to on the form?

Answer _____

Exercise 1 Answers

A. **Telephone 1-800-433-3243 (1-800-4 FED AID)**. Use this number to obtain a replacement ED Form 799.

B. **.0837**. Record all percentages as decimal numbers using a maximum of four digits.

C. **Yes**. All parts of the form must be submitted even if they have no entries.

D. **4 and 5**. All pages in your submission must be numbered sequentially from the beginning to the end of the form.

E. **Four**. A participating lender should submit a form covering each calendar quarter.

F. **$877**. Round 50 cents or more up to the next dollar and round down for amounts of 49 cents or less.

2. LENDER IDENTIFICATION

ED Form 799, Part I

Part I of ED Form 799 contains lender identification information and a certification statement that must be signed by an authorized representative of the institution. Part I also indicates the name and address of a Servicer if one is used. You can arrange to have a Servicer prepare the form on your behalf. You also may authorize the Servicer to sign the certification statement and send the form directly to the Processing Center. However, your institution remains responsible for all entries on the form even if the Servicer signs it.

Preprinted information

Usually, some of the identifying information will be preprinted on the form when you receive it. You should inspect the preprinted information very carefully to make sure it is accurate.

Look at Exhibit II-1. It shows what the first five spaces in Part I would look like when you receive a form with the preprinted information on it.

The preprinted information usually includes the following.

Lender's LID, name and address

Space 1. LID, the Lender's Identification Number, as well as the lender's name and full address. The LID is a six-digit code assigned by ED to lenders participating in the FFEL program. If your institution does not have an assigned LID, or there is an error in the preprinted LID, contact the ED Federal Family Education Loan Lender Update Desk using the address in Appendix A. You also should contact the Lender Update Desk if your institution has merged with another and you are not sure which LID you should use.

Servicer's name and address

Space 2. Servicer's name and address, if the lender uses a Servicer to prepare the form. If your institution has been using a Servicer for reporting, the Servicer's name and address will be preprinted on the form and, if you have instructed ED to do so, the form will be sent to the Servicer. If the form previously has been sent to a Servicer but you now want to receive the form yourself, contact the Lender Update Desk. On the other hand, if you now are receiving the form but want it sent to a Servicer instead, insert the Servicer's name and address in this space.

Lender's EIN

Space 3. Employer Identification Number, or EIN, a number assigned to the lender by the Internal Revenue Service. This number has nine digits with a dash after the first two digits. If the number on your form is incorrect, cross it out and enter the correct number. Add your institution's EIN if it is missing on the form. This number is assigned by the Internal Revenue Service and you should contact them if you are not certain about your correct EIN.

Routing number

Space 4. Routing Number used by the U. S. Treasury to make payments through Electronic Funds Transfer/Automated Clearing House (EFT/ACH). If you want to receive payments using EFT/ACH, call the Lender Update Desk to request a Department of Treasury Standard Form SF 3881. Prepare the Department of Treasury Form SF3881 and return it to the Lender Update Desk. If the preprinted Routing Number is wrong, contact the Lender Update Desk. If the space is blank, payments will be made by check.

Account number for deposit

Space 5. The Account Number for Deposit indicating the account that should be credited when payments from ED are received through EFT/ACH. An Account Number is specified only if you receive payments through EFT/ACH. To begin using EFT/ACH, prepare a Department of the Treasury Form SF3881 and send it to the Lender Update Desk. Contact the Lender Update Desk if the preprinted Account Number is not correct or if you need a Department of Treasury Form SF3881.

None of the remaining spaces on Part I will be preprinted when you receive the form.

U.S. DEPARTMENT OF EDUCATION
Federal Family Education Loan Program

OMB No. 1840-0034 Exp. Date: 1/96
ED Form 799, 1/94 (4/93 version still useable)

PAGE 1
Read Instructions for Each Part Before Completing This Form

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

PART I: IDENTIFICATION AND CERTIFICATION
(General and Part I Instructions on Back of Last Page)

1. LID, Lender Name, and Address:

   362415
   Academic National Bank
   456 School Road
   Anytown, US 32304-4455

2. Servicer Name and Address, if applicable:

   Data Services, Inc.
   789 Book Street
   Anytown, US 32608-3131

3. Employer Identification Number: 19-2837456

4. Routing Number: 181920301

5. Account Number for Deposit: 4500-608

6. Quarter Ending (Check and Complete One):
   1 [ ] March 31, 19____
   2 [ ] June 30, 19____
   3 [ ] September 30, 19____
   4 [ ] December 31, 19____

CERTIFICATION:
I certify that the information included in this report is correct to the best of my knowledge and belief and that it conforms to applicable laws, regulations, and policies relating to the Federal Family Education Loan Program. I acknowledge that all documents, files, and accounts relating to loans made under this program shall be subject to review and audit by the Department of Education or its agents, other agencies of the Federal Government, and by any guaranty agency in accordance with the Department's regulations and requirements.

7. Signature _____

8. Date _____

9. Typed Name and Title _____

10. Contact Name _____

11. Contact Telephone Number (_____)_____

Mail Completed Form To:
U.S. Department of Education
Interest Payment Processing
Post Office Box 4134
Greenville, TX 75403-4134

WARNING: Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under Title IV of the Higher Education Act of 1965, as amended, or attempts to so destroy or conceal with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under Part B of Title IV, shall upon conviction thereof, be fined not more than $20,000 or imprisoned not more than 5 years, or both, under the provisions of 20 U.S.C. 1097.

REPORTING BURDEN: Public reporting burden for this collection of information is estimated to average 3.75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: U.S. Department of Education, Director, Information Management & Compliance Division, Washington, DC 20202-4651, and to the Office of Management and Budget, Paperwork Reduction Project 1840-0517, Washington, DC 20503.

Exhibit II-1

Four steps are required to complete Part I of ED Form 799. This is the beginning step. The remaining steps are described in the following sections.

Step 1. Inspect all preprinted information. Then make corrections or contact the Lender Update Desk.

Inspect preprinted information

If you find any errors in your institution's name, address, or EIN, draw a line through the error and write in the correct information. If any of this information is missing, you should add the correct information. Correct any mistakes in the Servicer's name or address the same way. If you find any errors in the preprinted LID, Routing Number, or Account Number for Deposit, contact the Lender Update Desk before submitting your ED Form 799.

Practice Exercise 2

Here are some questions on your understanding of the identification section on Part I of ED Form 799. The answers are on the following page.

A. Your office has been relocated to a new address. How do you change your institution's mailing address on the form?

Answer _____

B. The wrong LID appears on the preprinted form you receive. What should you do?

Answer _____

C. Your institution has decided to change from one student loan Servicer to another Servicer. What should you do?

Answer _____

D. Your institution merged with another during the quarter. How do you find out which institution's EIN should be used?

Answer _____

E. The preprinted form you received has a Routing Number, but no Account Number. To make sure amounts due your institution from ED will be received through EFT, what should you do?

Answer _____

Exercise 2 Answers

A. Cross out the old address and print the new one.

B. Contact the Lender Update Desk.

C. Contact the Lender Update Desk, or obtain the form sent to your current Servicer and substitute the name and address of the new Servicer.

D. Contact the Internal Revenue Service (IRS). The IRS determines what EIN you should use.

E. Contact the Lender Update Desk.

3. QUARTER COVERED AND LENDER CERTIFICATION

After you have inspected the preprinted information, you must complete the remainder of Part I on ED Form 799.

Step 2. Indicate the calendar quarter covered by this report.

Calendar quarter

Space 6. Put a checkmark or an "X" in the space before the last month of the quarter covered by this report. Then enter the last two digits of the calendar year. For example, your entries would look like this for a report covering the second quarter of 1993:

2 [**X**] June 30, 19**93**

Step 3. Have the Certification completed.

Signature required

Space 7. Someone legally authorized to do so must sign the certification statement on behalf of your institution. Usually, this will be an officer of the institution. If your institution uses a Servicer to prepare the form, it may authorize an official of the Servicer to sign the form. Otherwise, the Servicer would send the completed form to your institution to be signed and forwarded to the Processing Center in Greenville, TX. The form must be signed in ink, and the form with the original signature must be submitted. Forms with no signature, or those signed with a signature stamp, will be returned.

Space 8. The date the certification statement is signed goes in this space.

Space 9. The name and the title of the person signing the form must be typed or printed in this space. If the person's official title and functional title differ, use the functional title.

Step 4. Provide the requested contact information.

Contact information

Space 10. Type or print the name of your institution's contact person here. This should be the person most knowledgeable about the entries on the form and how they were calculated. If a Servicer is used, put in the name of the Servicer's contact person. This is the person ED will contact if any questions arise.

Space 11. Put the contact person's full telephone number here. Make sure to include the area code.

Practice Exercise 3

Look at Exhibit II-2. It shows what Part I of ED Form 799 will look like with the preprinted information already in place. Inspect the preprinted information to make sure it is all correct. Then complete the Certification section. Use the following information to check the form shown in the exhibit. Circle and correct any errors you find in the preprinted information. Note when you would contact the Lender Update Desk. Then make all of the additional entries that are neccessary to complete Part I.

> Your institution is the American Collegiate Bank located at 123 Bluebook Road, Harvard, Ohio 39104-2277. The LID assigned to the bank by ED is 818612. Its EIN is 54-2821290. Your institution does not use a Servicer to prepare the form. It does use EFT. The Routing Number is 312645978 and the Account Number is 307-40063. The quarter covered by this report is the last quarter of 1993. Alexander Hamilton, Computer Records Manager and Assistant Vice President, will sign the form as its authorized representative on February 28, 1991. You will be the contact person. Use your own name and business telephone number.

U.S. DEPARTMENT OF EDUCATION
Federal Family Education Loan Program

OMB No. 1840-0034 Exp. Date 1/96
ED Form 799, 1/94 (4/93 version still useable)

PAGE 1
Read Instructions for Each Part Before Completing This Form

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

PART I: IDENTIFICATION AND CERTIFICATION
(General and Part I Instructions on Back of Last Page)

1. LID, Lender Name, and Address:

   818612
   American Collegiate Bank
   123 Bluebook Road
   Harvard, OH 39104-2277

2. Servicer Name and Address, if applicable:

3. Employer Identification Number: 58-2821390

4. Routing Number: 312645978

5. Account Number for Deposit: 308-40063

6. Quarter Ending (Check and Complete One):
   1 [ ] March 31, 19____
   2 [ ] June 30, 19____
   3 [ ] September 30, 19____
   4 [ ] December 31, 19____

CERTIFICATION:
I certify that the information included in this report is correct to the best of my knowledge and belief and that it conforms to applicable laws, regulations, and policies relating to the Federal Family Education Loan Program. I acknowledge that all documents, files, and accounts relating to loans made under this program shall be subject to review and audit by the Department of Education or its agents, other agencies of the Federal Government, and by any guaranty agency in accordance with the Department's regulations and requirements.

7. Signature _____

8. Date _____

9. Typed Name and Title _____

10. Contact Name _____

11. Contact Telephone Number (_____)_____

Mail Completed Form To:
U.S. Department of Education
Interest Payment Processing
Post Office Box 4134
Greenville, TX 75403-4134

WARNING: Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under Title IV of the Higher Education Act of 1965, as amended, or attempts to so destroy or conceal with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under Part B of Title IV, shall upon conviction thereof, be fined not more than $20,000 or imprisoned not more than 5 years, or both, under the provisions of 20 U.S.C. 1097.

REPORTING BURDEN: Public reporting burden for this collection of information is estimated to average 3.75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of Information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: U.S. Department of Education, Director, Information Management & Compliance Division, Washington, DC 20202-4651, and to the Office of Management and Budget, Paperwork Reduction Project 1840-0517, Washington, DC 20503.

Exhibit II-2

Exercise 3 Answers

Check your answers with those shown in Exhibit II-3.

- There was an error in Space 3. You should have drawn a line through that entry and written in the correct EIN, 54-2821290.
- There was an error in Space 5. The correct Account Number is 307-40063. You should report this error to the Lender Update Desk.
- You should have put an "X" following the 4, and added "93" to the date in Space 6.
- Alexander Hamilton's signature should have been written in Space 7 in ink. The signing date, 2/28/93, should have been entered in Space 8.
- You should have printed or typed Alexander Hamilton's name and his functional title, Computer Records Manager, in Space 9.
- You should have printed or typed your own name in Space 10, and your own business telephone number with the correct area code in Space 11.

U.S. DEPARTMENT OF EDUCATION
Federal Family Education Loan Program
LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

OMB No. 1840-0034 Exp. Date: 1/96
(ED Form 799, 1/94 (4/93 version still useable)

PAGE 1
Read Instructions for Each Part Before Completing This Form

PART I: IDENTIFICATION AND CERTIFICATION
(General and Part I Instructions on Back of Last Page)

1. LID, Lender Name, and Address:

   818612.
   American Collegiate Bank
   123 Bluebook Road
   Harvard, OH 39104-2277

2. Servicer Name and Address, if applicable:

3. Employer Identification Number: ~~58-2821390~~ 54-2821290

4. Routing Number: 312645978

5. Account Number for Deposit: ~~308-40063~~ → Call Lender Update Desk 307-40063

6. Quarter Ending (Check and Complete One)
   1 [ ] March 31, 19____
   2 [ ] June 30, 19____
   3 [ ] September 30, 19____
   4 [X] December 31, 19 93

CERTIFICATION:
I certify that the information included in this report is correct to the best of my knowledge and belief and that it conforms to applicable laws, regulations, and policies relating to the Federal Family Education Loan Program. I acknowledge that all documents, files, and accounts relating to loans made under this program shall be subject to review and audit by the Department of Education or its agents, other agencies of the Federal Government, and by any guaranty agency in accordance with the Department's regulations and requirements.

7. Signature: Alexander Hamilton

8. Date: 2/28/93

9. Typed Name and Title: Alexander Hamilton, Computer Records Mgr.

10. Contact Name: Your Name

11. Contact Telephone Number: (808) 456-7890

Mail Completed Form To:
U.S. Department of Education
Interest Payment Processing
Post Office Box 4134
Greenville, TX 75403-4134

WARNING: Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under Title IV of the Higher Education Act of 1965, as amended, or attempts to so destroy or conceal with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under Part B of Title IV, shall upon conviction thereof, be fined not more than $20,000 or imprisoned not more than 5 years, or both, under the provisions of 20 U.S.C. 1097.

REPORTING BURDEN Public reporting burden for this collection of information is estimated to average 3.75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: U.S. Department of Education, Director, Information Management & Compliance Division, Washington, DC 20202-4651, and to the Office of Management and Budget, Paperwork Reduction Project 1840-0517, Washington, DC 20503.

Exhibit II-3

UNIT II SELF-TEST

Use this Self-Test to make sure you understand everything you should know about Part I of ED Form 799.

To take the Self-Test, go back to the information on the First Student's Bank presented in Exhibit I-2 on page I-35. All of the information you will need is in the Memorandum at the beginning of that exhibit. Perform each step using the preprinted form in Exhibit II-4. If you find anything wrong with the preprinted information, circle that area and write in the correction. If you would contact the Lender Update Desk about an error, note that on the form. Write in all the information that should be added, including the signature of an authorized person.

Step 1. Inspect all preprinted information, then make corrections or contact the Lender Update Desk.

Step 2. Indicate the calendar quarter covered by this report.

Step 3. Have the Certification completed.

Step 4. Provide the requested contact information.

When you have finished, check your work with the Self-Test Answers.

U.S. DEPARTMENT OF EDUCATION
Federal Family Education Loan Program

OMB No.: 1840-0034 Exp. Date: 1/96
ED Form 799, 1/94 (4/93 version still useable)

PAGE 1
Read Instructions for Each Part Before Completing This Form

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

PART I: IDENTIFICATION AND CERTIFICATION
(General and Part I Instructions on Back of Last Page)

1. LID, Lender Name, and Address:

298043
First Student's Bank
111 Savings Way
Deposit, WY 82809

2. Servicer Name and Address, if applicable:

3. Employer Identification Number: 62-7497335

4. Routing Number: 276482099

5. Account Number for Deposit: SL-6773

6. Quarter Ending (Check and Complete One):
   1 [ ] March 31, 19___
   2 [ ] June 30, 19___
   3 [ ] September 30, 19___
   4 [ ] December 31, 19___

CERTIFICATION:
I certify that the information included in this report is correct to the best of my knowledge and belief and that it conforms to applicable laws, regulations, and policies relating to the Federal Family Education Loan Program. I acknowledge that all documents, files, and accounts relating to loans made under this program shall be subject to review and audit by the Department of Education or its agents, other agencies of the Federal Government, and by any guaranty agency in accordance with the Department's regulations and requirements.

7. Signature _____

8. Date _____

9. Typed Name and Title _____

10. Contact Name _____

11. Contact Telephone Number (_____)_____

Mail Completed Form To:
U.S. Department of Education
Interest Payment Processing
Post Office Box 4134
Greenville, TX 75403-4134

WARNING: Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under Title IV of the Higher Education Act of 1965, as amended, or attempts to so destroy or conceal with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under Part B of Title IV, shall upon conviction thereof, be fined not more than $20,000 or imprisoned not more than 5 years, or both, under the provisions of 20 U.S.C. 1097.

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Exhibit II-4

SELF-TEST ANSWERS

Your completed Part I of ED Form 799 should look like the one in Exhibit II-5. Check each of your answers carefully.

- In Space 1, the lender's preprinted LID is incorrect. It should be 898989.
- In Space 2, no Servicer is used so this space is left blank.
- In Space 3, the EIN is correct.
- In Spaces 4 and 5, the Routing Number and Account Number both are correct.
- In Space 6, you should have added an "X" and "92" to indicate the fourth quarter, 1992, as the period covered by this report.
- In Spaces 7 and 8, you should have written the signature of the authorized official, N. W. Campus, and the date the form will be signed, 1/31/93.
- In Space 9, you should have printed or typed the authorized official's functional title, Loan Operations Director.
- In Space 10, you should have printed or typed the name of the Student Accounts Specialist, Lee Washington.
- In Space 11, you should have put the bank's area code and telephone number, (307) 444-9000.

U.S. DEPARTMENT OF EDUCATION
Federal Family Education Loan Program

OMB No. 1840-0034 Exp. Date: 1/96
ED Form 799, 1/94 (4/93 version still useable)

PAGE 1
Read Instructions for Each Part Before Completing This Form

LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT

PART I: IDENTIFICATION AND CERTIFICATION
(General and Part I Instructions on Back of Last Page)

1. LID, Lender Name, and Address:

~~298043~~ 898989
First Student's Bank
111 Savings Way
Deposit, WY 82809

2. Servicer Name and Address, if applicable:

3. Employer Identification Number: 62-7497335

4. Routing Number: 276482099

5. Account Number for Deposit: SL-6773

6. Quarter Ending (Check and Complete One):
   1 [ ] March 31, 19____
   2 [ ] June 30, 19____
   3 [ ] September 30, 19____
   4 [X] December 31, 19 92

CERTIFICATION:
I certify that the information included in this report is correct to the best of my knowledge and belief and that it conforms to applicable laws, regulations, and policies relating to the Federal Family Education Loan Program. I acknowledge that all documents, files, and accounts relating to loans made under this program shall be subject to review and audit by the Department of Education or its agents, other agencies of the Federal Government, and by any guaranty agency in accordance with the Department's regulations and requirements.

7. Signature N.W. Campus

8. Date 1/31/93

9. Typed Name and Title N.W. Campus
Loan Operations Director

10. Contact Name Lee Washington

11. Contact Telephone Number (307) 444-9000

Mail Completed Form To:
U.S. Department of Education
Interest Payment Processing
Post Office Box 4134
Greenville, TX 75403-4134

WARNING: Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under Title IV of the Higher Education Act of 1965, as amended, or attempts to so destroy or conceal with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under Part B of Title IV, shall upon conviction thereof, be fined not more than $20,000 or imprisoned not more than 5 years, or both, under the provisions of 20 U.S.C. 1097.

REPORTING BURDEN: Public reporting burden for this collection of information is estimated to average 3.75 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: U.S. Department of Education, Director, Information Management & Compliance Division, Washington, DC 20202-4651, and to the Office of Management and Budget, Paperwork Reduction Project 1840-0517, Washington, DC 20503.

Exhibit II-5

UNIT III

ED FORM 799 PART II: LOAN ORIGINATION AND LENDER LOAN FEES

1. ORIGINATION FEES MUST BE PAID TO ED

Loan Origination Fee

Fee usually deducted

Paying fee to ED

A Loan Origination Fee must be paid to ED on disbursements of all qualifying subsidized Federal Stafford Loans, and unsubsidized Federal Stafford Loans, Federal SLS and Federal PLUS loans made on or after 10/1/92. When the origination fees go unpaid, the loan is not eligible for interest or special allowance benefits or for reinsurance. These fees are reported in Part II. Lenders are responsible for collecting the origination fee from borrowers. The lender then transmits these fees to ED at the end of the quarter. The loan origination fee does not apply to Federal Stafford Loans that do not qualify for full interest benefits and the special allowance subsidies, if the first disbursement on these funds occurred prior to October 1, 1992.

Fee usually deducted

The borrower may pay the origination fee in cash or, more usually, have it deducted from the proceeds of the loan. The amount of the fee due to ED is calculated based on the amount of the disbursement before any deductions. If the loan is disbursed in installments, a proportionate amount of the fee is deducted from each installment.

Paying fee to ED

The fees owed to ED by a lender, based on disbursements during a quarter, must be paid to ED at the end of that quarter. The amount due usually will be deducted from what ED owes the lender for interest benefits and special allowance. If the amount due the lender is insufficient, the lender will be notified that an additional amount is due to ED. This may happen, for instance, if a large number of new loans were made during the quarter. The lender may pay this amount or have it deducted from its next quarter's interest benefits and special allowance. The lender has 180 days to pay ED. On the 181st day ED will bill the lender for the remainder. The bill from ED must be paid in 30 days to avoid interest charges. If the lender sells the loans, then the lender must pay the origination fees immediately.

Lenders who have collected origination fees but do not file an ED Form 799 must send the fees to the Department of Education. Lenders should contact the Lender Update desk for further information.

Fee of 5%

The origination fee on all new Federal Stafford Loans is 5.0 percent of the principal amount of the loan. This rate has been in effect except on loans made during sequester orders (March 1, 1986 through September 30, 1986 and October 1, 1989 through December 31, 1989). Loans made during these sequester orders increased the origination fee to 5.5%.

Fee of 5.5%

The rate charged depends on when the loan was made, even if it is disbursed in installments. Therefore, the 5.5 percent origination fee must be charged on subsequent installments of Federal Stafford Loans originally made from March 1, 1986 through September 30, 1986, and from October 1, 1989 through December 31, 1989. ED considers a loan to have been "made" on the date the first installment was disbursed.

Fee of 5.0%

The origination fee on all Federal Supplemental Loans for Students (SLS) and Federal PLUS loans made on or after 10/1/92, is 5.0% of the principal amount of the loan.

Fee of 6.5%

The origination fee on unsubsidized Federal loans is 6.5%.

Loans bought or sold

If a loan is bought or sold in the same quarter as it was made, the purchasing and selling lenders must decide which institution is to be responsible for paying the origination fee to ED. One or the other then includes any origination fee due to ED in its quarterly report. How these loans are to be reported on Part II will be described later in this Unit.

Loans cancelled

No origination fee is due on a Federal Stafford Loan if the loan is cancelled within 120 days after it is made. A loan is considered cancelled if the disbursement check is returned without having been cashed, if the check is not cashed within 120 days, or if the disbursed amount is repaid in full within 120 days. If the origination fee already has been paid on a disbursement that was made in the preceding quarter, ED will refund the amount of the fee when the lender reports the cancellation as an adjustment on Part II of the form.

2. LENDER LOAN FEES MUST BE PAID TO ED

Fee of .5%

The lender loan fee on any FFEL program loan is 0.5 percent of the principal amount of the loan.

Loans bought or sold

If a loan is bought or sold in the same quarter as it was made, the purchasing and selling lenders must decide which institution is to be responsible for paying the lender loan fee to ED. One or the other then includes any lender loan fee due to ED in its quarterly report. How these loans are to be reported on Part II will be described later in this Unit.

Loans cancelled

No lender loan fee is due on a FFEL program loan if the loan is cancelled within 120 days after it is made. A loan is considered cancelled if the disbursement check is returned without having been cashed, if the check is not cashed within 120 days, or if the disbursed amount is repaid in full within 120 days. If the lender loan fee has already been reported, ED will refund the amount of the fee when the lender reports the cancellation as an adjustment on Part II of the form.

Practice Exercise 1

Here are four examples describing student loans that might be made by your institution. For each example, calculate the amount of origination fee your institution must pay ED. Assume the report you are preparing covers the last quarter of 1992. The amounts of the disbursements in these examples are before deductions for the origination fee and the insurance premium. Write out each answer and then check your answers with those on page III-5.

A. Susan took out a subsidized Federal Stafford Loan during the quarter for $900. It was disbursed in one installment on November 1, 1992. How much origination fee must the lender pay to ED?

Answer _____

B. Jim received a subsidized Federal Stafford Loan in the amount of $1,400. The first installment of $700 was disbursed on August 10, 1992. The second $700 installment will be disbursed on January 10, 1993. How much origination fee is due ED for the fourth quarter of 1992?

Answer _____

C. Terry took out a subsidized Federal Stafford Loan during the quarter for $1,600, with an initial disbursement of $800. How much origination fee is due ED for the quarter?

Answer _____

D. Beatrice received a $400 disbursement on a Federal SLS Loan on December 8, 1992. How much origination fee does your institution owe ED for the fourth quarter on this disbursement?

Answer _____

E. Ann received a $600 disbursement on an Unsubsidized Federal Stafford Loan on October 15, 1992. How much origination fee does your institution owe ED for this quarter?

Answer _____

F. Fred received a Federal PLUS loan in the amount of $1000. The first disbursement of $500 was on August 15, 1992. The second disbursement of $500 was on October 2, 1992. How much origination fee is due ED for the fourth quarter of 1992?

Answer _____

Exercise 1 Answers

A. **$45.** The amount disbursed in the fourth quarter was $900; $900 x .05 = $45.

B. **$0.** The first $700 was disbursed during the third quarter of 1992.The second $700 disbursement will be in the first quarter of 1993. No origination fee is due for the fourth quarter of 1992.

C. **$40.** The amount disbursed in the fourth quarter was $800; $800 x .05 = $40.

D. **$20.** The amount disbursed in the fourth quarter was $400; $400 x .05 = $20.

E. **$39.** The amount disbursed in the fourth quarter was $600; $600 x .065 = $39.

F. **$25.** The amount disbursed in the fourth quarter was $500; $500 x .05 = $25.

3. ADJUSTMENTS TO PAST ORIGINATION FEE PAYMENTS

Adjustments of fee

Adjustments to correct previous origination fee payments also are reported in Part II of ED Form 799. An adjustment is required if the amount of origination fee reported to ED was overstated or understated in a previous quarter. The fee could be overstated, for example, if the lender paid ED the fee in the last quarter but the disbursement check was returned uncashed during this quarter, cancelling the loan. The amount may be understated, for example, if the lender failed to include all Federal Stafford Loan disbursements when preparing the prior quarter's report or if the fee was reported at 5% instead of 6.5%.

Reporting adjustments

Adjustments should be reported only if they affect the amount of origination fee calculated for an earlier quarter. If a loan is made and then adjusted in the same quarter, report only the net result for the quarter. For example, you need not report a loan that was made and cancelled in the same quarter.

4. ADJUSTMENTS TO PAST LENDER LOAN FEE PAYMENTS

Adjustments of fee

Adjustments to correct previous lender loan fee payments also are reported in Part II of ED Form 799. An adjustment is required if the amount of the lender loan fee reported to ED was overstated or understated in a previous quarter. The fee could be overstated, for example, if the lender paid ED the fee in the last quarter but the disbursement check was returned uncashed during the current quarter, cancelling the loan.

Reporting adjustments

Adjustments should be reported only if they affect the amount of lender loan fees calculated for an earlier quarter. If a loan is made and then adjusted in the same quarter, report only the net result for the quarter.

Practice Exercise 2

Here are five more student loan examples to consider. For each example, determine whether an adjustment in the amount of origination fee reported in a previous quarter is required. Answer "yes" or "no". The answers are on the following page.

A. Roland received a $350 disbursement on his Federal Stafford Loan in the preceding quarter. Your institution paid the origination fee due on this disbursement, but sold his loan during the quarter that just ended. Is an adjustment required?

Answer _____

B. Due to a clerical error, several Federal PLUS Loans made by your institution in the fourth quarter 1992 were omitted from the amounts you reported in Part II when you prepared your last quarterly report. Do you report these loans as an adjustment in your ED Form 799 for the next quarter?

Answer _____

C. Felix received a $700 disbursement on a new Federal Stafford Loan after the current quarter began. However, he then changed his mind about attending school, and the check was returned uncashed before the quarter ended. Is an adjustment required?

Answer _____

D. Your institution agreed to pay the origination fee when it purchased a Federal SLS Loan from another institution during the previous quarter. However, the disbursement check issued by the other institution was not cashed within the allowed 120 day period that ended during this quarter. Should you treat this cancellation as an adjustment in your report for this quarter?

Answer _____

E. Janet received a $700 disbursement on her Federal Stafford Loan 14 months ago. During the quarter that just ended, she took out a Consolidation Loan, using the proceeds to repay this loan and her other student loans in full. Is an adjustment required?

Answer _____

Exercise 2 Answers

A. **No.** The origination fee on Roland's loan was paid to ED when it was due. Selling the loan in a subsequent quarter does not affect the fee.

B. **Yes.** Origination fees are to be paid to ED on all Federal PLUS Loans made on or after 10/1/92. The error should be corrected by reporting an adjustment this quarter.

C. **No.** The disbursement was made and the check was returned, both in the same quarter. This loan should not be reported at all in Part II.

D. **Yes.** The loan was cancelled because the check was not cashed within 120 days, so no origination fee is due. Because the fee was paid in the previous quarter, an adjustment should be reported for this quarter.

E. **No.** The Federal Stafford Loan was repaid more than 120 days after it was made, so the earlier payment of the origination fee was correct.

5. REPORTING REQUIREMENTS FOR PART II

Part II of ED Form 799 is divided into six columns.

Loan type

Column (A) is Loan Type. The entry will be **TG** for Federal Stafford loans, **TS** for Federal SLS loans, **TP** for Federal PLUS loans, **TU** for unsubsidized Stafford, or **TC** for Federal Consolidation loans.

Fee percent

Column (B) is Fee Percent. The entry for origination fees will be .05 .055, or .065 depending on what kind of loan is being reported and when the loan was made. The fee percent for Federal Stafford loans, except those made between 3/1/86 and 9/30/86, and between 10/1/89 and 12/31/89, is .05. The fee percent for Federal Stafford loans made between 3/1/86 and 9/30/86, and between 10/1/89 and 12/31/89, is .055. The entry for Federal SLS and Federal PLUS loans made after 10/1/92 is .05. The entry for unsubsidized Federal Stafford loans is .065 for loans made on or after 10/1/92. **The fee percent for lender loan fees is .005 for all FFEL loans after 10/1/93.**

Fee codes

Column (C) is Fee Code. One of five different codes is used here to identify why the loan activity is being reported. Each loan should be grouped under only one fee code. The acceptable codes are FN, FI, FD, FS, and FB.

FN-New loans made including those sold if you owe origination fees.
FI-Net increase in loans made or bought, as reported for a previous quarter if you owe fees.
FD-Net decrease in loans made or bought, as reported for a previous quarter if the fees are to be credited to you.
FS-Loans made and sold, where purchaser owes origination fees.
FB-Loans bought if you owe origination fees.

Beginning with the December 1993 quarter, there is a .5 percent lender loan fee that must be reported in Part II. The acceptable codes are LN, LI, LD, LS, and LB.

LN-New loans made including those sold if you owe the lender fees.
LI-Net increase in loans made or bought, as reported for a previous quarter if you owe fees.
LD-Net decrease in loans made or bought, as reported for a previous quarter if the fees are to be credited to you.

LS-Loans made and sold, where purchaser owes the Lender fees.
LB-Loans bought if you owe the Lender fees.

Loan interest rate

Column (D) is Loan "Int" Rate. This is the applicable interest rate for the loan. The only applicable rates that have been used recently for Stafford Loans are .07, .08, .09, .08/.10 and EVAR. The rate in effect at the time a borrower's first Stafford Loan is made continues to apply to subsequent loans unless all earlier loans have been repaid in full. Use EVAR for Federal Stafford and Unsubsidized Stafford variable rate loans, Federal PLUS, and Federal SLS loans made on or after 10/1/92. These are the only types of variable rate loans that can be reported on this part of the form.

Principal amount

Column (E) is Principal Amount of Loans. This is the principal amount of loan disbursements or adjustments that are being reported this quarter.

Fee due

Column (F) is Fee Due. This is the lender's calculation of the amount of fees due to or from ED, rounded to the nearest whole dollar. ED also will calculate these amounts. The lender is not required to complete this column.

Practice Exercise 3

Look at Exhibit III-1. It shows how Part II of ED Form 799 will look when it is completed. Note that a different line is used for each combination of loan type, fee percent, fee code and loan interest rate. You will learn how to prepare the entries for Part II in a moment.

Examine this exhibit and the information in it carefully. Make sure you have seen each of the following. Check the box in front of each point when you have found it in the exhibit:

- ☐ the LID and PAGE have been filled in at the top.
- ☐ the continuation box has not been checked because no continuation pages were required.
- ☐ a separate line is used for each combination of loan type, fee percent, fee code, and loan interest rate.
- ☐ adjustments to fees that were reported in all prior quarters are combined on one line if they have the same loan type, fee percent, fee code, and loan interest rate.
- ☐ all dollar values are rounded to the nearest whole dollar amount.
- ☐ all percentages are entered in decimal form.
- ☐ all amounts in the Fee Due column are entered as positive values, including those amounts due to the lender from ED.

Exhibit III-1

OMB No. 1840-0034 Exp. Date: 1/88
ED Form 799, 1/84 (4/80 version still useable)

LID: 362415 PAGE: 2

PART II: LOAN ORIGINATION AND LENDER LOAN FEES					
Loan Type (A)	Fee Percent (B)	Fee Code (C)	Loan Interest Rate (D)	Principal Amount of Loans (E)	Fee Due (F)
TG	.05	FI	.09	3,118	156
TG	.055	FI	.08	240	13
TP	.05	FD	.07	600	30
TG	.05	FI	.08/.10	8,644	432
TG	.05	FB	.08/.10	1,232	62
TG	.05	FS	.08/.10	331	17
TU	.065	FN	EVAR	1000	65
TP	.05	FN	EVAR	2000	100

☐ Check here if submitting additional pages for Part II

6. IDENTIFY AND CODE NEW LOANS TO BE REPORTED

ED Form 799, Part II

Part II of ED Form 799 is used to report information on disbursements of Federal Stafford, SLS, PLUS, and unsubsidized Federal Stafford loans during the quarter that require payment of an origination fee. Part II also is used to report on loans made previously if an adjustment in the amount of fee already paid is required. **Part II is also used to report Lender Loan Fees.** The procedure for preparing Part II consists of nine steps. The first two steps involve identifying which new loans or disbursements are to be included in your report, and assigning a fee code to each of these loans.

Identify new loans

Step 1. Identify new loans to be reported in Part II.

The origination fee applies to disbursements of subsidized Federal Stafford, unsubsidized Federal Stafford, SLS, and PLUS loans made after October 1, 1992.

You must report on all of these loans if your institution made a disbursement during the quarter, whether your institution sold the loan to another institution during the quarter or retained it. You also must report on loans that your institution purchased during the quarter, if your institution agreed to pay the origination fee on a disbursement made by the selling institution during the quarter.

Do not include any loans if the full amount disbursed during the quarter also was returned during the quarter.

The lender loan fee applies to any FFEL program loans disbursed after October 1, 1993.

You must report on all of these loans if your institution made a disbursement during the quarter, whether your institution sold the loan to another institution during the quarter or retained it. You also must report on loans that your institution purchased during the quarter, if your institution agreed to pay the lender loan fee on a loan made by the selling institution during the quarter.

Do not include any loans if the full amount disbursed during the quarter also was returned during the quarter.

Step 2. Code all new loans on which an origination fee is due.

Code new loans

Each group of Federal Stafford, SLS, PLUS, and unsubsidized Federal Stafford loans identified for reporting in Part II must be assigned a fee code. Three codes are used when disbursements were made on the loan during the current quarter:

Fee Code FN

FN for loan disbursements made by your institution during the quarter, if your institution retained the loan through the end of the quarter. Also use this code if your institution has sold a loan during the quarter on which it has agreed to pay the origination fee due on the disbursement.

Fee Code FS

FS for loan disbursements made by your institution during the quarter on loans that were sold by your institution before the end of the quarter, if the purchasing institution has agreed to pay the origination fee due on the disbursement.

Fee Code FB

FB for loan disbursements made by the selling institution during the quarter on loans bought by your institution before the end of the quarter, if your institution has agreed to pay the origination fee due on the disbursement. Do not include loans purchased by your institution if the selling institution has agreed to pay the origination fee.

Step 3. Code all loans on which a lender loan fee is due.

The lender loan fee codes for loans made during the current quarter are:

Fee Code LN

LN for loan disbursements made by your institution during the quarter, if your institution retained the loan through the end of the quarter. Also use this code if your institution has sold a loan during the quarter on which it has agreed to pay the lender loan fee.

Fee Code LS

LS for loan disbursements made by your institution during the quarter on loans that were sold by your institution before the end of the quarter, if the purchasing institution has agreed to pay the lender loan fees.

Fee Code LB

LB for loan disbursements made by the selling institution during the quarter on loans bought by your institution before the end of the quarter, if your institution has agreed to pay the lender loan fee due on the disbursement. Do not include loans purchased by your institution if the selling institution has agreed to pay the lender loan fee.

Practice Exercise 4

Look at Exhibit III-2. This is a posting of student loans that were in your institution's portfolio during the January 1, 1993 to March 31, 1993 quarter.

Inspect the information on each loan carefully. Identify the loans that should be reported in Part II of the form you will prepare covering this quarter. Write the loan numbers of the loans that must be reported on a separate sheet of paper. Then code each of these loans by writing "FN, "FS", or "FB" next to the loan number as well as the applicable loan type.

When you have finished, check your answers with those given on the page following the exhibit.

Exhibit III-2

QUARTER ENDING MARCH 31, 1993

LOAN NUMBER	LOAN TYPE	PRINCIPAL AMOUNT	DATE OF LOAN	INTEREST RATE	DISBURSEMENT THIS QUARTER	ACTIVITY THIS QUARTER	FEE CODE
101	TG	4,200	01/01/93	EVAR	1000	NEW LOAN	FN
121	TP	3,800	01/15/93	EVAR	2000	NEW LOAN	FN
125	TP	742	09/15/86	.08	NONE	PAID IN FULL	-
136	TS	1,280	11/11/86	.12	NONE	IN REPAYMENT	-
178	TG	4,814	07/16/89	08/10	NONE	NONE	-
179	TU	2,989	01/12/93	EVAR	1000	NEW LOAN	FN
240	TG	1,600	07/01/90	08/10	NONE	NONE	-
242	TG	3,340	02/02/93	EVAR	1670	SOLD 02/28/93 BUYER OWES	FS
248	TS	960	02/17/93	EVAR	960	NEW LOAN	FN
251	TG	4,000	07/18/90	08/10	NONE	IN REPAYMENT	-
254	TS	1,895	08/28/92	08/10	NONE	NONE	-
258	TP	2,240	03/15/93	EVAR	1000	NEW LOAN	FN
330	TU	3,000	03/20/93	EVAR	2000	NEW LOAN	FN

Exercise 4 Answers

You should have assigned a fee code to seven of these loans.

Loan Number	Loan Type	Fee Code	Reason for Code
101	TG	FN	new loan
121	TP	FN	new loan
125	TP		no disbursement this quarter
136	TS		no disbursement this quarter
178	TG		no disbursement this quarter
179	TU	FN	new loan
240	TG		no disbursement this quarter
242	TG	FS	sold and buyer pays fee
248	TS	FN	new loan
251	TG		no disbursement this quarter
254	TS		no disbursement this quarter
258	TP	FN	new loan
330	TU	FN	new loan

7. GROUP LOANS AND CALCULATE PRINCIPAL AMOUNTS

Once you have identified and coded the loans to be included in your quarterly report, you must group them and then calculate the total principal amounts of the disbursements for each group of loans.

Step 4. Group loans to be reported by loan type, fee code, fee percent and interest rate.

Group loans for reporting

You have to group all loans with disbursements during the quarter that you will report in Part II according to loan type, fee code, fee percent and interest rate.

When borrowers receive additional Federal Stafford Loans before completing repayments on their existing Federal Stafford Loans, the interest rate for their new loans must be the same as the rate for their existing loans. Thus, while some new Stafford Loans have the 8%/10% interest rate in effect since July 1, 1988, other new loans may have interest rates of 7%, 8%, or 9%. Loans made to new borrowers after October 1, 1992 will have a variable interest rate.

The fee percent, used to determine the amount of the origination fee, will be 5% for all new Federal Stafford, SLS, and PLUS loans. Only those Federal Stafford Loans made on or after March 1, 1986, but before October 1, 1986, and loans made on or after October 1, 1989, but before January 1, 1990, have a different fee percent. The fee percent on these Federal Stafford Loans was 5.5%. The fee percent for unsubsidized Federal Stafford loans 6.5%.

The fee code tells ED whether or not your institution owes the origination fee on those loans. You will owe the fee for loans coded FN and FB. No fee will be due on loans coded FS because the fee will be paid by the purchaser.

Step 5. Calculate the total principal amount of current quarter disbursements for the loans in each group.

Calculate principal amount

You must calculate the total principal amount disbursed during the quarter for each group of loans with identical loan types, fee codes, fee percents and interest rates. The principal amount disbursed means the amount before any deductions were made for the origination fee or the insurance premium. Do not include in the principal amount any funds disbursed during the quarter that also were repaid or returned during the quarter. Report only the net amount.

For loans in groups coded FN, the total principal amount will be the sum of all disbursements of these loans made by your institution during the quarter. For loans in groups coded FS, the total will be the sum of the disbursements made by your institution during the current quarter, prior to the sale of the loans. For loans in groups coded FB, the total will be the sum of the disbursements made on these loans by the selling institutions during the quarter, before you purchased them.

Practice Exercise 5

Exhibit III-3 shows ten loans from your institution's portfolio that are to be included in Part II of the form you are preparing.

Divide the loans into as many subgroups as necessary according to loan type, fee code, fee percent and interest rate. Then, find the total principal balance of the disbursements made during this quarter for each group. Be sure to adjust any principal balances for disbursements made during the quarter that were repaid or returned during the quarter.

Use a blank sheet of paper as a worksheet. Record the account numbers of the loans you put in each group.

Exhibit III-3

LOAN TYPE	LOAN NUMBER	LOAN AMOUNT	FEE CODE	FEE PERCENT	INTEREST RATE	DISBURSEMENT THIS QUARTER	OTHER ACTIVITY THIS QUARTER
TU	237	1,600	FN	0.065	EVAR	800	none
TG	243	780	FN	0.05	.08/.10	390	none
TG	244	950	FN	0.05	0.08	450	none
TG	250	1,400	FB	0.05	0.09	700	bought, we owe fee
TU	252	1,250	FN	0.065	EVAR	625	none
TG	255	250	FS	0.05	.08/.10	260	sold, purchaser owes fee
TP	256	725	FN	0.05	EVAR	725	none
TG	259	1,000	FB	0.05	.08/.10	500	bought, we owe fee
TP	260	860	FN	0.05	EVAR	430	none
TG	264	1,220	FN	0.05	.08/.10	610	none

Exercise 5 Answers

You should have divided these ten loans into seven subgroups based on fee code, fee percent, and interest rate. Then you should have determined the net principal amount of disbursements made on each loan during the quarter. Finally, you should have added the net principal amounts to find a total for each group.

Your worksheet should look something like this. Check your answers carefully.

Group: TG–FN—.05—8%

244	$450
	$450

Group: TG–FS—.05—8/10%

255	$260
	$260

Group: TG–FB—.05—9%

250	$700
	$700

Group: TG–FB—.05—8/10%

259	$500
	$500

Group: TG–FN—.05—8/10%

243	$390
264	610
	$1000

Group: TP–FN—.05—EVAR

256	$725
260	430
	$1155

Group: TU–FN—.065—EVAR

237	$800
252	625
	$1425

8. IDENTIFY AND CALCULATE ANY REQUIRED ADJUSTMENTS

Adjustments to fees

Adjustments may be required in the amount of origination fees previously paid to ED. Adjustments must be made to correct errors or because disbursement amounts reported in the preceding quarter were repaid or returned within 120 days, or because the check was not cashed within 120 days.

Follow these steps to determine the amount of any adjustment in origination fee to be reported in Part II.

Identify adjustments

Step 6. Identify where origination fees were overstated or understated in prior quarterly reports and code each discrepancy.

Some adjustments will apply only to a single loan, such as when the principal amount of the disbursement was recorded incorrectly. Other adjustments may apply to whole groups of loans. Both types of adjustments should be identified. When determining needed adjustments, do not include errors that have no effect on the amount of origination fee that was due to ED, such as categorizing a loan under the wrong interest rate or loan type. Loans must be categorized by interest rate in Part II so ED can make budget projections. It is not necessary to correct these projections by requiring adjustments.

A fee code must be assigned to each group of discrepancies that have the same loan type, fee percent, and interest rate. Two codes are used to describe adjustments entered in Part II of the form:

Fee Code FI

FI for adjustments that result in a net increase in the amount of origination fee due to ED, compared with what was reported in a previous quarter.

Fee Code FD

FD for adjustments that result in a net decrease in the amount of origination fee due to ED compared with what was reported in a previous quarter.

Step 7. Identify where lender loan fees were overstated or understated in prior quarterly reports and code each discrepancy.

Identify Adjustments

A fee code must be assigned to each group of discrepancies that have the same loan type, fee percent, and interest rate. Two codes are used to describe adjustments entered in Part II of the form:

Fee Code LI

LI for adjustments that result in a net increase in the amount of lender loan fees due to ED, compared with what was reported in a previous quarter.

Fee Code LD

LD for adjustments that result in a net decrease in the amount of lender loan fees due to ED compared with what was reported in a previous quarter.

Step 8. Group adjustments to be reported by loan type, fee code, fee percent and interest rate.

Group Adjustments

Group discrepancies requiring adjustments according to their loan type, fee code, fee percent and interest rate. Do not form separate groups based on when loans originally were reported. **Instead, merge adjustments from all prior quarters as long as they have the same loan type, fee code, fee percent and interest rate.** Pay special attention to adjustments correcting amounts reported for loans made in the quarters ending March 31, 1986 through September 30, 1986 and quarter ending December 31, 1989 when the origination fee was 5.5%. These adjustments must be kept separate from adjustments that have a 5% or 6.5% fee.

Step 9. Group lender loan fee adjustments to be reported by loan type, fee code, fee percent and interest rate.

Group Adjustments

Group lender loan fee adjustments just like origination fee adjustments. Adjustments must be reported by loan type, fee code, fee percent and interest rate.

Step 10. Calculate the net change in principal amount for the adjustments in all groups.

Calculate change in principal amount

Report only the net change in the principal amount for each group of adjustments. That is, for each group, you must calculate the difference between the principal amount you reported earlier and the amount that you should have reported. Then, find the total amount of adjustments for each group.

You then may combine groups of adjustments that have the same fee percents and interest rates, and report the net result on one line. Code the line FI if it represents an increase in the origination fee due to ED, or FD if it represents a decrease.

Practice Exercise 6

Here are four examples where an adjustment may have to be reported this quarter on Part II of ED Form 799 to correct the amount of origination fee paid by your institution in previous quarters.

Begin by coding each example with a fee code of "FI" or "FD". Then, group the examples that have identical loan type, fee codes, fee percents and interest rates. Finally, calculate the difference between the principal amount that was reported earlier and the amount that you now know should have been reported. Use a separate sheet of paper as a worksheet. The report you are preparing is for the quarter ending December 1992.

Loan A. This 8%/10% Federal Stafford loan was made on December 30, 1989, but was reported as a 5% origination fee instead of the 5.5% fee. The principal amount disbursed was $800.

Loan B. This 8%/10% Federal Stafford loan was made, and $900 was disbursed, on August 15, 1992. Although the loan should have been considered cancelled 120 days later because the check was not cashed, this adjustment was not made in your last quarterly report.

Loan C. This 8% Federal Stafford loan was made, and $350 was disbursed, on July 15, 1992. However, the borrower elected to repay this and his other outstanding student loans in full on December 10, 1992.

Loan D. This 8%/10% Federal Stafford loan was purchased by your institution on September 10, 1992. As agreed with the seller, your institution paid the origination fee due on a disbursement of this loan made on July 30, 1992. However, you reported the principal amount as $460, the amount of the disbursement check, rather than $500, the amount before deductions for the origination fee and the insurance premium.

Exercise 6 Answers

You should have coded these loans as follows:

Loan A: FI & FD

Loan B: FD

Loan C: do not report, more than 120 days have elapsed

Loan D: FI

The worksheet you prepared should look something like this:

Group: TG–FI—.05—8%/10%

D	$40	(the difference between $460 and $500)
	$40	

Group: TG–FD—.05—8%/10%

A	$800
B	$900
	$1700

Group: TG–FI --.055 8%/10%

A	$800
	$800

If you wanted, you also could combine the .05, 8%/10% groups of adjustments because they have the same fee percents and interest rates. The net difference in principal amount would be $1700 less $40, or $1660. This result would be reported with a fee code of FD.

9. COMPLETE PART II

Filling in Part II

When you have completed the steps described so far, you will have about all of the information you need to complete Part II of ED Form 799. All that remains is to enter the information onto the form and, if you want, to calculate the amount of origination fee due to ED.

Here is what you need to do when you fill in Part II:

- Make sure your institution's LID and the correct page number are at the top of this part of the form, and that you check the box at the bottom if you need to use continuation pages.
- You must use a separate line for each combination of loan type, fee code, fee percent and interest rate.
- You must complete Columns (A) through (E) for each line. Completing Column (F) is optional.
- Report percentages in decimal form.
- Round all amounts to the nearest whole dollar.
- Report all results as positive values. ED will use the fee code to determine whether your institution owes any origination or lender loan fees or is to receive credit for fees paid in past quarters.
- **Always make two entries for loans for the current quarter, one for origination fees and one for lender fees, even if the principal amount of loans and fees due are zero ($0). When this happens, use "TG" as loan type and "FN" or "LN" as the fee code. You can leave Columns (B) and (D) blank or enter zeros in them.**

Step 11. Record the origination fee information you prepared on each group of new loans and adjustments on Part II.

Record fee information

For each group of loans having disbursements during the quarter, record that group's loan type, fee percent, fee code, and loan interest rate in Columns (A), (B), (C), and (D). In Column (E), enter the total principal amount of the disbursements made on that group of loans during the quarter. Remember to report the amount before any deductions were taken from the disbursements.

For each group of adjustments, record that group's loan type, fee percent, fee code, and loan interest rate in Columns (A), (B), (C)and (D). In Column (E), enter the difference between the amount originally reported and the amount that should be used to calculate the origination fee. Enter all of these amounts as positive values regardless of the fee code. ED will use the fee code to determine if additional amounts are due to ED or if some fee already paid should be credited to your institution.

Step 12. Record the lender loan fee information you prepared on each group of new loans and adjustments on Part II.

Record fee information

Report lender loan fee adjustments like the origination fee adjustments mentioned in Step 8.

Step 13. Calculate and record the origination fee amounts.

Calculate fee due

ED will calculate the amount of origination fees due based on the information you supply in Columns (A) through (E) of Part II. If you want, you can calculate this amount for yourself and record the results in Column (F). However, your calculation may be only approximate because of rounding. ED will calculate the amounts due to the nearest cent. This column can be left blank if you wish.

To calculate the entries for Column (F), multiply the fee percent in Column (B) times the principal amount in Column (E) for each line with a fee code of "FN", "FB", "FI" or "FD". No Origination Fee is due from your institution on lines with a fee code of "FS" because the buyer will pay the fee. The information on this line is for reporting purposes only. To find the total fee due, add the amounts in Column (F) on lines with a fee code of "FN", "FB" or "FI", and then subtract the amounts in Column (F) on lines with a fee code of "FD".

Step 14. Calculate and record the lender loan fee amounts.

Calculate fee due

Calculate lender loan fees using the same method for origination fees mentioned in Step 9.

Practice Exercise 7

Here are the results from the last two practice exercises. Record this information on the blank Part II in Exhibit III-4. Do not combine groups of adjustments for this exercise. Then calculate the amount of the fee due for each line and enter the results in Column (F). Finally, calculate the total amount of fees due to ED. Record this amount on a blank sheet of paper.

Groups of loans with disbursements in the current quarter:

Group:	TG-FN--.05--8%	
	244	$450
		$450

Group:	TG-FN—.05—9%	
	250	$700
		$700

Group:	TG-FN—.05—8/10%	
	243	$390
	264	610
		$1000

Group:	TP-FN—.05—EVAR	
	256	$725
	260	430
		$1155

Group:	TU-FN—.065—EVAR	
	237	$800
	252	625
		$1425

Group:	TG-FS—.05—8/10%	
	255	$260
		$260

Group:	TG-FB—.05—8/10%	
	259	$500
		$500

Groups of loans with adjustments to previous quarters:

Group:	TG-FI—.05—8%/10%	
	D	$40
		$40

Group:	TG-FI .055—8%/10%	
	A	$800
		$800

Group:	TG-FI—.05—8%/10%	
	A	$800
	B	$900
		$1700

Exhibit III-4

OMB No. 1840-0034 Exp. Date: 1/88
ED Form 799, 1/84 (4/83 version still useable)

LID: 898989 PAGE: 2

PART II: LOAN ORIGINATION AND LENDER LOAN FEES					
Loan Type (A)	Fee Percent (B)	Fee Code (C)	Loan Interest Rate (D)	Principal Amount of Loans (E)	Fee Due (F)

☐ Check here if submitting additional pages for Part II

Exercise 7 Answers

Your completed Part II should look like the one shown in Exhibit III-5. Compare your answers with those shown in the exhibit.

The total amount of fee due to ED is approximately $244, based on rounding amounts before entering them in Column (F). (ED would actually deduct $243.88--because ED does not round the origination fee). The amounts in Column (F) on lines with a fee code of "FN", "FB" and "FI" are added together, and then the amounts on lines with a fee code of "FD" are subtracted. The amounts on lines with a fee code of "FS" are ignored when calculating the total.

Exhibit III-5

OMB No. 1840-0034, Exp. Date: 1/88
ED Form 799, 1/84 (4/80 version still useable)

LID: 898989 PAGE: 2

PART II: LOAN ORIGINATION AND LENDER LOAN FEES					
Loan Type (A)	Fee Percent (B)	Fee Code (C)	Loan Interest Rate (D)	Principal Amount of Loans (E)	Fee Due (F)
TG	.05	FN	.08	450	22.50
TG	.05	FN	.09	700	35.00
TG	.05	FN	.08/.10	1,000	50.00
TP	.05	FN	EVAR	1,155	57.75
TU	.065	FN	EVAR	1,425	92.63
TG	.05	FS	.08/.10	260	13.00
TG	.05	FB	.08/.10	500	25.00
TG	.05	FI	.08/.10	40	2.00
TG	.05	FD	.08/.10	1,700	85.00
TG	.055	FI	.08/.10	800	44.00

☐ Check here if submitting additional pages for Part II

10. PART II INTERNAL ACCOUNTING AND RECONCILIATION

New loan disbursements should be identified and traced in a journal/ledger format. The information should be by-borrower and contain the following information:

- Loan Type
- Gross loan disbursement
- Disbursement date
- Name/account number
- Interest Rate
- Fee Amount

Accounting

The fees should be deposited to a separate general ledger account. It should be set up solely for the origination fees. Also, it should be identified as a liability account. The fees should then be transferred to income on a quarterly basis after they have been offset by the 799 payment. Accounting for them in this manner will leave only the current quarter's fees in the account and provide an internal edit check for the lender.

Reconciliation

Using the above format, the fees would then be reconciled in the following manner. The total outstanding disbursements for the quarter are multiplied by the applicable fee rate for the quarter. This figure should prove to the balance in the G/L fee account.

UNIT III SELF-TEST

You now have learned how to prepare Part II of ED Form 799. The information you provide in this part will allow ED to calculate the amount of origination fee, if any, due on disbursements of FFEL Loans during the quarter, and the amount of any adjustments to origination fees paid in previous quarters.

For this Self-Test, you will use the information contained in Exhibit III-7 to complete a Part II for the First Student's Bank. The report you are preparing covers the fourth quarter of 1992, from October 1 through December 31. Although completing Column (F) of Part II and determining the total amount of origination fee due to ED for the quarter are optional steps, do them for this Self-Test.

Here is a summary of the steps required to complete Part II. Review them before you begin. If you are not sure of any of them, go back and reread that section before starting the Self-Test.

Step 1. Identify new loans to be reported in Part II.

Step 2. Code all new loans on which an origination fee is due.

Step 3. Group loans to be reported by loan type, fee code, fee percent and interest rate.

Step 4. Calculate the total principal amount of current quarter disbursements for the loans in each group.

Step 5. Identify where origination fees were overstated or understated in prior quarterly reports and code each discrepancy.

Step 6. Group adjustments to be reported by loan type, fee code, fee percent and interest rate.

Step 7. Calculate the net change in principal amount for the adjustments in each group.

Step 8. Record the origination fee information you prepared on each group of new loans and adjustments on Part II.

Step 9. Calculate and record the origination fee amounts.

Use the blank Part II shown in Exhibit III-6 to record your answers. When you have finished, check your work using the Self-Test Answers.

Exhibit III-6

OMB No. 1840-0034 Exp. Date: 1/88
ED Form 799, 1/84 (4/80 version still useable)

LID: _____ PAGE: _____

PART II: LOAN ORIGINATION AND LENDER LOAN FEES

Loan Type (A)	Fee Percent (B)	Fee Code (C)	Loan Interest Rate (D)	Principal Amount of Loans (E)	Fee Due (F)

☐ Check here if submitting additional pages for Part II

QUARTER ENDING DECEMBER 31, 1992

NAME	LOAN TYPE	INT RATE	DATE OF LOAN	DISBURSEMENT DATES	STATUS AT END OF QTR	REPAYMEN BEGAN	QTR BEGIN BALANCE	PYMT DATE	PRIN PYMT	QTR END	ADDITIONAL INFORMATION
G. BRETT	TU	.0694	10/01/92	10/01/92	IN-SCHOOL	-	0	-	-	2,000	
A. JONES	TU	.0694	10/30/92	10/30/92	IN-SCHOOL	-	0	-	-	3,000	
O. HENRY	TU	.0694	11/15/92	11/15/92	IN-SCHOOL	-	0	-	-	2,750	
B. RUTH*	TG	08/10	08/08/91	08/08/91, 12/5/92	IN-SCHOOL	-	3,000	-	-	4,000	
J. JOYCE*	TG	08/10	02/02/91	02/02/91, 11/20/92	IN-SCHOOL	-	5,000	-	-	6,000	
T. ELLIOT	TG	08/10	8/05/92	8/05/92	IN-SCHOOL	-	3,500	-	-	3,500	
D. TRAVIS	TG	08/10	08/31/92	08/31/92	IN-SCHOOL	-	1,000	-	-	0	CHECK NOT CASHED WITHIN 120 DAYS OF DATE OF DISBURSEMENT
BLOCK OF LOANS	TG	08/10	08/25/92	08/25/92	IN-SCHOOL	-	25,000	-	-	0	THE ENTIRE BLOCK OF LOANS MADE THE SAME DATE WERE SOLD 11/13/92
M. HARRIS	TG	.08	08/08/86	08/08/86	REPAYMENT	11/08/90	5,000	12/08/92	50	4950	
B. RADLEY	TG	.09	08/14/83	08/14/83	REPAYMENT	11/14/87	1,000	12/14/92	40	960	
S. MARTIN	TG	.08	08/07/83	08/07/83	REPAYMENT	05/24/86	800			800	92 DAYS PAST DUE
F. SCOTT	TP	.0736	11/05/92	11/05/92	REPAYMENT	11/05/92	0	-	-	1,500	
R. ARNOLD	TP	VAR	12/09/90	12/09/90	DEFERMENT	12/09/90	2,000			2,000	
J. AUSTIN	TP	VAR	01/08/92	01/08/92	REPAYMENT	01/08/92	3,000	11/08/92	20	2980	
A. SIDDONS	TS	.0736	12/05/92	12/05/92	REPAYMENT	12/05/92	0	-	-	1,600	
J. BOND	TS	VAR	05/05/92	05/05/92	DEFERMENT	05/05/92	2,400	-	-	2,400	
R. BUTLER	TS	VAR	07/14/92	07/14/92	REPAYMENT	07/14/92	1,000	10/14/92	25	975	

*Note: The second disbursement for B. Ruth and J. Joyce was for $1,000.

Exhibit III-7

SELF-TEST ANSWERS

Your completed Part II of ED Form 799 should look like the one in Exhibit III-8. Check your answers carefully.

There were four qualifying Federal Stafford Loans with disbursements during the quarter. An adjustment is required for one loan, the loan to D. Travis. Because the disbursement check was not cashed within 120 days on that loan, the fee paid in the previous quarter can be recovered this quarter. The following groups of loans should be reported:

Group:	TU–FN—.065—EVAR
G. Brett	$2000
A. Jones	3000
O. Henry	2750
	$7,750

Group:	TG–FN—.05—8%/10%
B. Ruth	$1000
J. Joyce	1000
	$2,000

Group:	TP–FN—.05—EVAR
F. Scott	$1,500
	$1,500

Group:	TS–FN—.05—EVAR
A. Siddons	$1,600
	$1,600

Group:	TG–FD—.05—8%/10%
D. Travis	$1,000
	$1,000

The amount of origination fee for each line is shown in Exhibit III-8. The total amount of fees that will be due for the quarter is the sum of the fees due on the four lines with a fee code of FN, minus the amount of fee on the line coded FD. This amount is $709.

Exhibit III-8

OMB No. 1840-0034 Exp. Date: 1/88
LD Form 799, 1/84 (4/83 version still useable)

LID: 298043 PAGE: 2

PART II: LOAN ORIGINATION AND LENDER LOAN FEES					
Loan Type (A)	Fee Percent (B)	Fee Code (C)	Loan Interest Rate (D)	Principal Amount of Loans (E)	Fee Due (F)
TU	.065	FN	EVAR	7,750	504
TG	.05	FN	.08/.10	2,000	100
TP	.05	FN	EVAR	1,500	75
TS	.05	FN	EVAR	1,600	80
TG	.05	FD	.08/.10	1,000	50

☐ Check here if submitting additional pages for Part II

UNIT IV

ED FORM 799 PART III: INTEREST BENEFITS

1. LOANS ELIGIBLE FOR INTEREST BENEFITS

Interest Benefits

ED pays the interest due for certain periods during the life of subsidized Federal Stafford and FISL Loans. Borrowers are determined eligible for subsidized loans by participating schools based on financial information supplied by the student. A borrower who submits an application to a lender for a Federal Consolidation Loan on or after January 1, 1993 will be eligible to receive federal interest subsidies during periods of authorized deferments. All other consolidation loan borrowers are not eligible for interest subsidies. The lender requests interest benefits on Part III of ED Form 799. Interest benefits are provided only while the borrower meets any of three requirements: the borrower is still enrolled in school, during the grace period, or during an authorized period of deferment. Repayment of the principal on the loan also is postponed during these periods.

Qualifying loans

The rules that determine when lenders receive interest benefits on Federal Stafford, Federal Consolidation, and FISL Loans are specified in applicable Federal regulations (34 CFR 682). The following explanations will help you understand what the terms mean, but the specific regulations should be consulted to determine any individual borrower's status.

- In-school status means the student currently is enrolled in at least half-time study at a school participating in the FFEL program, providing the student has never entered the loan's repayment period. A loan may also qualify for interest benefits after repayment has begun, if the student receives an authorized "in-school" deferment.

- Grace period status usually means the 6 months immediately after the student ceases to be enrolled in school at least half-time. The allowable length of the grace period may be up to 1 year on some older loans. Also, a grace period sometimes is authorized following a deferment for some borrowers with older loans.

- Deferment status means the student, for any one of several specific reasons, must be temporarily deferred by the lender from making periodic repayments of the principal. Interest benefits are paid by ED during deferments for eligible Federal Stafford, Federal Consolidation (on or after January 1, 1993), and FISL loans. Some examples of allowable reasons for deferments include active duty in the armed forces, unemployment, and temporary total disability.

Non-qualifying loans

Authorized deferments should not be confused with periods when the student is in forbearance or in default. Forbearance occurs when a lender permits the borrower or endorser to reduce, or temporarily suspend, payments on a loan. Lenders must grant forbearance to medical interns or residents whose eligibility for deferment has expired. Default means a borrower on a monthly repayment schedule is more than 180 days past due or, on a less frequent repayment schedule, is more than 240 days past due. **ED does not pay interest benefits while the borrower is in forbearance or default.**

Unless an authorized deferment has been granted, interest benefits on a Federal Stafford, Federal Consolidation, or FISL loan end when:

- the grace period expires (regardless of whether or not repayment arrangements have been made with the borrower),
- the disbursement check is returned uncashed,
- 120 days after disbursement if the check has not been cashed,
- the loan is discharged by bankruptcy,
- the lender determines the borrower has died or become totally and permanently disabled, or
- the loan loses its guarantee or eligibility for reinsurance.

A Lender may not receive interest on a loan that is disbursed by check for any period earlier than 10 days prior to the first disbursement of the loan or earlier than 3 days for loans disbursed by Electronic Funds Transfer (EFT). Interest billed until the check is returned uncashed or not cashed within 120 days must be refunded to the Department via billing adjustment.

Practice Exercise 1

It is important to establish which loans in your institution's student loan portfolio qualify for interest benefits from ED. Answer these questions about when loans qualify for interest benefits.

A. Rebecca withdrew from school more than a year ago because of poor grades, but plans to return to school eventually. Does her Federal Stafford Loan still qualify for interest benefits?

Answer _____

B. Charles received a deferment on his loan when he enlisted for active duty in the Navy. Will ED continue to pay interest benefits on his Federal Stafford Loan?

Answer _____

C. Douglas obtained both a Federal SLS and a subsidized Federal Stafford Loan to attend college. Will ED pay interest benefits on both loans?

Answer _____

D. Marie began school two years ago with a Federal Stafford Loan, but has since received scholarships that have made further loans unnecessary. Is her loan still eligible for interest benefits?

Answer _____

E. Howard was granted <u>forbearance</u> when he could not continue repayments on his Federal Stafford Loan for three months following a layoff from work. Will ED pay the interest due to the lender for this period?

Answer _____

F Ann received a Federal Consolidation Loan on March 31, 1993. During periods of authorized deferment, as a borrower, will she be eligible to receive federal interest subsidies?

Answer _____

Exercise 1 Answers

A. **No**. Interest benefits would not be paid unless the student had continued in school at least half-time or was within the allowable grace period.

B. **Yes**. ED pays the interest due on a subsidized Federal Stafford Loan while the borrower is in an authorized period of deferment.

C. **No**. ED pays interest benefits on subsidized Federal Stafford and FISL Loans, but does not pay interest benefits on SLS Loans.

D. **Yes**. Interest benefits can continue to be paid so long as the student is enrolled at least half-time at a participating school, even if no further loans are required.

E. **No**. The interest charges on a loan during a period of forbearance continue to be the borrower's responsibility.

F. **Yes.** A borrower who submits an application to a lender for a Federal Consolidation Loan on or after January 1, 1993, will be eligible to receive federal interest subsidies during periods of authorized deferments.

2. CALCULATING INTEREST BENEFITS

Interest benefits must be calculated for ED Form 799 using the average daily principal balance method. Determining interest benefits using other methods, such as with ending or average monthly or quarterly balances, is not permitted.

Average Daily Balance Method

To determine the average daily principal balance for a loan, you must first calculate the sum of the daily principal balances for the quarter. This is the total of the principal balances on the loan outstanding over each day of the quarter. Then you divide the sum of the daily principal balances by the number of days in the quarter to get the average daily principal balance.

For example, suppose a loan that qualifies for interest benefits had $300 outstanding for the first 30 days of a quarter and then, because of an additional disbursement, had $600 outstanding for the remaining 62 days in the quarter. First, find the sum of the daily principal balances:

	30 days times $300 equals	$9,000
plus	62 days times $600 equals	$37,200
		$46,200

This answer, $46,200, is the sum of the daily balances. You then must divide this result by the number of days in the quarter, or 92, to get the average daily principal balance for this loan: $46,200 divided by 92 equals $502.17.

Be careful when you calculate the average daily principal balance if there was a change during the quarter in the amount of principal balance that qualifies for interest benefits. For example, a new subsidized Federal Stafford Loan or a new Federal Consolidation Loan disbursed on the last day of the quarter would qualify for interest benefits for only one day during the quarter. The average daily balance for that loan would be the amount outstanding for the one day divided by the full number of days in the quarter. Remember, the four quarters have different numbers of days in them. (See page IV-26 for number of days in each quarter).

Be careful, too, to count correctly when determining how many days any principal balance was outstanding. The amount outstanding as of the close of business is considered the amount outstanding for the entire day. Thus, if you sold a qualifying loan on the second day of a quarter, interest benefits would apply to only one day's principal balance during that quarter.

Calculating for groups of loan types

The average daily balance is calculated for loan types at each actual interest rate. For reporting interest benefits in Part III, group loan types by each actual interest rate. For each group of loan types and each actual interest rate, determine the sum of the daily principal balances for the group, add these together to get a total sum of daily principal balances for the group, and then divide by the number of days in the quarter. A separate entry is required for each loan type by each actual interest rate for interest subsidies.

Here are four more examples of Federal Stafford Loans loan type code TG. All of them have an actual interest rate of 8%, so they all would be grouped together for purposes of calculating the average daily principal balance. The calendar quarter covered by these examples is from October 1 to December 31. There are 92 days in the fourth quarter of the year.

Loan A. This loan was issued and disbursed in an earlier quarter and continued to qualify for interest benefits throughout the quarter covered by this report. The principal amount at the beginning of the quarter was $3,000.

Loan B. This loan was issued and disbursed in an earlier quarter. The loan did not qualify for interest benefits for the entire quarter, however, because it went into repayment on November 1. The principal amount at the beginning of the quarter was $2,000.

Loan C. This loan was a qualifying Federal Stafford Loan purchased by your institution, with interest benefits accruing to your institution as of December 16. The loan, for $2,500, continued to be eligible for interest benefits through the end of the quarter.

Loan D. This loan was first disbursed in an earlier quarter, but an additional disbursement of $800 was made on October 10 of this quarter. The loan's principal balance at the beginning of the quarter was $800. It remained eligible for interest benefits throughout the quarter.

The calculation of the average daily principal balance for determining interest benefits on these four loans is shown below. Loan A is eligible for the full quarter, 92 days. Loan B qualifies for interest benefits for only 31 days in October. Loan C qualifies only for the period December 16 through December 31, or 16 days. Loan D requires two calculations. The outstanding principal balance was $800 for 9 days then $1,600 for the remaining 83 days in the quarter.

Loan	Interest Rate	Number of Days	Principal Balance	Days x Balance
A	.08	92	3,000.	276,000.
B	.08	31	2,000.	62,000.
C	.08	16	2,500.	40,000.
D	.08	9	800.	7,200.
		83	1,600.	132,800.
Sum of Daily Principal Balances				518,000.
Number of Days in Quarter				92
Average Daily Principal Balance				5,630.43

Alternative calculations

You may calculate the average daily principal balances this way, by first calculating the sum of daily principal balances for each eligible loan for the quarter, then adding them together, and then dividing by the number of days in the quarter. Alternatively, you may add the outstanding daily balances across all eligible loans in an interest rate group each day, and then divide the total of these amounts by the number of days in the quarter to determine the average daily principal balance. Still another alternative is to calculate the average daily balance separately for each qualifying loan, and then add these results together to get a total average daily balance for the group of loans. All three methods will produce the same result except for rounding. Lenders are advised to maintain the average daily balance at the borrower level for all their loans.

As will be explained later, you then can calculate the amount of interest benefits due from ED. To determine this amount, multiply the total average principal balance by the actual interest rate. Then multiply the result by the number of days in the quarter and, finally, divide by the actual number of days in the year.

Actual Accrual Method

The actual accrual method is another method you can use to calculate the amount of interest benefits, if your institution calculates interest this way on its qualifying loans. With this method, the annual interest rate is divided by the number of days in the year. This daily interest rate is then multiplied by the outstanding principal balance on the loan for each day in the quarter. The resulting amounts are then totaled to determine the amount of interest benefits due on the loan for the quarter. If you use the actual accrual method, however, you must also calculate the average daily principal balance.

You do not have to calculate the amount of interest benefits yourself. ED will calculate the amount due to your institution for the quarter covered by the ED Form 799 you submit. However, you will have to calculate the amount of interest benefits due your institution, or that must be paid to ED, that result from adjustments to amounts claimed in previous quarters. These calculations will be explained later in this Unit.

Practice Exercise 2

Here is information on five loans. Read the information carefully and then calculate the average daily principal balance using the blank worksheet shown in Exhibit IV-1. Four are qualifying Federal Stafford loans with an actual interest rate of 8%. One is a qualifying Federal Consolidation loan with an actual interest rate of 9%. The period covered by this report is the April 1 to June 30, 1993 quarter. This quarter has 91 days.

Loan E. This loan was fully disbursed prior to this quarter. The principal amount of the loan at the beginning of this quarter was $1,200. Your institution sold this loan on April 6.

Loan F. This loan was made two years ago. The student now has graduated, and the repayment period began on June 16 when the grace period expired. The principal amount of the loan was $400 at the beginning of the quarter.

Loan G. This loan was first disbursed in an earlier quarter, but an additional disbursement of $1,000 was made on April 20. The student remained in school full time through the last day of the semester, June 10. The student plans to return to school in the fall. At the beginning of the quarter, the principal balance was $800.

Loan H. This loan was fully disbursed on March 15. The student has been enrolled half-time since then. The principal amount of the loan at the beginning of this quarter was $1,100.

Loan I. This Consolidation loan was disbursed on April 9, 1993. The loan went into authorized deferment on May 1, 1993. The principal amount of the loan is $2,100.

Exhibit IV-1

Loan Type Code	Loan	Interest Rate	Number of Days	Principal Balance	Days x Balance

Sum of Daily Principal Balances _____

Number of Days in Quarter _____

Average Daily Principal Balance _____

Exercise 2 Answers

Your worksheet should look like the one shown in Exhibit IV-2. If you did not calculate the sum of the daily principal balances correctly, go over your work to find your error. Here are some points you may have overlooked.

- On Loan E, interest benefits can be requested only for the period your institution held the loan, from April 1 through April 5, or for 5 days. April 6 does not count because the principal balance at the close of that day was zero.

- On Loan F, interest benefits cannot be requested beyond the date the grace period ends, whether the student actually begins repayment on that date or not. The loan is eligible for interest benefits from April 1 through June 15. This is a total of 76 days: 30 in April, 31 in May, and 15 in June.

- On Loan G, interest benefits would be paid on the beginning $800 balance for the first 19 days, April 1- April 19. Interest benefits would be paid on both the initial balance and the additional $1,000 disbursement beginning April 20-June 30, for 72 days. A student is considered in-school over a summer break if he or she returns to school at least half-time in the fall. If the student does not return to school, the grace period would begin on June 10. In either case, the loan continues to qualify for interest benefits.

- On Loan H, interest benefits can be requested for the full 91 days in the quarter. Half-time enrollment is sufficient for interest benefits.

- On Loan I, interest benefits can be requested for the 61 days. Interest subsidies can be paid on a Federal Consolidation Loan during authorized deferment. Loan type code TC.

- There were 91 days in this quarter, so the sum of the daily principal balances should be divided by 91 to give the average daily principal balance.

Exhibit IV-2

Loan Type Code	Loan	Interest Rate	Number of Days	Principal Balance	Days x Balance
TG	E	.08	5	1,200	6,000
TG	F	.08	76	400	30,400
TG	G	.08	19	800	15,200
			72	1,800	129,600
TG	H	.08	91	1,100	100,100
TC	I	.09	61	2,100	128,100

Sum of Daily Principal Balances 409,400

Number of Days in Quarter 91

Average Daily Principal Balance 4,498.90

3. REPORTING REQUIREMENTS FOR PART III

Part III of ED Form 799 is divided into six columns.

Loan Type Codes

Column (A) is Loan Type. This column must be completed for two types of loans; Federal Stafford (except unsubsidized Stafford) and Federal Consolidation Loans. Loan type code is TG for Federal Stafford (except unsubsidized Stafford) and TC for Federal Consolidation.

Interest Rate

Column (B) is Interest Rate. This is the actual interest rate of the loan type and not the applicable, or maximum allowable, rate. Part III is the only section of ED Form 799 that uses the actual interest rate charged by the lender instead of the applicable rate. The actual rate may not exceed the applicable rate. The rate must be shown in decimal form up to four places.

Billing Code

Column (C) is Billing Code. One code, BC, designates loan types for which interest benefits are being requested for the quarter covered by the report. The other two codes, BI and BD, are used to report the net amount of adjustments in interest benefits claimed in previous quarters. In addition, EC designates loans that are subject to the 1992 excess interest rule for the current quarter. Two other codes, EI and ED, are used to report the net amount of adjustments in excess interest due ED for prior quarters.

Ending Principal Balance

Column (D) is Ending Principal Balance. This is the total balance outstanding of each loan type being reported on that line as of the end of the quarter. Exclude loans that were sold, that entered the repayment period, or that otherwise no longer qualify for interest benefits at the end of the quarter.

Average Daily Principal Balance

Column (E) is Average Daily Principal Balance. This amount is the sum of the outstanding balances of each loan type in each interest rate group on each day in the quarter divided by the number of days in the quarter.

Interest Amount

Column (F) is Interest Amount. This column must be completed for loans with Billing Codes of BI, BD, EI, or ED to indicate the net amount of the adjustment in the interest benefits claimed in previous quarters. This column may also be completed for groups of loans with a Billing Code of BC or EC if you want to determine how much interest is due from ED for the quarter. All amounts in this column must be reported as dollar and cents.

Practice Exercise 3

Look at Exhibit IV-3. It shows a completed Part III of ED Form 799 based on a 92-day quarter. Column A is used to separate Federal Stafford Loans (TG) from Federal Consolidation Loans (TC). Notice that a separate line is used for each group of loans at each interest rate and each loan type that are coded BC, indicating interest benefits due for the current quarter. Notice also that only one line is used for all adjustments, regardless of the interest rates and/or loan type. On lines coded BC, the last column may be completed or left blank. On a line coded BI or BD, Columns (B), (D), and (E) are left blank.

Examine Exhibit IV-3 carefully. Look particularly at the following. Check the box in front of each point after you have found it in the exhibit:

- ❑ the LID and PAGE have been filled in at the top.
- ❑ the continuation box at the bottom has not been checked because no additional pages were required.
- ❑ a separate line is used for groups of loans at each interest rate when the code BC is in Column (C).
- ❑ only one line is used to report the net of all adjustments; this line is coded BI or BD depending on whether the amount in Column (F) is owed to your institution or to ED.
- ❑ Columns (A), (B), (C), (D), and (E) must be completed on all lines with a BC code; Column (F) may be completed or left blank.
- ❑ Columns (A), (C), and (F) must be completed for any line with a BI or BD code, but Columns (B), (D), and (E) are left blank.
- ❑ all dollar values are rounded to the nearest whole dollar amount except in Column (F) where amounts are reported as dollars <u>and</u> cents.
- ❑ percentages are entered as decimal figures, up to four places.
- ❑ an entry in Column (F) for a line coded BD is shown as a positive value although it represents interest benefits your institution owes to ED.
- ❑ For interest subsidies, a separate line is used to report each loan type; Federal Stafford and Federal Consolidation Loans in Column (A) by each actual interest rate.

Exhibit IV-3

LID: 362415 PAGE: 3

PART III: INTEREST BENEFITS

Loan Type (A)	Interest Rate (B)	Billing Code (C)	Ending Principal Balance (D)	Average Daily Principal Balance (E)	Interest Amount (F)
TG	.07	BC	1,100	1,100	19.41
TG	.08	BC	20,900	20,538	414.14
TG	.09	BC	1,850	241	547
TG		BD			3.29
TC	.09	BC	54,453	50,408	1,143.50
TG		BI			749.00

☐ Check here if submitting additional pages for Part III

4. CODE AND GROUP QUALIFYING LOANS

Billing Code BC

Interest benefits may be requested only for Federal Stafford, FISL, and Federal Consolidation Loans which qualify for interest subsidies. Schools participating in the FFEL program determine whether a student is eligible for a subsidized student loan based on financial information provided by the student. ED will pay the lender the interest due on these subsidized Federal Stafford and FISL Loans while the student is in school, in grace, or in a period of authorized deferment. ED will pay the lender the interest due on Federal Consolidation Loans only during periods of authorized deferments. Information on these loan types is entered on Part III of ED Form 799 using Loan Type Codes TG and TC in Column (A) and the Billing Code BC in Column (C).

Billing Codes BI and BD

Other Billing Codes that can be used for Part III are BI and BD. The code BI identifies adjustments to the amount of interest benefits requested in previous quarterly reports that represent an increase in the interest benefit payments due to the lender. This can happen, for example, if a lender was late in adjusting its records to show an additional disbursement on a Federal Stafford Loan in the prior quarter, or if it mistakenly designated a loan in forbearance when the borrower had been granted an authorized deferment.

Billing Codes EC, EI, and ED

The code BD identifies adjustments that will result in the lender refunding interest benefits because of overpayments received in previous quarters. This might occur, for instance, if a borrower completed school without notifying the lender and the grace period had expired. In this instance, interest benefits may have been claimed by the lender for periods when the loan did not qualify for these benefits. There are also three Billing codes for reporting excess interest. The code EC is used for the current quarter. Codes EI and ED are used for reporting adjustments to prior quarters.

Group BC loans by interest rates and loan types

After you have determined which loans are to be reported in Part III, and under which Billing Code they fall, you must categorize the loans with a billing code of BC into groups according to loan type and interest rate. For Part III, you must use actual interest rates, and not the applicable, or maximum allowable, interest rates you use to group loans for other parts of ED Form 799.

Interest rates should be specified as a decimal number, using up to four digits after the decimal point. An actual interest rate of 8% would be recorded on the form as .08, and an interest rate of 6.94% would be recorded as .0694. All loans coded BC and that have the same loan type and interest rate should be grouped together and reported on a single line in Part III.

Federal Stafford Loans on which the first disbursement is made to new borrowers on or after October 1, 1992 have a variable interest rate. Enter the actual numeric loan rate in Column B, Part III for these loans. The applicable rate of interest is determined on June 1 of each 12-month period and is equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to June 1, plus 3.1 percent.

Grouping adjustments

All adjustments coded BI are to be grouped together by loan type and interest rate, regardless of which prior quarter the adjustment affects. **Similarly, all adjustments coded BD are to be grouped together.** You may calculate the net change in interest benefits for these two groups of adjustments using the steps that will be described later in this Unit. In addition, adjustments for Excess Interest should be grouped by adjustment type,whether EI or ED. These two groups may be reported on one line, by calculating the net change between the two.

Here are the steps you will use to code and group loans and adjustments for Part III.

Identify qualifying loans by loan types

Step 1. Identify loan types that qualify for interest benefits at any time during the quarter and code these loans BC.

Interest benefits are limited to Federal Stafford, FISL, and Federal Consolidation Loans that qualify for the interest subsidy, and only while the student is in school, in the grace period, or in an authorized deferment period. Do not request interest benefits except for Federal Stafford, FISL, or Federal Consolidation loans. **Do not request interest benefits beyond the end of the expiration of the grace period, whether the student actually has begun repayment or not, if there is no period of authorized deferment.**

Step 2. Identify any required adjustments in the amount of interest benefits requested in previous quarters and code these adjustments BI or BD.

Identify adjustments

Use the code BI for adjustments that will result in an increase in the amount of interest benefits due from ED, and the code BD for adjustments that will result in a decrease in the amount of interest benefits paid by ED.

Step 3. Group all loans coded BC according to their actual interest rates and loan type.

Group BC loans by loan type

Be sure to use the actual interest rate. This is the rate actually charged and not the applicable, or maximum allowable, interest rate for subsidized Federal Stafford, Consolidation, and FISL Loans. Use 8% for loans that have an 8%/10% interest rate, if this is the rate actually charged. The 10% rate does not take effect until four years after repayment begins, when interest benefits usually no longer apply. However, if a deferment is authorized after the rate has been increased, the loan again would qualify for interest benefits, but at the higher 10% rate. The interest rate for Federal Consolidation loans is the greater of 9% or the weighted average.

Step 4. Identify loan types that require excess interest rebates at any time during the quarter and code these loans EC.

Group EC loans by loan type

Rebates are required on only Federal Stafford loans with fixed 7, 8, 9, and 8/10% interest rates. Variable rate loans are not subject to excess interest. (Refer to Dear Colleague Letter 93-L-160 for further guidance, or Dear Guaranty Agency Directors Letter dated March 20, 1994.)

Step 5. Identify any required adjustments in the amount of excess interest rebates reported in previous quarters and code these adjustments EI or ED.

Identify adjustments

Use the code EI for adjustments that will result in an increase in the amount of excess interest due to ED, and the code ED for adjustments that will result in a decrease in the amount of excess interest due to ED.

Practice Exercise 4

Look at the information on student loans in Exhibit IV-4. Todayis April 1, 1993, and you are preparing your institution's report for the January 1, 1993 through March 31, 1993 quarter.

Review this information on current loans carefully. Then identify each current loan by loan type that qualifies for interest benefits during the first quarter of 1993, assuming all borrowers were eligible to receive subsidized student loans. Assign a BC code to all qualifying loans.

Next, review the information on adjustments. Code the adjustments that should be made in your first quarter of 1993 report from the second quarter of 1990.

Finally, use a blank piece of paper as a worksheet to group loans. Group all BC loans together that have the same interest rate and loan type. Group all BI or BD loans together regardless of their interest rate, but keep loan types separate.

The answers to this exercise are given on the page following the exhibit.

Current Loans:

Loan Number	Loan Type	Date of Loan	Beginning Balance	Interest Rate	Loan Status
114	Federal STAF	9/15/82	$420	.09	In school
123	Federal STAF	6/01/88	800	.08	entered repayment 1/01/93, $100 repaid in quarter
142	Federal STAF	1/02/90	1,760	.08	In school
148	Federal STAF	9/10/89	960	.08	In grace
150	Federal STAF	1/30/85	1,000	.08	In deferment
154	Federal STAF	4/11/88	550	.079	entered repayment 3/11/92, $35 repaid in quarter
156	Federal PLUS	3/01/87	1,060	.12	In default
161	Federal STAF	8/20/88	810	.08	loan purchased 9/16/90, In school
163	Federal SLS	11/10/92	460	.1045	entered repayment 12/10/92, $40 repaid in quarter
189	Federal STAF	1/1/93	350	.0694	$350 disbursement 1/1/93
111	Federal Consolidation	1/8/93	1,500	.09	In authorized deferment

(Continued)

Exhibit IV-4

Exhibit IV-4 (Continued)

May Need Adjustments:

Loan Number	Loan Type	Date of Loan	Loan Status
126	Federal STAF	10/10/83	This loan, with an interest rate of 8%, was purchased from another lender on 5/01/90. Interest benefits were requested from ED for 61 days in the second quarter of 1990, but the borrower's deferment had expired on 2/28/90. The principal balance on 4/01/90 was $1,700.
132	Federal STAF	2/1/84	This loan, with an interest rate of 8%, is in repayment but no payments have been received on the loan for 180 days. The loan was considered in default as of 5/1/90. No interest benefits on this loan were requested since the grace periods ended. The remaining principal balance at the beginning of that quarter was $320.
155	Federal STAF	9/01/86	This loan, with an interest rate of 8%, was thought to be ineligible for interest benefits during the second quarter of 1990 because the grace period ended and repayments began on 12/20/89. However, the borrower re-enrolled in school full-time, and received a requested deferment beginning 6/01/90 when the remaining principal balance was $800. The loan, therefore, was eligible for interest benefits for part of the second quarter of 1990. This loan was sold to another institution on 7/01/90.

Exercise 4 Answers

Four current loans do not qualify for interest benefits. Loan 156 is a Federal PLUS Loan, Loan 163 is a Federal SLS Loan, and Loans 123 and 154 are in repayment. Only the Federal Stafford, Federal Consolidation, and FISL Loans are eligible for interest benefits. All of the remaining loans in Exhibit IV-4 should receive a BC Billing Code. All were eligible for interest benefits at least for some part of the quarter.

Only two of the three loans described under "May Need Adjustment" actually should result in an adjustment to the amount of interest benefits requested previously:

- Loan 126 was not eligible for interest benefits during the second quarter of 1990 because the deferment had expired and the loan should be in repayment. An adjustment is required. This adjustment should be coded BD.
- Loan 132 should not receive an adjustment. Federal Stafford Loans in repayment or in default are not eligible for interest benefits.
- Loan 155 qualified for interest benefits for the 30 days in the prior quarter until it was sold on 7/01/90 because interest benefits are paid during periods of deferment. This adjustment should be coded BI. Although repayments on this loan had begun, the borrower's deferment beginning 6/01/90 made the loan eligible for interest benefits for the 30 days until it was sold on 7/01/90.

To complete this exercise, you should have divided the loans and adjustments to be reported into the following groups:

TG-BC—9% Loans	TG-BC—8% Loans	TG-BC—.0694%
114	142	189
	148	
	150	
	161	

BI Adjustment	TC-BC—.09%	BD Adjustment
155	111	126

5. FIND THE SUMS OF ENDING PRINCIPAL BALANCES

Next, you have to determine the total of the ending principal balances for the loans in each loan type and in each interest rate group with a Billing Code of BC or EC. These ending balances must be reported on Part III.

Step 6. Determine the sum of the ending principal balances for each loan type in each interest rate group coded BC or EC.

Determine ending balances by loan type and interest rate

Include in the sum of ending principal balances only those loans that qualify for interest benefits as of the close of business on the last day of the quarter. Do not include loans that entered the repayment period or were sold by you during the quarter, even if you will receive interest benefits on them for part of the quarter.

Practice Exercise 5

Go back to the loan information in Exhibit IV-4. Calculate the sum of ending principal balances for each group of loans coded BC. Be careful to exclude loans that qualified for interest benefits at some time during the quarter but did not qualify at the end of the quarter. Use a blank sheet of paper as a worksheet.

Exercise 5 Answers

Loan Type Code Code	Interest Rate Group	Sum of Ending Principal Balances
TG	BC—.0694	350
TG	BC—.08	4,530
TG	BC—.09	420
TC	BC—.09	1,500

If you made an error, try to identify what you did wrong. Be sure you noticed that loans 123 and 154 entered repayment and therefore are not included when you calculate the sum of ending principal balances. A loan does not qualify for interest benefits when it goes into repayment, unless the loan is in an authorized period of deferment.

6. FIND THE SUMS OF THE AVERAGE DAILY PRINCIPAL BALANCES

The amount of interest benefits your institution will receive is determined by the average daily principal balances for the loan type in each interest rate group during the period each loan type qualifies for interest benefits. You must calculate the average daily principal balances even if your institution uses the actual accrual method to determine the amount of interest benefits due to it.

Daily balances outstanding

Step 7. For each loan type, determine the principal balances outstanding at any time during the quarter that the loan qualified for interest benefits, and the number of days the loan was at each balance.

Consider new disbursements, advance repayments, sales or purchase dates, and the expiration of the grace period or a period of authorized deferment. Also consider cancellations, the return of an uncashed disbursement check, and the limit of 120 days on when a disbursement check must be cashed.

Sum of daily balances

Step 8. Multiply the number of days the loan type was at each balance by the amount of the balance, and add these results to determine the sum of the daily principal balances for each loan.

Only one calculation will be required if the loan type qualified for interest benefits for the entire quarter and there were no changes in the loan's principal balance during the quarter.

Average daily balance

Step 9. Add the sums of daily balances together for all loan types in each group, and then divide the result by the number of days in the quarter to find the average daily principal balance for the group.

Be sure to use the correct number of days for the quarter being reported. The first quarter, ending March 31, usually has 90 days, but has 91 days in a leap year. The second quarter, ending June 30, always has 91 days. The third and fourth quarters, ending September 30 and December 31, always have 92 days each. After you complete your calculations, round the results of this step to the nearest whole dollar for entry in Column (E) of Part III.

Practice Exercise 6

Calculate the average daily principal balance for each group of loans coded BC in Exhibit IV-4. Calculate the amount for the quarter ending March 31, 1993. There are 90 days in the January through March quarter. Round each result to the nearest whole dollar. An average daily balance can be determined from an outstanding amount for one(1) day.

Use a blank sheet of paper as a worksheet for your calculations. You can refer back to Section 2 of this Unit and Exhibit IV-3 for a more detailed explanation on how to calculate the average daily principal balance. The answers to this exercise are on the next page.

Exercise 6 Answers

Your worksheet should look like this:

BC—9%

Loan Type Code	Outstanding Balance	Number of Days	Balance x No. Days	Sum of Daily Balances
TG	$420.	90	$37,800.	$37,800.
	Sum of Daily Principal Balances			$37,800.
	Number of Days in Quarter			90
	Average Daily Principal Balance			$420.00

BC—8%

TG	1,760.	90	158,400.	$158,400.
TG	960.	90	86,400.	86,400
TG	1,000.	90	90,000.	90,000.
TG	810.	90	72,900.	72,900
	Sum of Daily Principal Balances			$407,700.
	Number of Days in Quarter			90
	Average Daily Principal Balance			$4,530.00

BC—9%

TC	1500.	90		135,000.
	Sum of Daily Principal Balances			$135,000.
	Number of Days in Quarter			90
	Average Daily Principal Balance			$1,500.

BC—.0694

TG	350.	90	31,500.	
	Sum of Daily Principal Balances			$31,500.
	Number of Days in Quarter			90
	Average Daily Principal Balance			$350.

7. CALCULATE INTEREST BENEFITS AND ADJUSTMENTS

ED can calculate the amount of interest benefits due to your institution for loans reported with a Billing Code of BC. This calculation will be based on the average daily principal balance you report for each loan type and each interest rate group.

You may, however, calculate the amount of interest benefits for yourself. You do this automatically when you use the actual accrual method. If you do use the actual accrual method, you must use this formula:

$$\frac{\text{Daily Principal Balance} \times \text{Actual Interest Rate} \times \text{Days in Quarter at that Balance}}{\text{Number of Days in Year}} = \text{Interest Benefits Due for those Days}$$

You must then add the interest benefits calculated for each loan type, interest rate, and billing code to get the total interest due for the quarter for that group of loans.

When you use the actual accrual method, be sure of the following:

- interest benefits are requested only during the period the loan qualifies for these benefits;
- the interest rate used is the actual, not the applicable rate;
- the number of days in the year is 365, except in leap years when it is 366. Regulations also allow you to use 365.25 days in the year provided you do so for four consecutive years.

You also can calculate the amount due when you use the average daily principal balance method. This method is described in Step 8 on the next page.

If you calculate the amount of interest benefits due, and record these amounts in Column (F), ED will compare them with the average daily balances reported in Column (E). If they correspond, ED will pay the amounts in Column (F). If they do not, except for discrepancies due to rounding, ED will return the form for correction.

Amount of interest benefits

Step 10. Calculate the amount of interest benefits by multiplying the average daily balance times the interest rate times the number of days in the quarter, and dividing the result by the number of days in the year.

For example, if the average daily balance for a loan type is $3,000, the actual interest rate on this type of loan is 8%, and there were 92 days in the quarter for a 365-day year, the calculation would be:

$$\frac{\$3{,}000 \times .08 \times 92}{365} = \text{Interest Benefits Due}$$

The result, for this example, is $60.49. This is the only calculation you report on ED Form 799 to the nearest cent. Do <u>not</u> round the amount of interest benefits due to the nearest whole dollar.

Although calculating the amount of interest benefits due on loans with a BC Billing Code is optional, you <u>must</u> calculate the change in the amount of interest benefits that results from adjustments to amounts reported in prior quarters.

Step 11. For each adjustment to be reported in Part III, calculate the difference between the amount of interest benefits that was reported previously and the amount that should have been reported.

Amount of adjustments

Calculating differences for adjustments

Calculate each adjustment separately unless the adjustment applies to a group of loans that all have the same interest rate. Begin by calculating the average daily balance and the amount of interest benefits for each adjustment as it was calculated for the earlier quarter. Then, repeat the calculation, using the corrected principal balance, number of days at each balance, and interest rates. Finally, find the difference between the original calculation and the correct one in the amount of interest benefits due.

For example, suppose you had failed to request all of the interest benefits due on a qualifying loan in an earlier quarter because you neglected to include an additional disbursement made on the loan during that quarter. Suppose, also, that the principal balance at the beginning of the quarter was $800, that the additional disbursement made 20 days before the end of the quarter was for $600, that the actual interest rate is 8%, and that there were 92 days in the quarter. These are the calculations you would make to find the additional amount due from ED.

Original Calculation:

$800 x 92 days =	$73,600.
Sum of Daily Principal Balances	$73,600.
Number of Days in Quarter	92
Average Daily Principal Balance	$800.
$\frac{\$800 \times .08 \times 92}{365}$ =	$16.13

Corrected Calculation:

$800 x 72 days =	$57,600.
$1400 x 20 days =	$28,000.
Sum of Daily Principal Balances	$85,600.
Number of Days in Quarter	92
Average Daily Principal Balance	$930.43
$\frac{\$930 \times .08 \times 92}{365}$ =	$18.75

Difference in Interest Benefits:

$18.75 - $16.13. =	$ 2.62

You may have noticed that a shortcut is possible. If you multiply the differences in daily principal balances by the interest rate and number of days in the quarter then divide the result by the number of days in the year, you will get the amount of interest benefits. You can use the shortcut to calculate adjustments because you do not need to include the average daily principal balance when you report adjustments in Part III.

Combining adjustments

You may report BI and BD adjustments separately, or combine them and report only the net result of all adjustments to the amount of interest benefits received in prior quarters. One adjustment may increase the amount due to the lender while another may decrease it. When this happens, you may subtract one amount from the other, and report only the net result. If the net result is that ED owes additional interest benefits, report that amount on a line coded BI. If the net result is that the lender owes an amount to ED, the line should be coded BD. Several adjustments that all increase or decrease the amount of interest benefits similarly should be combined. Combine adjustments across all past quarters as well.

Refer to Dear Colleague Letter 93-L-160 and Dear Guaranty Agency Directors Letter dated March 30, 1994, for detailed instructions on calculating and reporting rebates of excess interest.

Practice Exercise 7

Calculate the amount of adjustment due to or from ED for the following two loans and code each amount BI or BD. These are two of the loans that were in Practice Exercise 4. The quarter covered by the adjustments is in 1990 for both loans, so the year has 365 days. These adjustments will be included in your report covering the first quarter of 1993. After you have completed the amount of each adjustment, combine them into a net result. Label the result BI or BD, depending on whether the amount is due to or from ED.

Loan 126 Federal STAF Made 10/10/83

This loan, with an interest rate of 8%, was purchased from another lender on 5/01/90. Interest benefits were requested from ED for 61 days in the second quarter of 1990, but the borrower's deferment had expired on 2/28/90. Purchaser has to calculate interest from date the deferment expired. The principal balance on 3/01/90 was $1,700.

Loan 155 Federal STAF Made 9/01/86

This loan, with an interest rate of 8%, was thought to be ineligible for interest benefits during the second quarter of 1990 because the grace period ended and repayments began on 12/20/89. However, the borrower re-enrolled in school full-time, and received a requested deferment beginning 6/01/90 when the remaining principal balance was $800. The loan, therefore, was eligible for interest benefits for part of the second quarter of 1990. This loan was sold to another institution on 7/01/90.

Exercise 7 Answers

Loan 126: $1,700 x 122 days = $207,400 x .08 = $16,592 / 365 = $45.46

This amount is due ED, and should be coded BD.

Loan 155: $800 x 30 days = $24,000 x .08 = $1,920 / 365 = $5.26.

This amount is due the lender, and should be coded BI.

The combined net result of both adjustments is: $45.46 - $5.26 = $40.20

This amount should be coded BD.

8. COMPLETE PART III

Filling in Part III

Now that all of the calculations have been completed, the results must be transcribed to Part III of ED Form 799. As you fill in Part III, pay attention to the following.

- Make sure your institution's LID and the correct page number are entered at the top of this part of the form, and check the box at the bottom if you need to use continuation pages for Part III.
- For loans with a Billing Code of BC, use a separate line for each loan type in each interest rate group.
- For each loan type and interest rate coded BC, complete columns (A) through (E); you may leave column (F) blank or enter the amount of interest benefits due.
- For lines with adjustments coded BI or BD, complete columns (A), (C), and (F) only, leaving columns (B), (D), and (E) blank.
- Round all results to the nearest whole dollar except those in column (F); interest benefits must be reported to the nearest cent.
- Report all results as positive values. ED will use the Billing Code to determine whether your institution owes or should receive interest benefits because of adjustments.
- You must complete one line reporting on the current quarter even if no interest benefits are due from ED. When this happens, use "TG" as loan type, "BC" as the billing code, and put zeros in Columns (D), (E), and (F). You can leave Columns (A) and (B) blank or enter zeros.

Record interest benefit information

Step 12. Record the results of your interest benefit and adjustment calculations on Part III.

Practice Exercise 8

Transcribe the results from Practice Exercises 5, 6 and 7 on to the blank Part III of ED Form 799 in Exhibit IV-5. Calculate the amount of interest benefits for each line. There are 90 days in the quarter being reported.

Exhibit IV-5

LID: 898989 PAGE: 4

PART III: INTEREST BENEFITS					
Loan Type (A)	Interest Rate (B)	Billing Code (C)	Ending Principal Balance (D)	Average Daily Principal Balance (E)	Interest Amount (F)

☐ Check here if submitting additional pages for Part III

Exercise 8 Answers

Your completed Part III should look like the one shown in Exhibit IV-6. Check your answers carefully to make sure everything is in its proper place. The order of the lines of entries for Part III is not important. Your lines can be in any order so long as all of them are there.

The results for both adjustments were combined to show only the net result. It was coded BD to indicate it is an amount your institution owes to ED.

Exhibit IV-6

LID: 898989 PAGE: 4

PART III: INTEREST BENEFITS

Loan Type (A)	Interest Rate (B)	Billing Code (C)	Ending Principal Balance (D)	Average Daily Principal Balance (E)	Interest Amount (F)
TG	.0694	BC	350	350	5.99
TG	.08	BC	4530	4530	89.36
TG	.09	BC	420	420	9.32
TC	.09	BC	1500	1500	33.29
TG		BD			40.20

☐ Check here if submitting additional pages for Part III

UNIT IV SELF-TEST

You have practiced all of the steps required to calculate interest benefits and adjustments to complete Part III of ED Form 799. Often, most of the calculations will have been processed for you by a computer. By working through all of the steps by hand, however, you now have a working knowledge of what goes into each entry you will make on the form.

For the Self-Test, turn to the loan portfolio for the First Student's Bank shown in Exhibit IV-7. Do all the calculations necessary for Part III and then transcribe the results to the blank Part III in Exhibit IV-8. The period covered by this report is the fourth quarter of 1992, from October 1 through December 31. There are 92 days in the quarter.

Remember that Federal Stafford Loans issued to new borrowers, those with no prior balances outstanding on July 1, 1988, have an interest rate of 8%/10%. The interest rate on these loans is generally 8% for purposes of calculating interest benefits because the repayment period has not yet begun. It will be 10% only during an authorized deferment occuring, beginning in the fifth year and later after the repayment period began.

Variable interest rates apply to any Federal Stafford Loan (subsidized or unsubsidized) for which the first disbursement is made on or after October 1, 1992, for a borrower who has no outstanding balance of principal or interest on any FFEL loan, on the date the promissory note is signed. The applicable rate of interest is determined on June 1 of each 12-month period and is equal to the bond equivalent rate of 91-day Treasury bill auctioned at the final auction held prior to June 1, plus 3.1 percent. The applicable interest rate may not exceed 9 percent. A borrower who submits an application to a lender for a Federal Consolidation Loan on or after January 1, 1993, will be eligible to receive federal interest subsidies during periods of authorized deferments.

Here is a summary of the steps for completing Part III:

Step 1. Identify the loans eligible for interest benefits at any time during the quarter and code these loans BC.

Step 2. Identify adjustments to interest benefits amounts, and code BI or BD.

Step 3. Group all loans coded BC according to their loan type and the same actual interest rates.

Step 4. Identify loan types that require excess interest rebates at any time during the quarter and code these loans EC.

Step 5. Identify any required adjustments in the amount of excess interest rebates reported in previous quarters and code these adjustments EI or ED by loan type.

Step 6. Determine the sum of the ending principal balances for the loans in each loan type and interest rate group coded BC or EC.

Step 7. For each loan type and interest rate, determine the principal balances outstanding at any time during the quarter that the loan qualified for interest benefits, and the number of days the loan was at each balance.

Step 8. Multiply the number of days the loan was at each balance by the amount of the balance, and add these results to determine the sum of the daily principal balances for each loan.

Step 9. Add the sums of daily balances together for loan types with the same actual interest rate, and then divide the result by the number of days in the quarter to find the average daily balance.

Step 10. Calculate the amount of interest benefits by multiplying the average daily balance times the interest rate times the number of days in the quarter, and dividing the result by the number of days in the year.

Step 11. For each adjustment to be reported in Part III, calculate the difference between the amount of interest benefits reported previously and the amount that should have been reported.

Step 12. Record the results of your interest benefit and adjustment calculations on Part III.

When you have finished, check your answers with those in Exhibit IV-9. Then, if you made any mistakes, look at the calculations in Exhibit IV-10 to see how the entries for Part III were calculated.

QUARTER ENDING DECEMBER 31, 1992

NAME	LOAN TYPE	INT RATE	DATE OF LOAN	DISBURSEMENT DATES	STATUS AT END OF QTR	REPAYMEN BEGAN	QTR BEGIN BALANCE	PYMT DATE	PRIN PYMT	QTR END	ADDITIONAL INFORMATION
G. BRETT	TU	.0694	10/01/92	10/01/92	IN-SCHOOL	-	0	-	-	2,000	
A. JONES	TU	.0694	10/30/92	10/30/92	IN-SCHOOL	-	0	-	-	3,000	
O. HENRY	TU	.0694	11/15/92	11/15/92	IN-SCHOOL	-	0	-	-	2,750	
B. RUTH*	TG	08/10	08/08/91	08/08/91, 12/5/92	IN-SCHOOL	-	3,000	-	-	4,000	
J. JOYCE*	TG	08/10	02/02/91	02/02/91, 11/20/92	IN-SCHOOL	-	5,000	-	-	6,000	
T. ELLIOT	TG	08/10	8/05/92	8/05/92	IN-SCHOOL	-	3,500	-	-	3,500	
D. TRAVIS	TG	08/10	08/31/92	08/31/92	IN-SCHOOL	-	1,000	-	-	0	CHECK NOT CASHED WITHIN 120 DAYS OF DATE OF DISBURSEMENT
BLOCK OF LOANS	TG	08/10	08/25/92	08/25/92	IN-SCHOOL	-	25,000	-	-	0	THE ENTIRE BLOCK OF LOANS MADE THE SAME DATE WERE SOLD 11/13/92
M. HARRIS	TG	.08	08/08/86	08/08/86	REPAYMENT	11/08/90	5,000	12/08/92	50	4950	
B. RADLEY	TG	.09	08/14/83	08/14/83	REPAYMENT	11/14/87	1,000	12/14/92	40	960	
S. MARTIN	TG	.08	08/07/83	08/07/83	REPAYMENT	05/24/86	800			800	92 DAYS PAST DUE
F. SCOTT	TP	.0736	11/05/92	11/05/92	REPAYMENT	11/05/92	0	-	-	1,500	
R. ARNOLD	TP	VAR	12/09/90	12/09/90	DEFERMENT	12/09/90	2,000			2,000	
J. AUSTIN	TP	VAR	01/08/92	01/08/92	REPAYMENT	01/08/92	3,000	11/08/92	20	2980	
A. SIDDONS	TS	.0736	12/05/92	12/05/92	REPAYMENT	12/05/92	0	-	-	1,600	
J. BOND	TS	VAR	05/05/92	05/05/92	DEFERMENT	05/05/92	2,400	-	-	2,400	
R. BUTLER	TS	VAR	07/14/92	07/14/92	REPAYMENT	07/14/92	1,000	10/14/92	25	975	

*Note: The second disbursement for B. Ruth and J. Joyce was for $1,000.

Exhibit IV-7

Exhibit IV-8

OMB No. 1840-0534 Exp. Date 1/96
ED Form 798, 1/94 (4/93 version still usable)

LID: 298043 PAGE: 4

PART III: INTEREST BENEFITS

Loan Type (A)	Interest Rate (B)	Billing Code (C)	Ending Principal Balance (D)	Average Daily Principal Balance (E)	Interest Amount (F)

☐ Check here if submitting additional pages for Part III

Exhibit IV-9

LID: 298043 PAGE: 4

PART III: INTEREST BENEFITS

Loan Type (A)	Interest Rate (B)	Billing Code (C)	Ending Principal Balance (D)	Average Daily Principal Balance (E)	Interest Amount (F)
TU	EVAR	BC	7750	5459	95.23
TG	.08	BC	13,500	23,935	481.32
		BD			.22

☐ Check here if submitting additional pages for Part III

Exhibit IV-10

TU-BC Loans at EVAR:

Name	Ending Balance	Outstanding Balances	Number of Days	Sum of Daily Balances
G. Brett	2,000.	2,000.	92	184,000.
A. Jones	3,000.	3,000	63	189,000.
O. Henry	2,750.	2,750	47	129,250.
				502,250
			Average Daily Balance	5,459.

TG-BC Loans at 8%:

Name	Ending Balance	Outstanding Balances	Number of Days	Sum of Daily Balances
B. Ruth	3,000.	3,000.	65	195,000.
	4,000.	4,000.	27	108,000.
J. Joyce	5,000.	5,000.	50	250,000.
	6,000.	6,000.	42	252,000.
T. Elliot	3,500.	3,500.	92	322,000.
B. of Loans	0.	25,000.	43	1,075,000.
				2,202,000.
			Average Daily Balance	23,935.

BD Loan Adjustments:

Name	Outstanding Balance	Number of Days	Balance x Days	Interest Rate	Sum x Rate	Days in Year	Adjust. Amount
D. Travis	1,000.	1	1,000.	.08	80	366	$0.22

UNIT V
ED FORM 799 PART IV: SPECIAL ALLOWANCE

1. LOANS QUALIFYING FOR SPECIAL ALLOWANCE

Loans that qualify

Lenders are entitled to payments of a special allowance on almost all of their FFEL program loans. The only loans that do not qualify for special allowance are Federal Stafford loans and FISL loans made between October 1, 1981, and September 30, 1992 to borrowers not eligible for interest benefits because of insufficient financial need and loans more than 270 days past due if a claim has not been filed. Also, loans made using tax-exempt funds qualify for a reduced special allowance. If you are in doubt as to whether an individual loan qualifies for the special allowance, contact your ED Regional Office.

ED calculates the amount

The special allowance supplements the interest a lender receives on an outstanding student loan. This makes it possible to borrow funds for educational purposes at lower than market rates. The amount of special allowance due to the lender on a loan is determined each quarter by ED based on the average 91 day T-Bill rate for the quarter. However, the way special allowance is calculated has changed periodically, so loans made on different dates are treated somewhat differently. ED will calculate the amount of special allowance the lender will receive.

Applies during life of loan

All five types of loans: subsidized and unsubsidized Federal Staffords, FISL loans, Federal PLUS, Federal SLS, and Federal Consolidation loans, are eligible for special allowance. It applies during the life of qualifying loans. The special allowance ends when the loan is fully repaid, when the disbursement check is returned uncashed, or fails to clear within 120 days, when a claim is filed 60 days after default for the loan and is paid by the guarantee agency, or when the loan no longer qualifies for reinsurance. Also, special allowance is limited to 90 days after the claim was filed with the guarantee agency or the claim payment date, whichever occurs first, provided the claim is filed by the 240th day of deliquency.

Eligibility also ends retroactively on the date a lender acted, or failed to act, in a way that caused the guarantee on the loan to be voided or on an unconsummated loan disbursed after October 1, 1992.

The Special allowance ends the 30th day after the date the guarantee agency returns a claim for loss on the loan to the lender due solely to inadequate documentation unless the lender provides the required documentation, prior to the 30th day.

Special allowance billed until the check is returned uncashed or not cashed within 120 days must be refunded to the Department via billing adjustment.

Practice Exercise 1

Most of the Federal Family Education Loan programs loans in your institution's portfolio will be eligible for special allowance. Read the following examples, and decide whether the loan is eligible.

A. Mark graduated from school more than a year ago. In order to reduce the size of his monthly payments, his two Federal Stafford Loans and his Federal SLS Loan were combined into a Federal Consolidation Loan. Is his new loan eligible for special allowance?

Answer _____

B. Sarah received a Federal Stafford Loan. At the same time, her parents also took out a Federal PLUS loan to help her meet her school expenses. Do both loans qualify for special allowance?

Answer _____

C. George obtained a Federal Stafford Loan so he could complete his education. The loan entered the repayment period over a year ago, but George has not yet made any repayments. No claim has been filed yet. Is this loan still eligible for special allowance?

Answer _____

D. Deborah took out a Federal Stafford Loan, but decided to leave school. She then made all of her scheduled repayments. Last year, however, she received a deferment when she returned to school full-time. As a result, part of the loan is still outstanding. Does this loan qualify for special allowance?

Answer _____

Check your decisions with the answers on the following page.

Exercise 1 Answers

A. **Yes**. Federal Consolidation Loans as well as other FFEL program loans are eligible for special allowance during the repayment period.

B. **Yes**. Special allowance applies to Federal PLUS Loans made to parents as well as to loans made to students themselves.

C. **No**. The loan has been in default for more than 90 days without a claim being filed, so it is not eligible for special allowance. In most cases, this loan would have to be removed earlier than day 270 because of the lender's failure to follow due diligence requirements.

D. **Yes**. The loan is eligible for special allowance while the student is in an authorized deferment.

2. INFORMATION NEEDED TO RECEIVE SPECIAL ALLOWANCE

Factors affecting special allowance

The special allowance is intended to compensate lenders who offer FFEL program loans at lower than prevailing interest rates. Three factors are used to determine the amount of the special allowance the lender will receive for any particular loan.

- Applicable interest rate. Different types of student loans, and loans made at different times, carry different applicable interest rates. These rates generally remain the same for the full life of the loan. The principal exceptions are the Federal Stafford loans with an interest rate that increases from 8% to 10% after the first 4 years of the repayment period, Federal PLUS and Federal SLS loans with a variable interest rate that changes each year, and unsubsidized Federal Stafford loans made after 10/1/92 with a variable interest rate.

- When the loan was made. The way the amount of special allowance is calculated has changed several times since the FFEL program began. On any particular loan, the formula in effect at the time the loan was made continues to apply to that loan so long as it is outstanding.

- The quarter for which special allowance is requested. The amount of special allowance is adjusted quarterly by ED based on the average 91-day T-Bill interest rate during the quarter. Thus, the amount of special allowance can change from one quarter to the next.

ED will calculate the amount of special allowance due to your institution based on the information you provide on Part IV of ED Form 799. The amount will be correct only if you have coded every student loan accurately.

Amount changes by quarter

Not all eligible loans will receive special allowance in any particular quarter. Loans made at higher interest rates will receive special allowance only when the average 91-day T-Bill interest rate during a quarter also is high.

Although you do not have to calculate the amount of special allowance yourself, knowing how it is done may help you understand the reporting requirements for Part IV.

How amount is calculated by ED

Here is one example. For qualifying loans made on or after November 16, 1986, the formula for calculating the quarterly rate of special allowance is:

average 91-day T-Bill interest rate	minus	applicable interest rate	plus	3.25%	times	$\frac{1}{4}$

Here is how to calculate the rate of the special allowance due on an 8% Federal Stafford Loan for a quarter when the average T-Bill rate was 7.253%:

$$.0725 - .08 + .0325 \times \frac{1}{4} = .00625$$

Now, to find the amount due, you have to multiply this rate times the loan's average daily principal balance for the quarter. Suppose it was $1,400:

$$.00625 \times \$1,400 = \$8.75$$

This is the amount of special allowance due on this loan for the quarter.

Practice Exercise 2

Try calculating the amount of special allowance due for another example. Suppose your institution holds a 12% Federal SLS Loan issued on January 1, 1987. The average daily balance, reflecting repayments, was $400 for the quarter that just ended. Calculate the special allowance rate and then calculate the amount of special allowance due to the lender for the quarter. Assume that, because the issue dates are the same, the same formula used in the previous example applies to this loan. Suppose, also, that the average 91 day T-Bill interest rate was 8.8% for the quarter.

Check your answer against the one given on the next page.

Exercise 2 Answers

$0.05. The amount due on this loan is five cents:

$$.088 \ \underline{\text{minus}} \ .12 \ \underline{\text{plus}} \ .0325 \ \underline{\text{times}} \ \frac{1}{4} \ \underline{\text{equals}} \ .000125$$

.000125 <u>times</u> $400 <u>equals</u> .05, or five cents.

If the average T-Bill rate for the quarter were any lower, the special allowance interest rate would be a negative number. When that happens, the amount of special allowance stays at zero.

3. REPORTING REQUIREMENTS FOR PART IV

Part IV of ED Form 799 is divided into nine columns.

Calendar Year

Column (A) is Calendar Year. These are the last two digits of the current year, such as 93 or 94, if you are reporting special allowance information for the current quarter. To report an adjustment to information from an earlier quarter, use the last two digits of the year for that earlier quarter.

Quarter Code

Column (B) is Quarter Code. This is a 1, 2, 3, or 4 for the first, second, third, or fourth quarter of the calendar year. Except when adjustments are being reported, the Quarter Code will be for the quarter just ended.

Special Allowance Category

Column (C) is Special Allowance Category. A code is used in this column to identify when the loan was first made or, in some cases, when enrollment began. You will learn how to code loans by Special Allowance Category in the next section of this Unit.

Loan Type

Column (D) is Loan Type. The code TG is used for subsidized Federal Stafford and FISL loans; the code TP is used for Federal PLUS and Federal PLUS (Parent) loans; the code TS is used for Federal SLS, Federal PLUS (Student), and ALAS loans; and the code TC is used for Consolidation loans. The code TU is used for unsubsidized Federal Stafford loans.

Interest Rate

Column (E) is Interest Rate. This is the applicable, or allowable, interest rate for the loan. The applicable interest rate depends on the type of loan and when it was made. For variable rate loans, use "EVAR" for Federal Stafford and unsubsidized Stafford loans made to new borrowers on or after 10/1/92, and for Federal PLUS and Federal SLS loans made on or after 10/1/92; "CVAR" for Federal PLUS and Federal SLS loans made in 1986-7 where the interest rate changes each January 1; and "VAR" for all others. For Federal Stafford loans with an 8%/10% interest rate, the rate in effect at the end of the quarter being reported is used.

Billing Code

Column (F) is Billing Code. The code BC is used to identify information concerning special allowance for the quarter currently being reported. The codes BI and BD designate information concerning adjustments that will increase or decrease the amount of special allowance due from prior quarters.

Column (G) is Ending Principal Balance. This is the sum of the outstanding principal balances for loans being reported on that line as of close of business on the last day of the quarter. This column is left blank when the Billing Code is BI or BD.

Ending Principal Balance

Column (H) is Average Daily Principal Balance. The principal balances outstanding on each day of the quarter are added together for each loan being reported on that line, the results are added together to give a total for all loans included on that line, and this amount is divided by the number of days in the quarter. This column is completed only when the Billing Code is BC.

Average Daily Principal Balance

Column (I) is used to report Adjustments for the Difference in Average Daily Principal Balances. This is the difference between the average daily principal balance reported previously and the correct average. This column is used only if the Billing Code is BI or BD.

Adjustments to prior reports

Practice Exercise 3

Look at Exhibit V-1. It illustrates how Part IV of ED Form 799 should look after it is completed. This report covers the first quarter of 1993. Note that a different line is used for each combination of entries in Column (A) through Column (F). Note also that all columns except Column (I) are completed when the Billing Code is BC. When the Billing Code is BI or BD, Column (I) is completed but Columns (G) and (H) are left blank.

As you look at Exhibit V-1, pay attention to each of the following. Check the box in front of each point after you have found it in the Exhibit.

- ❑ the LID and PAGE have been filled in at the top
- ❑ the continuation box at the bottom has not been checked because no additional pages were required
- ❑ the entries in Columns (A) and (B) always indicate the quarter currently being reported and are always the same when the Billing Code is BC
- ❑ separate lines are used for each combination of entries in Columns (C) through (E) when the Billing Code is BC
- ❑ the entries in Columns (A) and (B) never indicate the quarter currently being reported when the Billing Code is BI or BD
- ❑ separate lines are used for each combination of entries in Columns (A) through (E) when the Billing Code is BI or BD.
- ❑ when the Billing Code is BC, all columns except Column (I) are completed
- ❑ when the billing code is BI or BD, all columns except Columns (G) and (H) are completed
- ❑ all dollar values are rounded to the nearest whole dollar amount
- ❑ interest rates are entered as decimal figures, except that VAR is used to represent the variable interest rate and EVAR is used for unsubsidized Federal Stafford. Federal PLUS, and Federal SLS loans made after 10/1/92
- ❑ the entry in Column (I) for lines coded BD is given as a positive value although it will be used to calculate the amount of special allowance your institution owes ED

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PART IV: SPECIAL ALLOWANCE

Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)
93	1	SE	TU	EVAR	BC	2,000	2,000	
93	1	SB	TG	.09	BC	1,200	1,657	
93	1	SB	TP	.12	BC	400	434	
93	1	SB	TG	.08	BC	1,100	1,100	
93	1	SD	TG	.08	BC	2,500	2,500	
93	1	SD	TS	.12	BC	0	133	
93	1	SD	TS	VAR	BC	700	734	
89	2	SD	TP	.12	BI			791
89	3	SD	TP	.12	BI			700
88	4	SD	TS	VAR	BD			60

☐ Check here if submitting additional pages for Part IV

Exhibit V-1

4. CODE AND GROUP LOANS WITH A BILLING CODE OF BC

Billing Code BC

The Billing Code BC is used to identify information on loans that are eligible for special allowance at any time during the quarter being reported. Because the amount of special allowance depends on the loan's interest rate and the average 91 day T-Bill rate for the quarter, the amount of special allowance may turn out to be zero for some loans. However, you must report all loans eligible for special allowance in Part IV. Even if the amount of special allowance for loans with a Billing Code of BC works out to be less than zero, your institution never will owe ED any amount for loans coded BC.

Once you have identified all eligible loans with a Billing Code of BC, you then must divide them into groups based on Loan Type, Special Allowance Category, and Interest Rate.

Loan Type codes

- Loan Type. There are five types of loans. A Loan Type code is used on Part IV of ED Form 799 to designate the type of loan:

  TG is the code for subsidized Federal Stafford and FISL loans

  TP is the code for Federal PLUS and the older PLUS (Parent) loans

  TS is the code for Federal SLS and the older PLUS (Student) and ALAS loans

  TC is the code for Federal Consolidation loans

  TU is the code for unsubsidized Federal Stafford loans

If your institution made Federal PLUS (Student) and ALAS loans before October 17, 1986, and you now cannot distinguish them from Federal PLUS (Parent) loans, you may report them using the TP code. All Federal SLS loans made on or after October 17, 1986 must be reported using the TS Code.

Special Allowance Category

- Special Allowance Category. Because of several past changes in how the amount of special allowance is calculated, you must determine each loan's Special Allowance Category according to when the loan was made, or when enrollment began. Different special allowance rates apply to loans in different Special Allowance Categories. The Special Allowance Category is designated by one of six codes. The code used is independent of the type of loan. Special codes are used for loans made or purchased with tax-exempt funds. The following codes are used for loans not made or purchased with tax-exempt funds.

  SA is the code for any loan made before October 1, 1981.

  SB is the code for loans made on or after October 1, 1981 but before March 1, 1986. This code also is used to designate loans made on or after March 1, 1986 but before October 1, 1986, when the loan has been outstanding for more than four quarters. The SB code also designates loans made beginning on or after October 1, 1986 but before October 17, 1986, as well as those made beginning October 17, 1986 but before November 16, 1986, if the loan was for enrollment beginning before November 16, 1986.

  SC is the code used for loans made during any sequester order for the first four quarters of the loan.

  SD is the code used for loans made on or after October 17, 1986 but before November 16, 1986, if the loan was for enrollment beginning on or after November 16, 1986. This code also is used for all qualifying loans made on or after November 16, 1986 but before October 1, 1989. This code is also used to designate loans made on or after October 1, 1989 but before January 1, 1990, when the loan has been outstanding for more than four quarters. The SD code also designates loans made on or after January 1, 1990 through September 30, 1992.

  SE is the code used for loans made on or after October1, 1992 and before July 1, 1994 (regardless of enrollment period), loans made after July 1, 1994 for periods of enrollment that end before July 1, 1994, or SLS loans certified before July 1, 1994 and made after July 1, 1994.

  SG is the code used for loans made on or after July 1, 1994.

  The codes used to designate a loan's Special Allowance Category are summarized in Exhibit V-2.

Exhibit V-2

Loan Made	Applies	Code
before 10/1/81	all loans	SA
10/1/81 through 2/28/86	all loans	SB
3/1/86 through 9/30/86	during first four quarters	SC
	beginning with fifth quarter	SB
10/1/86 through 10/16/86	all loans	SB
10/17/86 through 11/15/86	for enrollment beginning on or before 11/15/86	SB
	for enrollment beginning 11/16/86 or later	SD
11/16/86 through 9/30/89	all loans	SD
10/1/89 through 12/31/89	during first four quarters	SC
	beginning with fifth quarter	SD
1/1/90 through 9/30/92	all loans	SD
10/1/92 or later	all loans	SE
7/1/94 or later	all loans	SG

- Loans Using Tax-Exempt Funds. Loans made with tax-exempt funds require special codes because the amount of the special allowance received for them generally is less. Five codes are used to designate these loans on Part IV. Loans made with tax-exempt funds must qualify for special allowance just as if they were made with funds that are not tax-exempt. Loans purchased with tax-exempt funds should be assigned a code based on the date the loans were made, regardless of the date purchased.

Special codes when tax-exempt funds used

SA is the code for any loan made or purchased with tax-exempt funds before October 1, 1980. This is the same code used for loans made with funds that are not tax-exempt, but note that the cutoff date is earlier.

XA is the code for loans made on or after October 1, 1980 but before October 1, 1981 if the loans were made or purchased with tax-exempt funds.

XB is the code for loans made on or after October 1, 1981 but before March 1, 1986 and on or after October 1, 1986 but before October 1, 1989 if the loans were made or purchased with tax-exempt funds. This code also is used to designate loans made on or after March 1, 1986 but before October 1, 1986 and on or after October 1, 1989 but before January 1, 1990, beginning with the fifth quarter after the loan was made, and for all loans made on or after January 1, 1990 and through September 30, 1992 if the loans were made or purchased with tax-exempt funds.

XC is the code for loans made during any sequester period for the first four quarters after being made if the loans were made or purchased with tax-exempt funds.

XE is the code for loans made or purchased on or after October 1, 1992 with tax-exempt funds. All loans made or purchased with funds obtained by the holder for the issuance of obligations originally issued on or after October 1, 1993 ("new money"), are no longer subject to the floor.

Report all tax-exempt loans purchased with "new money" using the original date made and combine with taxable loans. Report these loans using the existing special allowance codes.

Contact your ED Regional Office if you need more information on student loans made or purchased with tax-exempt funds.

- Interest Rate. The Interest Rate reported on Part IV of ED Form 799 is the applicable interest rate. The only applicable rates that have been authorized for Part B student loans since the program began are 7%, 8%, 9%, 10%, 11%, 12%, 13%, or 14%. Some of the earlier FISL loans had an interest rate below 7%. These loans should be designated with an interest rate of 7% on Part IV. For unsubsidized Federal Stafford, Federal PLUS, and Federal SLS loans made on or after October 1, 1992, use EVAR. Older Federal PLUS and Federal SLS loans carry a variable interest rate. The code VAR should be used in place of the interest rate for these loans. The code CVAR should be used for those early variable interest rate loans on which the interest rate changes each calendar year (as opposed to each July 1 for other variable rate loans). The codes FVAR7, FVAR8, FVAR9, and FVAR10 should be used for the formerly fixed rate loans that were converted to variable rates to eliminate the excess interest reporting requirement. The variable rate may not exceed the maximum rate applicable to the loan prior to conversion.

Interest Rate

Here are the steps required to code and group loans for Part IV.

Step 1. Identify the loans that qualify for special allowance at any time during the quarter, and code these BC.

Identify qualifying loans

Most FFEL program loans are eligible for special allowance payments for the full life of the loan. The special allowance ends when repayment is complete, when the disbursement check is returned uncashed or has not cleared in 120 days, when a claim on loan has been paid by the guaranty agency, 60 days after default if no claim was filed, or when the loan no longer qualifies for reinsurance. Any special allowance billed prior to funds returned, must be refunded to the Department of Education.

Step 2. Code each qualifying loan by Loan Type.

Code by Loan Type

Use the codes TG, TP, TS, TC, or TU. If one or more of these loans was converted into a Federal Consolidation Loan during the quarter, treat the earlier loan as fully repaid during the quarter and the new loan as first issued during the quarter.

Step 3. Code each qualifying loan according to its Special Allowance Category.

Code by Special Allowance Category

Use the codes SA, SB, SC, SD, SE, or SG unless the loan was made or later purchased with tax-exempt funds. Pay special attention to loans made between March 1, 1986 and September 30, 1986, and between October 1, 1989 and December 31, 1989. These loans were made during a sequester period. Use the chart in Exhibit V-2 to determine their proper category.

Step 4. Identify the applicable Interest Rate for each loan.

Identify Interest Rate

The applicable interest rate is the maximum allowable rate, not the actual interest rate charged. Use VAR, EVAR, or CVAR as the rate for variable interest rate loans. Use FVAR7, FVAR8, FVAR9, or FVAR10 as the rate for converted fixed rate loans.

Step 5. Group all loans with a Billing Code of BC that have the same Loan Type, Special Allowance Category, and Interest Rate.

Group loans

Practice Exercise 4

Look at the posting of student loans in Exhibit V-3. Today is January 15, 1993, and you are preparing your institution's ED Form 799 for the October 1, 1992 through December 31, 1992 quarter.

Use a separate sheet of paper as a worksheet.

Assign a Billing Code, a Loan Type code, and a Special Allowance Category code to each loan. Also, record the Interest Rate for each loan. Then, group together all loans with a Billing Code of BC that also have identical Loan Type codes, Special Allowance Category codes, and Interest Rates.

Exhibit V-3

Loan Number	Loan Type	Special Allow. Code	Date Loan Made	Beg. Principal Balance	Interest Rate	Loan Status
114	TG	SD	09/20/92	470	.09	In school
124	TG	SD	07/15/90	600	.09	In repayment $50 principal repaid 10/5 and 11/5/92
155	TG	SD	08/11/90	1,200	.08	In grace
157	TP	SD	03/12/87	640	.12	In default, claim filed and paid 11/01/92
168	TG	SD	09/15/88	1,100	.08	In school, loan sold 11/01/92
169	TS	SD	10/20/89	380	VAR	In repayment, $50 principal repaid 10/31/92
172	TC	SD	03/01/90	960	.12	In repayment, $80 principal repaid 12/01/92
173	TU	SE	10/15/92	500	EVAR	In school
174	TU	SE	12/10/92	400	EVAR	In school

Exercise 4 Answers

You should have indicated the Billing Code, Loan Type code, and Special Allowance Category code for each loan as follows.

Loan Number	Billing Code	Loan Type	Sp. Allow. Categ.	Int. Rate
114	BC	TG	SD	.09
124	BC	TG	SD	.09
155	BC	TG	SD	.08
157	BC	TP	SD	.12
168	BC	TG	SD	.08
169	BC	TS	SD	VAR
172	BC	TC	SD	.12
173	BC	TU	SE	EVAR
174	BC	TU	SE	EVAR

All of the these loans are eligible for special allowance for at least part of the quarter, so all have a BC in the Billing Code column. There are four Federal Stafford loans coded TG. There is one Federal PLUS loan coded TP, one Federal SLS loan coded TS, one Federal Consolidation loan coded TC, and two unsubsidized Federal Stafford loans. The Special Allowance Category for each loan is shown in the "Sp. Allow. Categ." column, and the applicable interest rate in the "Int. Rate" column.

5. DETERMINE ENDING PRINCIPAL BALANCES AND THE AVERAGE DAILY PRINCIPAL BALANCES

Next, you must determine the total ending principal balance and the average daily principal balance for each group of loans with a Billing Code of BC.

Ending principal balance

The ending principal balance is the amount outstanding on a loan at the close of business on the last day of the quarter. Loans will have an ending principal balance of zero if, for example, repayment was completed during the quarter, if the loan was sold during the quarter, if a claim on a loan was paid by the guarantee agency during the quarter, if it has been more than 90 days since the loan went into default and no claim was filed by the 60th day, or if the guarantee was voided during the quarter.

Average daily principal balance

The average daily principal balance for a loan is calculated in exactly the same way as it was calculated for Part III of ED Form 799. You may add the loan's outstanding balance for each day in the quarter or you may multiply each different outstanding balance by the number of days the loan was at that balance and then add the results together. This will give you the sum of the daily balances. Then, divide that amount by the number of days in the quarter. This will give you the average daily balance.

Calculate by groups of loans

You must calculate a combined ending principal balance and average daily principle balance for each group of BC loans that have the identical Loan Type, Special Allowance Category, and Interest Rate.

Here are the next two steps for Part IV.

Determine ending principal balance

Step 6. Determine the ending principal balance for every loan in each group. Then find the sum of the ending principal balances for all loans in each group.

Determine average daily principal balance

Step 7. Determine the sum of daily principal balances for every loan in each group. Then total the sums of daily principal balances for all loans in each group. Then divide the result by the number of days in the quarter to get the average daily balance for all loans in the group.

Practice Exercise 5

Use the information in Exhibit V-3 to find the total of the ending principal balances and average daily principal balance for each group of loans. Use a blank sheet of paper as a worksheet. You can refer back to Unit IV on how to do these calculations. This report covers the October 1, 1992 to December 31, 1992 quarter. There were 92 days in the quarter.

Check your answers against the ones given on the next page.

Exercise 5 Answers

Your worksheet should look like the one shown in Exhibit V-4.

Check your answers carefully. Remember that you calculate the average daily balance for a group of loans by dividing the sum of the daily principal balances by the number of days in the quarter. There were 92 days in this quarter.

LOAN NUMBER	BILLING CODE	LOAN TYPE	SP. ALLOW. CATEG.	INTEREST RATE	OUTSTANDING BALANCE X NO. DAYS	SUM OF DAILY BALANCES	ENDING BALANCE	AVERAGE DAILY BALANCE
174	BC	TU	SE	EVAR	400 x 22	8,800	400	
173	BC	TU	SE	EVAR	500 x 78	39,000	500	
						47,800	900	519.57
114	BC	TG	SD	.09	470 x 92	43,240	470	
124	BC	TG	SD	.09	600 x 4, 550 x 31, 500 X 57	47,950	500	
						91,190	970	991.20
155	BC	TG	SD	.08	1200 x 92	110,400	1,200	
168	BC	TG	SD	.08	1100 x 31	34,100	0	
						144,500	1,200	1,570.65
157	BC	TP	SD	.12	640 x 31	19,840	0	215.65
169	BC	TS	SD	VAR	380 x 30, 330X62	31,860	330	346.30
172	BC	TC	SD	.12	960 x 61, 880 x31	85,840	880	933.04

Exhibit V-4

6. CALCULATE PART IV ADJUSTMENTS

Billing Codes BI and BD

A Billing Code of BI or BD is used to designate loans that require adjustments in the amount of special allowance determined from information previously supplied to ED. The Billing Code BI indicates where the lender is entitled to an increase in the amount of special allowance for an earlier quarter. The code BD indicates where the lender owes some amount of special allowance received for an earlier quarter.

Identify needed adjustments

In order to initiate an adjustment, you must identify loans that were incorrectly reported in a previous quarter. You also must determine whether the amount of the adjustment in special allowance would be due your institution, (BI), or due ED, (BD).

Group adjustments

Once you have determined which loans require special allowance adjustments, you must divide them into groups based on their Loan Type, Special Allowance Category, and Interest Rate. You also must divide them <u>based on the quarter to which the adjustment applies</u>. If the adjustment on a loan covers more than one quarter, the information must be reported on more than one line because the amount of the adjustment is calculated by ED using the average 91 day T-Bill rate for each particular quarter. You must combine loans being reported for special allowance adjustments, but only if they have the same Loan Type, Special Allowance Category, Interest Rate, and Billing Code, and only if the adjustments cover the same prior calendar quarter.

Report difference only

You do <u>not</u> have to report either the ending principal balance or the average daily principal balance for any of these groups of loans. Instead, you must determine the amount of the difference between the average daily principal balance previously reported and the average daily principle balance that should have been reported. ED will use that information to calculate how much special allowance is due to your institution or due from it because of the adjustment.

Calculating adjustments

Suppose, for example, that your institution failed to record a loan repayment received during the preceding quarter. An adjustment is required that will result in a net decrease in the amount of special allowance your institution received in that quarter, so this adjustment should be reported with a Billing Code of BD. For the last quarter, suppose you had reported an average daily balance on this loan of $400. However, you should have reported an average daily balance of $396. The difference, $4, is the amount of the adjustment you should report in Column (I) on Part IV. How you report this adjustment is shown on the top line in Exhibit V-5.

The adjustment may be more complicated in certain situations. For instance, suppose you coded a loan using the wrong Special Allowance Category in your report for the preceding quarter. You may have coded the loan SC, when it should have been coded SD. To correct this error, your current report should repeat the average daily principal balance from the earlier report in the column labeled "Adjustments for Difference in the Average Daily Principal Balances" on a line with the Billing Code BD. In effect, this will delete the earlier entry. Then, again enter the same information in the adjustments column on another line, but this time with the Special Allowance Category code SD and the Billing Code BI. Based on this line, ED will calculate the amount of special allowance it should have paid on this loan. These two entries are illustrated on the second and third lines in Exhibit V-5.

Combining adjustments

When you are making several adjustments at one time, **combine and report the net result for loans with the same Special Allowance Category, Loan Type, and Interest Rate, for the same prior quarter.** You may combine BI and BD adjustments on the same line and report only the net amount of the adjustments. Code the line with the Billing Code that indicates whether the resulting special allowance is owed your institution or ED.

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PART IV: SPECIAL ALLOWANCE

Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)
89	2	SD	TG	.08	BD			4
89	3	SC	TS	VAR	BD			600
89	3	SD	TS	VAR	BI			600

☐ Check here if submitting additional pages for Part IV

Exhibit V-5

These are the steps you take to provide ED with the information needed to calculate adjustments to the amount of special allowance due from previous quarters.

Step 8. Identify any loans requiring an adjustment because special allowance information was incorrectly provided in a previous quarter, and code each one BI or BD.

Identify and code adjustments

Identify loans that will result in an increase in the amount of special allowance with the Billing Code BI. Identify loans that will result in a decrease in the amount of special allowance with the Billing Code BD. If a mistake was made in the loan's Special Allowance Category or Interest Rate, that loan may have to receive both a BD adjustment and a BI adjustment to eliminate the previous amount of special allowance and to replace it with the correct amount of special allowance.

Step 9. Group any BI and BD loans together if the adjustment applies to the same earlier quarter and if they have the identical Interest Rate, Loan Type, and Special Allowance Category.

Group adjustments

Do not combine adjustments for different calendar quarters. If an adjustment covers more than one calendar quarter, the adjustment for each of these quarters must be reported separately.

Step 10. Calculate the amount of the adjustment to the average daily principal balance for each loan or group of loans by finding the difference between the amount previously reported and the amount that should have been reported.

Calculate differences

To correct for an error in Special Allowance Category or Interest Rate, eliminate the amount reported earlier on a line with the Billing Code BD, and then provide the correct average daily principal balance as an adjustment on a line with the Billing Code BI.

Practice Exercise 6

Here are descriptions of three loans that require an adjustment in this quarter to correct the amount of special allowance due to your institution from a previous quarter. For each loan, indicate what entries you would make on the current form for:

- Special Allowance Code
- Loan Type
- Interest Rate
- Billing Code
- Adjustments for Difference in Average Daily Principal Balance

Refer back to earlier sections of this Unit if you are not sure of the codes to use or how to calculate the adjustment.

A. Your institution filed a claim on a defaulted 12% Federal PLUS Loan in the preceding quarter. The outstanding balance was $1,700 for the entire quarter. The loan was made on September 1, 1986. In your report for the preceding quarter, you indicated special allowance was due from ED on that loan based on an average daily principal balance of $1,700. The guarantee agency has rejected the claim because it was not filed within 90 days of the default. As a result, your institution owes ED special allowance for 10 days of that earlier 91-day quarter.

Sp. Allow. Categ.	Loan Type	Interest Rate	Billing Code	Adjustments for Difference in Average Daily Principal Balances

B. In the preceding quarter, one 9% Federal Stafford Loan coded SB was mistakenly included in a group of 8% Federal Stafford Loans also coded SB. The student was in the grace period for the full 91-day quarter. The average daily principal balance on the loan was $809. Show the entries you would make to correct this mistake.

Sp. Allow. Categ.	Loan Type	Interest Rate	Billing Code	Adjustments for Difference in Average Daily Principal Balances

C. Your institution purchased a variable interest rate Federal PLUS Loan on the fourth day before the end of the preceding quarter. Because of a processing delay, this loan was omitted from your last quarterly report. The outstanding balance on this loan was $650 when it was purchased and no repayments on it were received during the remainder of that 91-day quarter. The loan was made August 15, 1988.

Sp. Allow. Categ.	Loan Type	Interest Rate	Billing Code	Adjustments for Difference in Average Daily Principal Balances

Check your answers with those given on the next page.

Exercise 6 Answers

A. You should report the adjustment this way:

Sp. Allow. Categ.	Loan Type	Interest Rate	Billing Code	Adjustments for Difference in Average Daily Principal Balances
SB	TP	.12	BD	$187.

The average daily principal balance previously reported was $1,700. The amount that should have been reported was $1,700 times 81 days, or $137,700, divided by 91, or $1,513. The difference between the originally reported and corrected average daily principal balance is $187.

B. This adjustment has to be reported on two lines:

Sp. Allow. Categ.	Loan Type	Interest Rate	Billing Code	Adjustments for Difference in Average Daily Principal Balances
SB	TG	.08	BD	$809.
SB	TG	.09	BI	$809.

ED will calculate the amount of special allowance for both lines. Your institution will owe ED any special allowance received earlier when it was calculated at the 8% interest rate, and ED will owe any special allowance due your institution based on the 9% rate.

C. The adjustment would be reported this way:

Sp. Allow. Categ.	Loan Type	Interest Rate	Billing Code	Adjustments for Difference in Average Daily Principal Balances
SD	TP	VAR	BI	$29.

You have to calculate the average daily principal balance that should have been reported in the earlier quarter, or $650 times 4 days equals $2,600 divided by 91 equals $29. Because the loan was omitted, the difference from what was reported earlier is $29. This amount cannot be included in loans being reported for the current quarter. It must be reported separately on a line with the Billing Code BI.

7. COMPLETE PART IV

Filling in Part IV

You now will have all of the information you need to fill in Part IV of ED Form 799. As you enter the information on Part IV, pay particular attention to the following:

- Make sure your institution's LID and the correct page number are entered at the top of this part of the form, and check the box at the bottom if you need to use continuation pages for Part IV.
- You must use a separate line for each combination of Billing Code, Interest Rate, Loan Type, and Special Allowance Category. For loans coded BI or BD, you also must use a separate line for each calendar quarter covered by the adjustment.
- For each group of loans coded BC, complete Columns (A) through (H). Leave Column (I) blank.
- For each group of loans coded BI or BD, complete columns (A) through (F) and Column (I). Leave Columns (G) and (H) blank.
- Round all results you report on the form to the nearest whole dollar. Do your calculations to the nearest cent, however.
- Report all results as positive values. ED will use the Billing Code to determine whether your institution owes or should receive the special allowance amount resulting from an adjustment.
- You must complete one line reporting on the current quarter if no special allowance is due from ED. When this happens, use "TG" as loan type, "BC" as the billing code, and put zeros in Columns (G), (H), and (I). You can leave Columns (A), (B), (C), (D), and (E) blank or enter zeros.
- For loans with "EVAR", make sure to enter EVAR instead of an actual rate.

In Columns (A) and (B), indicate the Calendar Year and Quarter for which the special allowance should be calculated. Report the calendar year by using the last two digits of the year. Report the quarter using a 1, 2, 3, or 4 for the first, second, third, or fourth quarter. For example, to indicate that the information in the line is the special allowance due for the quarter ending June 30, 1991, you would put 91 in Column (A) and 2 in Column (B). All groups of loans with a Billing Code of BC will have the year and quarter code for the quarter being reported on the form. All groups of loans with a Billing Code of BI or BD will have the year and quarter code for an earlier quarter.

Year and quarter

Step 11. Record the results of your special allowance calculations on Part IV of ED Form 799.

Record special allowance information

Practice Exercise 7

Transcribe the results of your calculations in Practice Exercises 4, 5, and 6 on to the blank Part IV of ED Form 799 shown in Exhibit V-6. Be sure to enter the correct calendar year and quarter code for each line. This report is for the October 1, 1992 to December 31,1992 quarter. All three adjustments to the special allowance described in Practice Exercise 6 apply to the April 1, 1992 to June 30, 1992 quarter.

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PART IV: SPECIAL ALLOWANCE

Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)

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Exhibit V-6

Exercise 7 Answers

Your completed Part IV should look like the one shown in Exhibit V-7. Each line should contain the exact information shown in the exhibit, but the lines can be in any order. Check your answers carefully.

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PART IV: SPECIAL ALLOWANCE

Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)
92	4	SD	TG	.09	BC	970	991	
92	4	SD	TG	.08	BC	1200	1571	
92	4	SD	TP	.12	BC	0	216	
92	4	SD	TS	VAR	BC	330	346	
92	4	SD	TC	.12	BC	880	933	
92	4	SE	TU	EVAR	BC	900	520	
92	2	SB	TP	.12	BD			187
92	2	SB	TG	.08	BD			809
92	2	SB	TG	.09	BI			809
92	2	SD	TP	VAR	BI			29

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Exhibit V-7

BEST COPY AVAILABLE

UNIT V SELF-TEST

You now have learned all of the steps required to complete Part IV of ED Form 799. Information in this part is used by ED to calculate the amount of special allowance due to the lender on qualifying student loans. When you prepare the information on loans for entry on Part IV, you must be particularly careful to code every loan accurately.

For this Self-Test, use the information on the First Student's Bank contained in Exhibit V-8. Code every loan, perform the necessary calculations, and then transcribe the results on to the blank Part IV in Exhibit V-9. The period covered by this report is the fourth quarter of 1992, from October 1 through December 31. There are 92 days in the quarter.

Remember that you must report special allowance information on all qualifying loans, including those where the amount of special allowance calculated by ED will be zero. However, you should not include information on loans that did not qualify for special allowance at any time during the quarter, except to report adjustments.

Here is a summary of steps for completing Part IV:

Step 1. Identify the loans that qualify for special allowance at any time during the quarter, and code these BC.

Step 2. Code each qualifying loan by Loan Type.

Step 3. Code each qualifying loan according to its Special Allowance Category.

Step 4. Identify the applicable Interest Rate for each loan.

Step 5. Group all loans with a Billing Code of BC that have the same Loan Type, Special Allowance Category, and Interest Rate.

Step 6. Determine the ending principal balance for every loan in each group. Then find the sum of the ending principal balances for all loans in each group.

Step 7. Determine the sum of the daily principal balances for every loan in each group. Then total the sums of daily principal balances for all loans in each group. Then divide the result by the number of days in the quarter to get the average daily balance for all loans in the group.

Step 8. Identify any loans requiring an adjustment because special allowance information was incorrectly provided in a previous quarter and code each one BI or BD.

Step 9. Group any BI and BD loans together if the adjustment applies to the same earlier quarter and if they have the identical Interest Rate, Loan Type, and Special Allowance Category.

Step 10. Calculate the amount of the adjustment to the average daily principal balance for each loan or group of loans by finding the difference between the amount previously reported and the amount that should have been reported.

Step 11. Record the results of your special allowance calculations on Part IV of ED Form 799.

Because of the number of loans in the portfolio, this Self-Test would require considerable time to complete if you did all of the calculations by hand. For this reason, a worksheet has been prepared for you with a portion of the information already filled in. The worksheet is in Exhibit V-10. First, complete all missing entries in the worksheet using the information from Exhibit V-8. Then, group the loans that should be reported on the same line in Part IV and find the ending principal balances and average daily principal balances for each group of loans coded BC. Next, record this information on the blank Part IV in Exhibit V-9. Finally, determine the information that should be reported for any adjustments and enter this information on the blank Part IV. In this portfolio, there is one loan to be adjusted.

Even with some of the information already filled in, this Self-Test may require up to two hours of your time. Do not begin it unless you think you will have two hours of uninterrupted time available.

QUARTER ENDING DECEMBER 31, 1992

NAME	LOAN TYPE	INT RATE	DATE OF LOAN	DISBURSEMENT DATES	STATUS AT END OF QTR	REPAYMEN BEGAN	QTR BEGIN BALANCE	PYMT DATE	PRIN PYMT	QTR END	ADDITIONAL INFORMATION
G. BRETT	TU	.0694	10/01/92	10/01/92	IN-SCHOOL	-	0	-	-	2,000	
A. JONES	TU	.0694	10/30/92	10/30/92	IN-SCHOOL	-	0	-	-	3,000	
O. HENRY	TU	.0694	11/15/92	11/15/92	IN-SCHOOL	-	0	-	-	2,750	
B. RUTH*	TG	08/10	08/08/91	08/08/91, 12/5/92	IN-SCHOOL	-	3,000	-	-	4,000	
J. JOYCE*	TG	08/10	02/02/91	02/02/91, 11/20/92	IN-SCHOOL	-	5,000	-	-	6,000	
T. ELLIOT	TG	08/10	8/05/92	8/05/92	IN-SCHOOL	-	3,500	-	-	3,500	
D. TRAVIS	TG	08/10	08/31/92	08/31/92	IN-SCHOOL	-	1,000	-	-	0	CHECK NOT CASHED WITHIN 120 DAYS OF DATE OF DISBURSEMENT
BLOCK OF LOANS	TG	08/10	08/25/92	08/25/92	IN-SCHOOL	-	25,000	-	-	0	THE ENTIRE BLOCK OF LOANS MADE THE SAME DATE WERE SOLD 11/13/92
M. HARRIS	TG	.08	08/08/86	08/08/86	REPAYMENT	11/08/90	5,000	12/08/92	50	4950	
B. RADLEY	TG	.09	08/14/83	08/14/83	REPAYMENT	11/14/87	1,000	12/14/92	40	960	
S. MARTIN	TG	.08	08/07/83	08/07/83	REPAYMENT	05/24/86	800			800	92 DAYS PAST DUE
F. SCOTT	TP	.0736	11/05/92	11/05/92	REPAYMENT	11/05/92	0	-	-	1,500	
R. ARNOLD	TP	VAR	12/09/90	12/09/90	DEFERMENT	12/09/90	2,000			2,000	
J. AUSTIN	TP	VAR	01/08/92	01/08/92	REPAYMENT	01/08/92	3,000	11/08/92	20	2980	
A. SIDDONS	TS	.0736	12/05/92	12/05/92	REPAYMENT	12/05/92	0	-	-	1,600	
J. BOND	TS	VAR	05/05/92	05/05/92	DEFERMENT	05/05/92	2,400	-	-	2,400	
R. BUTLER	TS	VAR	07/14/92	07/14/92	REPAYMENT	07/14/92	1,000	10/14/92	25	975	

*Note: The second disbursement for B. Ruth and J. Joyce was for $1,000.

Exhibit V-8

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ED Form 799, 1/94 (4/93 version still useable)

LID: _____ PAGE: _____

PART IV: SPECIAL ALLOWANCE

Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)

☐ Check here if submitting additional pages for Part IV

Exhibit V-9

Exhibit V-10

NAME	BILLING CODE	LOAN TYPE	SP. ALLOW. CATEG.	INTEREST RATE	OUTSTANDING BALANCE X NO. OF DAYS	SUM OF DAILY BALANCES	ENDING BALANCE	AVERAGE DAILY BALANCE
G. BRETT	BC	TU	SE	.0694	2000 x 92	184,000	2,000	
A. JONES	BC	TU	SE	.0694	3000 x 63		3,000	
O. HENRY	BC	TU	SE	.0694	2750 x 47	129,250	2,750	
							7,750	
B. RUTH	BC	TG	SD	.08	3000 x 65, 4000 x 27	303,000	4,000	
J. JOYCE	BC	TG	SD	.08	5000 x 50, 6000 x 42		6,000	
T. ELLIOT	BC	TG	SD	.08	3500 x 92	322,000	3,500	
BLOCK OF LOAN	BC	TG	SD	.08	25000 x 43	1,075,000	0	
M. HARRIS	BC	TG	SB	.08	5000 x 68, 4950 x 24	458,800	4,950	
S. MARTIN	BC	TG	SB	.08	800 x 92	73,600	800	
						532,400		
B. RADLEY	BC	TG	SB	.09	1000 x 74, 960 x 18	91,280	960	
F. SCOTT	BC	TP	SE	.0736	1500 x 57	85,500	929	
R. ARNOLD	BC	TP	SD	VAR	2000 x 92	184,000	2,000	
J. AUSTIN	BC	TP	SD	VAR	2980 x 54, 3000 x 38	274,920	2,980	
							4,980	
A. SIDDONS	BC	TS	SE	.0736	1600 x 27	43,200	1,600	
J. BOND	BC	TS	SD	VAR	2400 x 92	220,800	2,400	
R. BUTLER	BC	TS	SD	VAR	1000 x 13, 975 x 79	90,025		
							3,375	
D. TRAVIS	BD	TG	SD	.08	1000 x 1		0	

ANSWERS TO SELF TEST

Your completed Part IV of ED Form 799 should look like the one in Exhibit V-11. Check your answers carefully.

The information you should have entered to complete the worksheet begun for you is shown in Exhibit V-12. If any of your answers to the Self-Test were incorrect, check your worksheet to see if you derived all of the necessary information from the portfolio. If you did make a mistake, review the information in the portfolio carefully to determine if you overlooked something or made an error in how you figured the number of days at each outstanding balance.

Then look at the way the results from each loan were grouped for reporting purposes. Exhibit V-12 shows which loans were combined into each group based on Billing Code, Special Allowance Category, Loan Type, and Interest Rate, and the ending principal balance and average daily principal balance for each group.

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ED Form 799, 1/94 (4/93 version still useable)

LID: _____ PAGE: ____

PART IV: SPECIAL ALLOWANCE

Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)
92	4	SE	TU	EVAR	BC	7,750	5,459	
92	4	SD	TG	.08	BC	13,500	23,935	
92	4	SB	TG	.08	BC	5,750	5,787	
92	4	SB	TG	.09	BC	960	992	
92	4	SE	TP	EVAR	BC	1,500	929	
92	4	SD	TP	VAR	BC	4,980	4,988	
92	4	SE	TS	EVAR	BC	1,600	470	
92	4	SD	TS	VAR	BC	3,375	3,379	
92	2	SD	TG		BD			11

☐ Check here if submitting additional pages for Part IV

Exhibit V-11

Exhibit V-12

NAME	BILLING CODE	LOAN TYPE	SP. ALLOW. CATEG.	INTEREST RATE	OUTSTANDING BALANC X NO. DAYS	SUM OF DAILY BALANCES	ENDING BALANCE	AVERAGE DAILY BALANCE
G. BRETT	BC	TU	SE	.0694	2000 x 92	184,000	2,000	
A. JONES	BC	TU	SE	.0694	3000 x 63	189,000	3,000	
O. HENRY	BC	TU	SE	.0694	2750 x 47	129,250	2,750	
						502,250	*7,750*	*5,459.24*
B. RUTH	BC	TG	SD	.08	3000 x 65, 4000 x 27	303,000	4,000	
J. JOYCE	BC	TG	SD	.08	5000 x 50, 6000 x 42	502,000	6,000	
T. ELLIOT	BC	TG	SD	.08	3500 x 92	322,000	3,500	
BLOCK OF LOANS	BC	TG	SD	.08	25000 x 43	1,075,000	0	
						2,202,000	*13,500*	*25,934.78*
M. HARRIS	BC	TG	SB	.08	5000 x 68, 4950 x 24	458,800	4,950	
S. MARTIN	BC	TG	SB	.08	800 x 92	73,600	800	
						532,400	*5,750*	*5,786.96*
B. RADLEY	BC	TG	SB	.09	1000 x 74, 960 x 18	*91,280*	*960*	*992.17*
F. SCOTT	BC	TP	SE	.0736	1500 x 57	*85,500*	*929*	*929.35*
R. ARNOLD	BC	TP	SD	VAR	2000 x 92	184,000	2,000	
J. AUSTIN	BC	TP	SD	VAR	2980 x 54, 3000 x 38	274,920	2,980	
						458,920	*4,980*	*4,989.26*
A. SIDDONS	BC	TS	SE	.0736	1600 x 27	*43,200*	*1,600*	*469.57*
J. BOND	BC	TS	SD	VAR	2400 x 92	220,800	2,400	
R. BUTLER	BC	TS	SD	VAR	1000 x 13, 975 x 79	90,025	975	
						310,825	*3,375*	*3,378.53*
D. TRAVIS	BD	TG	SD	.08	1000 x 1	*1,000*	*0*	*1,000*

UNIT VI

ED FORM 799 PARTS V AND VI: CHANGES IN LOAN PRINCIPAL AND PORTFOLIO ANALYSIS

1. REPORTING REQUIREMENTS FOR PART V

Part B loan information

ED is responsible for compiling information on the status of the FFEL program. Parts V and VI of ED Form 799 are used to collect the needed information from lenders. Part V is used to report changes in the principal amount of outstanding student loans. Part VI is used to report on the repayment or delinquency status of all qualifying and nonqualifying student loans in your institution's portfolio.

ED Form 799, Part V

Part V is divided into five columns and eleven lines. The five columns are used to report changes that occurred in the total principal balance outstanding during the quarter for each of the five types of student loans:

Column (A) is used for Federal Stafford and FISL loans

Column (B) is used for Federal PLUS and PLUS (Parent) loans

Column (C) is used for Federal SLS, PLUS (Student), and ALAS loans

Column (D) is used for Federal Consolidation loans.

Column (E) is used for unsubsidized Federal Stafford loans.

The lines in Part V are used to report the beginning principal balance for each type of loan at the start of the quarter, the changes that occurred in the outstanding balances and the reasons for these changes, and the ending principal balance for each type of loan.

Report all transactions

All transactions must be reported. For example, if your institution purchased a loan during the quarter and then sold that same loan later in the quarter, the amount will be included on Line (5) Principal of Loans Purchased and also on Line (7) Principal of Loans Sold.

Practice Exercise 1

An example of how Part V will look when it is completed is shown in Exhibit VI-1. Note that all of the spaces are filled in except for Line (1). Amounts are never reported on Line (1). Instead, a check mark is used to indicate that one or more adjustments have been made from the ending principal balance that was reported on Line (11) in the previous quarterly report. A check mark must appear on Line (1) if the previously reported ending principal balance does not match the beginning principal balance shown on Line (2) of the current report. For all spaces other than Line (1), a zero is used to indicate that there is no principal amount to report there, and that the space was not left blank by mistake.

Examine Exhibit VI-1 carefully. Look particularly at the following. Check the box in front of each point after you have found it in the Exhibit.

- ☐ the LID and PAGE have been filled in at the top.
- ☐ only check marks, and not amounts, appear on Line (1).
- ☐ all spaces except for those on Line (1) are filled in either with an amount or a zero.
- ☐ all values are rounded to the nearest whole dollar amount.

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ED Form 799, 1/84 (4/83 version still useable)

LID: 898989 PAGE: 5

PART V: CHANGES IN GUARANTEED LOAN PRINCIPAL FOR THE QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Check if adjustment to prior quarter	[ ]	[✓]	[ ]	[ ]	[ ]
2. Beginning Principal Balance	109,878	32,443	14,281	6,055	0
3. Loan Principal Disbursed	1,510	0	0	1,130	5,000
4. Interest Capitalized or Other Principal Increases	0	36	0	0	0
5. Principal of Loans Purchased	10,914	0	0	0	0
6. Principal of Loans Cured	620	0	0	0	0
7. Principal of Loans Sold	0	14,251	0	0	0
8. Principal Paid by Insurance Claims	1,727	0	0	0	0
9. Principal of Loans on Which the Guarantee Was Voided	0	0	0	0	0
10. Principal Paid by Borrowers and Other Principal Reductions	17,193	6,744	2,804	1,337	0
11. Ending Principal Balance	104,002	11,484	11,477	5,848	5,000

Exhibit VI-1

2. CALCULATING CHANGES IN LOAN BALANCES

Changes in principal balance

Lines (3) through (10) on Part V list all of the reasons why the principal amount outstanding on a student loan may have changed during the quarter. To complete Part V, you have to identify the reason for each change in the principal amount of a loan during the quarter and then total the amount of the changes corresponding to that reason. You must do this separately for each of the five types of loans.

Two or more reasons may apply to the same loan. For instance, the loan may have been sold after the borrower has repaid some portion of the loan during the quarter. If the loan's outstanding balance was $900 at the beginning of the quarter and $100 of the principal was repaid before the loan was sold, the $100 would be included on Line (10) Principal Paid by Borrowers, and the remaining $800 would be included on Line (7) Principal of Loans Sold.

Categorizing changes

Here are descriptions of the kinds of changes in principal amounts on Part B loans that should be reported on each line.

Line (3): Loan Principal Disbursed. Report all disbursements on Line (3). Include disbursements on loans originated during the quarter as well as additional disbursements on loans made in a prior quarter. Report the amount of any disbursement before deductions for the insurance premium or origination fee. **Do not report any amounts that were disbursed but then returned in the same quarter, such as when a disbursement check was returned uncashed.** Include the full amounts of any Consolidation Loans disbursed during the quarter on this line in Column (D).

Line (4): Interest Capitalized or Other Principal Increases. Under certain conditions, the current interest due on a student loan can be added to the principal amount of the loan. For example, if a lender grants a temporary forbearance on repaying the principal on a loan, it may allow the borrower to postpone interest payments as well. The interest amounts that were postponed then would be added to the principal, or "capitalized", for repayment at a later time. Do not enter the sum as interest, it actually is capitalized. Insurance premiums that were not deducted from loan disbursements also may be capitalized, and should be included in the amount reported on Line (4) if they were capitalized during the quarter. A lender that has more than one LID, and then transfers a loan from another LID to the one covered by this report, would include the transferred principal on Line (4).

Line (5): Principal of Loans Purchased. Include on this line the outstanding principal balances, at the time they were bought, of any loans purchased by your institution during the quarter.

Line (6): Principal of Loans Cured. When a student loan is in default, the lender usually seeks payment from the guaranty agency. However, the guaranty agency may declare the guarantee void because the lender had failed to take appropriate or timely action as defined by program regulations. If a guarantee is voided, the outstanding balance on the loan is reported on Line (9) of Part V, and the amount no longer is included when the institution's total ending principal balance for the quarter is determined. The voided guarantee may be reinstated, or "cured", however, under conditions approved by the guaranty agency. Enter an amount here on Line (6) only if you reported that the loan guarantee was voided when you prepared Part V of the form for a previous quarter. If the loan guarantee was both voided and then cured in the current quarter, do not report the amount on Line (6) or on Line (9). If the loan guarantee was cured and the insurance claim was paid in the current quarter, report the amount both on Line (6) and on Line (8).

Line (7): Principal of Loans Sold. Include on this line the outstanding principal balances, at the time they were sold, of any loans sold by your institution during the quarter.

Line (8): Principal Paid by Insurance Claims. Include on this line all amounts received from your guaranty agency for claims because of the borrower's death, disability, bankruptcy, or default.

Line (9): Principal of Loans on Which the Guarantee Was Voided. Include on this line the principal amounts of defaulted loans where the claim was rejected, or "voided", by the guaranty agency during the quarter. The remaining outstanding balances on these loans must be removed from the total outstanding balances of all loans. Note that although a voided guarantee may be retroactive, the reduction in the outstanding balance should be reported on Line (9) for the quarter when notice of the voided guarantee was received or when you determined on your own that the guarantee was voided.

Line (10): Principal Paid by Borrowers and Other Principal Reductions. The amount on this line includes all payments toward the loan principal received from borrowers during the quarter plus all other reductions in the amount of outstanding principal balances. Some examples of other reductions are the return of uncashed checks for disbursements made in earlier quarters, refunds from schools, and outstanding amounts of loans that were paid in full through Consolidation Loans. Do not include interest-only payments received on loans. Do not include payments on claims from guaranty agencies; these are reported on Line (8). Do not include checks returned uncashed for disbursements made during the current quarter; these amounts should be eliminated, instead, from the total amount reported on Line (3). If you have more than one LID, and transfer a loan from one LID to another, report the reduction in principal affecting the first LID on Line (10).

These are the steps you follow to determine changes in loan balances:

Step 1. Identify, for each type of loan, all changes in the amount of the principal balances outstanding during the quarter.

Identify changes

There may have been both increases and decreases in the principal balances of individual loans during the quarter. Consider all changes that occurred, and not only the difference between the beginning and ending balance for that group of loans.

Step 2. For each change in the principal balance that occurred, determine the reason for the change.

Determine reason

Several changes in the principal balance may have occurred even for one loan during the quarter. These changes may be grouped only when the reason for the change is the same, as when there were multiple repayments of the principal. The only exception is when a disbursement check was returned uncashed or the amount was refunded by the school during the same quarter as the disbursement. Then, neither transaction is to be reported.

Step 3. For each loan type, determine the total amount of the increase or decrease in the outstanding principal balance that resulted due to each reason.

Determine amount of change

Sum these amounts only when the reason is the same. These are the amounts that you will enter into Lines (3) through (10) to report changes in the principal balance outstanding for loans of each loan type.

Practice Exercise 2

Here are several examples of increases or reductions in the outstanding principal balance of an individual loan. Read the information carefully. Then, for each example, indicate the column letter and line number where the information is to be entered on Part V of ED Form 799. Just indicate the column and line. You do not have to make any calculations. Note that some examples may require entering information in more than one space on the form. For these examples, indicate the column letter and line number for every entry that is required on Part V.

A. Ron took out his first student loan during the quarter. It was a Federal Stafford Loan on which Ron received $1,200.

Answer _____

B. Janet's Federal SLS Loans totalling $6,280 in outstanding principal balance were combined into a Federal Consolidation Loan during the quarter. She already had repaid $638 of the principal on her Federal SLS Loans during the quarter and subsequently repaid $216 of the principal on the Federal Consolidation Loan.

Answer _____

C. Your institution filed a claim on Henry's defaulted $1,790 Federal Stafford Loan during the quarter. Full payment on the claim was received from the guaranty agency before the end of the quarter.

Answer _____

D. Lisa received a $900 Federal Stafford Loan early in the quarter. She quickly obtained a job on campus that included a waiver of tuition, however, and the school returned the $900 check directly to your institution before the end of this quarter.

Answer _____

E. John repaid most of his $2,700 Federal SLS Loan before illness forced him to stop working. He has been granted a temporary forbearance on repayments. In this quarter, $40 of interest due was added to the amount of principal outstanding on the loan.

Answer _____

F. During the quarter, your institution purchased $8,000 in Federal PLUS Loans. It then sold these loans near the end of the quarter. During the period it held these loans, $320 of the outstanding principal balances on them had been repaid.

Answer _____

Check your answers with those given on the next page.

Exercise 2 Answers

A. **Column (A), Line (3)**. This is a Federal Stafford Loan with a disbursement during the quarter.

B. **Column (C), Line (10); Column (D), Line (3); and Column (D), Line (10).** Both the $6,280 in refinancing and the $638 in repayments should be included as reductions in principal on the Federal SLS Loans. The $6,280 also represents a disbursement on a Federal Consolidation Loan. Finally, the $216 should be included as a reduction of principal on the Federal Consolidation Loan.

C. **Column (A), Line (8)**. This is a claim paid by the guarantee agency on a Federal Stafford Loan during the quarter.

D. **No entry**. Although your institution made a disbursement on this loan during the quarter, the check also was returned during the quarter. There was no change in the amount of principal balance outstanding from the beginning to the end of the quarter.

E. **Column (C), Line (4)**. The amount of interest due on the loan for the period of forbearance was capitalized, or added to the outstanding principal balance.

F. **Column (B), Line (5); Column (B), Line (10); and Column (B), Line (7)**. All purchases and sales of Part B loans are to be reported. Also, the amount of repayments should be reported. The repayments reduced the amount of principal outstanding by $320, so the principal balances of the loans sold would be the difference, or $7,680.

3. COMPLETE PART V

Beginning and ending balances

In addition to reporting changes in the outstanding principal balances of student loans, you also are required to report the sum of principal balances, by loan type, at both the beginning and the end of the quarter. The sum of the outstanding principal balances at the beginning of any quarter should be exactly the same as the sum of the balances you reported at the end of the preceding quarter. The only exception will be if an adjustment to a previously reported sum of principal balances is needed. An adjustment to a previously reported sum of principal balances will be needed to correct an error made in an earlier quarter. This is an unusual circumstance.

Making adjustments

To make an adjustment, report the corrected beginning principal balance on Line (2) in the appropriate column and put a check mark above it on Line (1). The check mark indicates that the beginning principal balance on Line (2) does not match the ending principal balance on Line (11) of the previously submitted report. ED will reject the entire form if these two balances do not match unless you have put a check mark on Line (1). Also, you must be able to provide a clear audit trail of any adjustment reported in Part V. Retain all documentation for adjustments, but do not submit them with the bill.

Lenders who report unsubsidized and subsidized Federal Stafford loans separately for the first time must check Line (1) to indicate new balances.

Calculating ending balances

The last step is to determine the amounts that will be entered on Line (11) Ending Principal Balance. The total ending principal balance for each column must be consistent with the beginning principal balance you report on Line (2), together with all of the changes in principal balances you report on Lines (3) through (10).

The outstanding principal balance will have been increased during the quarter by the amounts on:

- Line (3) Loan Principal Disbursed
- Line (4) Interest Capitalized or Other Principal Increases

- Line (5) Principal of Loans Purchased
- Line (6) Principal of Loans Cured.

The outstanding principal balance will have been decreased during the quarter by the amounts on:

- Line (7) Principal of Loans Sold
- Line (8) Principal Paid by Insurance Claims
- Line (9) Principal of Loans on which the Guarantee was Voided
- Line (10) Principal Paid by Borrowers and Other Principal Reductions.

The steps required to complete Part V are:

Step 4. Determine the total of the beginning principal balances for all loans within each loan type, and record these amounts on Line (2) in each column of Part V.

Record beginning balances

Usually, these will be the total of the ending principal balances for each type of loan you reported on Line (11) of the ED Form 799 you submitted for the preceding quarter.

Step 5. If there was an adjustment to the beginning principal balance in any column, put a check mark in the corresponding space on Line (1).

Indicate adjustments

You must check this space if the ending principal balance on Line (11) in the preceding report does not match the beginning principal balance on Line (2) for the current report.

Step 6. Record the total amount of the changes due to each reason on the appropriate line for each loan type.

Record change amounts

Round all values to the nearest dollar. Enter a zero if there were no changes to report on that line for loans of that type.

Step 7. Determine the total ending principal balance for each type of loan and enter these amounts on Line (11).

Record ending balances

The amounts on Line (11) should equal the beginning principal balance on Line (2), plus all amounts entered on Lines (3) through (6), less all amounts entered on Lines (7) through (10) with a small tolerance for rounding.

Practice Exercise 3

A partly completed Part V is shown in Exhibit VI-2. Use the amounts already entered to calculate the ending principal balance for each column. Enter the results on Line (11).

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ED Form 799, 1/94 (4/93 version still useable)

LID: 898989 PAGE: 5

PART V: CHANGES IN GUARANTEED LOAN PRINCIPAL FOR THE QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Check if adjustment to prior quarter	[✓]	[ ]	[ ]	[ ]	[ ]
2. Beginning Principal Balance	121,436	49,005	17,388	9,261	0
3. Loan Principal Disbursed	16,858	1,200	0	1,427	1,000
4. Interest Capitalized or Other Principal Increases	0	0	165	0	0
5. Principal of Loans Purchased	11,225	7,800	0	0	0
6. Principal of Loans Cured	0	682	0	0	0
7. Principal of Loans Sold	0	0	4,084	0	0
8. Principal Paid by Insurance Claims	894	0	0	0	0
9. Principal of Loans on Which the Guarantee Was Voided	0	0	0	795	0
10. Principal Paid by Borrowers and Other Principal Reductions	24,711	6,383	2,919	1,067	
11. Ending Principal Balance					

Exhibit VI-2

Exercise 3 Answers

These are the results you should have recorded as the ending principal balances on Line (11):

	Column (A)	Column (B)	Column (C)	Column (D)	Column (E)
Line (11)	**123,914**	**52,304**	**10,550**	**8,826**	**1,000**

4. REPORTING REQUIREMENTS FOR PART VI

ED Form 799, Part VI

Part VI of ED Form 799 is used to report on the repayment or delinquency status of all student loans in your institution's portfolio. Just as in Part V, the Part VI report must include information on all student loans outstanding at the end of the quarter, including any that do not qualify for special allowance or interest benefits. These non-qualifying loans were explained in Unit V. Exclude only those loans on which the guarantee has been voided, but not subsequently cured.

Part VI is divided into five columns and four lines. One of the lines, Line (3), is further divided into eight sections labeled (a) through (h). The five columns are used to separate loans by loan type. The loan types are the same as those on Part V:

Column (A) is used for Federal Stafford and FISL loans

Column (B) is used for Federal PLUS and PLUS (Parent) loans

Column (C) is used for Federal SLS, Federal PLUS (Student), and ALAS loans

Column (D) is used for Federal Consolidation loans

Column (E) is used for unsubsidized Federal Stafford loans

Categorizing loan status

The lines in Part VI are used to report on the status of student loans as of the end of the quarter. The amounts to be entered in each space are the totals of the outstanding principal balances for the loans in each status.

Line (1): Loans In School and In Grace. This is the total principal balance of loans to borrowers who are in school or in the grace period as of the end of the quarter. This status applies only to Federal Stafford, unsubsidized Stafford, and FISL Loans. The repayment period on the other types of loans begins when the loan is made.

Line (2): Loans In Authorized Deferment. This is the total principal balance of loans to borrowers who are in authorized periods of deferment. Payments toward the principal on student loans are suspended for the deferment period. During an authorized deferment, ED pays the interest on qualifying Federal Stafford and FISL Loans. Interest payments may be capitalized instead of paid during a deferment period for Federal PLUS, Federal SLS, Federal Consolidation Loans, and unsubsidized Federal Stafford loans. If any interest has been capitalized, the amount is added to the outstanding principal balance of the loan and should be included in the amount reported on this line.

Line (3): Loans In Repayment or In Forbearance. This is the total principal balance of loans to borrowers who are in repayment, in forbearance, or in default. Line (3) is subdivided into sections that indicate the status of repayments on the loan as of the end of the quarter:

(3a) current or less than 31 days past due

(3b) 31-60 days past due

(3c) 61-90 days past due

(3d) 91-120 days past due

(3e) 121-180 days past due

(3f) 181-270 days past due

(3g) 271 days or more past due

(3h) claim filed, but not yet paid, and not listed above.

Line (4): Ending Principal Balance. This is the ending principal balance of all student loans of each type in your institution's portfolio as of the end of the quarter. **The amounts on Line (4) in Part VI must match the amounts reported on Line (11) in Part V. If they do not match, the entire form will be rejected by ED.**

Practice Exercise 4

Exhibit VI-3 shows a completed Part VI of ED Form 799.

Examine Exhibit VI-3 carefully. Look particularly at the following. Check the box in front of each point after you have found it in the Exhibit.

- ☐ the LID and PAGE have been filled in at the top
- ☐ on Line (1), an entry can appear only in Column (A); in-school and grace status does not apply to the remaining loan types
- ☐ all values are rounded to the nearest whole dollar amount
- ☐ the total ending principal balances shown on Line (4) match those shown on Line (11) of Part V, as shown in Exhibit VI-1

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PART VI: GUARANTEED LOAN PORTFOLIO ANALYSIS FOR END OF QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Loans in School and in Grace	53,879	[redacted]	[redacted]	[redacted]	5,000
2. Loans in Authorized Deferment	1,162	684	0	1,180	0
3. Loans in Repayment or Forbearance:					
a. current or less than 31 days past due	42,554	8,251	9,815	3,795	0
b. 31 - 60 days past due	4,098	378	489	0	0
c. 61 - 90 days past due	1,337	104	0	402	0
d. 91 - 120 days past due	972	0	641	0	0
e. 121 - 180 days past due	0	0	532	471	0
f. 181 - 270 days past due	0	0	0	0	0
g. 271 days or more past due	0	867	0	0	0
h. claims filed, but not yet paid and not listed above	0	1,200	0	0	0
4. Ending Principal Balance (sum column)	104,002	11,484	11,477	5,848	5,000

Exhibit VI-3

5. DETERMINING PAST-DUE STATUS

Repayment status

The status of all student loans in repayment or in forbearance is reported on Lines (3a) through (3h) of Part VI. The sublines are used to differentiate loans according to their past-due status. Loans in repayment include FFEL loans beginning at the end of the grace period, and all Federal PLUS, Federal SLS, and Federal Consolidation loans beginning after their final disbursements, unless an authorized deferment has been granted.

Forbearance status

Borrowers who are unable to make their scheduled payments may be granted forbearance by the lending institution. Forbearance may consist of a suspension of payments for some period, or a reduction in the amount of each payment. Loans in forbearance are not considered past due and should be reported on Line (3a), unless the borrower fails to meet the conditions of the new payment schedule. Suppose, for example, that a borrower had not made any scheduled payments on a student loan for two months. At the request of the borrower, and considering the circumstances, the lending institution then agrees to suspend all scheduled payments on the loan for a total of six months. This loan would have been considered 60 days past due just prior to forbearance, but now would be considered current. Because of the forbearance, the loan would not again be considered past due until the first payment following the end of the forbearance was missed.

Counting days past due

The number of days a loan is past due is the number of days since a scheduled payment date if the amount due has not been received. For example, suppose a borrower is scheduled to make monthly payments of $50 each, but pays only $10 one month. Thirty-one days after the scheduled payment date, that loan would be considered 31 days past due. Suppose, however, that the borrower then made an additional $40 payment two weeks later. The loan now would be reported on Line (3a), current or less than 31 days past due, because no amount of outstanding principal or capitalized interest is more than 30 days past due.

A student loan is in default if any payment amount toward the principal balance, including capitalized interest, is more than 180 days past due for loans payable in monthly installments, or more than 240 days past due for loans payable in less frequent installments. However, if a claim has been filed on a loan in default, the principal amount of that loan should be reported on Line (3g) and not on Lines (3e) or (3f). Loans should not be reported in Part VI at all once a claim has been paid or the guarantee has been voided by the guaranty agency.

Loans in default

Determine the amounts to be reported in Part VI by following these steps:

Step 8. Calculate the total of the principal balances outstanding on all loans of each type that have in-school or grace status at the end of the quarter.

In-school or grace balances

These can include only Federal Stafford, unsubsidized Stafford, and FISL loans. Enter the amount in Column (A), Line (1), of Part VI.

Step 9. Calculate the total of the principal balances outstanding on all the loans of each type that are in authorized deferment at the end of the quarter.

Deferment balances

Enter the results on Line (2) in the appropriate column of Part VI for each type of loan.

Step 10. Calculate the total principal balances outstanding on all loans of each type on which claims have been filed but not yet paid by the guaranty agency.

Claims filed balances

Enter the results on Line (3h) in the appropriate column of Part VI for each type of loan. Do not include any loans on which the claim already has been paid or for which the guarantee has been voided.

Step 11. **Identify loans of each type in repayment or in forbearance at the end of the quarter, determine whether they are past due and, if so, by how many days.**

Loans in repayment or forbearance

Step 12. **Group the loans of each type by the number of days the loan is past due using the categories on Lines (3a) through (3g) on Part VI, and calculate the total of the principal balances outstanding for the loans in each past-due group.**

Repayment and past-due balances

Enter the results on the appropriate line and in the appropriate column on Part VI.

Practice Exercise 5

Here are several examples of loans. Use the information provided in them concerning repayments to determine the status of each loan for reporting it on Part VI. Read each description carefully. Then, for each example, indicate the column letter and line number you would use to report the outstanding principal balance on that loan in Part VI of ED Form 799. Just indicate the column and line. You do not have to make any calculations except to determine the number of days a loan is past due.

A. Carol has received three successive Federal Stafford loans, each for $1,200. She has been attending school full time since obtaining her first loan, and is enrolled as of the end of the quarter, September 30.

Answer _____

B. Ralph received his last disbursement of a Federal SLS loan on March 1 that allowed him to complete the remaining few months of school. It is now September 30, and Ralph has not yet made any monthly payments on the loan. His first payment was due on June 1.

Answer _____

C. Betty received a Federal Stafford loan on September 1. She graduated the following May 15. On December 1, shortly after her grace period ended, she received a deferment because of her enlistment in the Navy. It is now September 30 of the following year.

Answer _____

D. Larry was current on his Federal Consolidation loan repayments until the one due May 15. Although he never made that payment, he did make payments of the regularly scheduled amounts on June 15, July 15, August 15 and September 15. Where do you report on this loan's status as of September 30?

Answer _____

E. Emily's parents took out a Federal PLUS loan on April 1 to pay some of her educational expenses. They were current on their payments through August 1. On August 17, you learned they both died in a plane crash on August 10. On August 21 your institution filed a claim for the balance of the loan with the guaranty agency. The claim had not yet been paid as of the end of the quarter on September 30.

Answer _____

F. Repayment on Marshall's Federal SLS loan was scheduled to begin on August 21. He explained that he had withdrawn from school, but that he would start making payments as soon as he began a job he was told he would be offered. On August 31, your institution agreed to give him a 61-day forbearance on payments of both principal and interest. What is this loan's status on September 30?

Answer _____

Exercise 5 Answers

A. **Column (A), Line (1)**. All three of these FFEL Program loans are in in-school status.

B. **Column (C), Line (3e)**. Some amount has been past due since June 1. There are 121 days in the period beginning June 2 and continuing through September 30.

C. **Column (A), Line (2)**. Betty received an authorized deferment on this loan.

D. **Column (D), Line (3a)**. Larry's June 15 payment was credited against the amount due on May 15, and so forth, so his only past due payment is the one scheduled for September 15, or 15 days ago.

E. **Column (B), Line (3h).** A claim on this loan has been filed, but not yet paid. This loan should be reported on Line (3h) whether or not any amount was past due at the time the claim was filed.

F. **Column (C), Line (3a)**. This loan is in forbearance, with payments now not scheduled to begin until October 31. Because the forbearance period is in effect, the loan's repayment status is considered current.

6. COMPLETE PART VI

Calculating ending balances

After you have entered the totals of the outstanding balances on Lines (1), (2), and (3a) through (3h) in the appropriate columns, you must add the balances on these lines to find the sum for each column, and enter these totals on Line (4) Ending Principal Balance.

The sums of the ending principal balances for each column in Part VI must be exactly the same as the sums of the ending principal balances for each column in Part V of the form. ED will reject the form if these amounts are not the same.

Recording ending balances

Step 13. Calculate the sum of the ending principal balances for each type of loan and record these amounts on Line (4) in the appropriate column of Part VI.

Enter zeros in any blank spaces on Part VI, just as you did for Part V.

Ending balances must match

Step 14. Check the sums of ending principal balances for each type of loan on Line (4) of Part VI to make sure they match the sums of ending principal balances reported on Line (11) of Part V.

Practice Exercise 6

A partly completed Part VI is shown in Exhibit VI-4. First, calculate the amounts to be entered on the form for each of the following groups of loans. Record your results in the appropriate spaces on Exhibit VI-4. All of the spaces you will need to use are now blank. Second, use the amounts already entered on the form as well as the amounts you just entered to calculate the ending principal balance for each column. Enter these totals on Line (4). And, third, check the totals on Line (4) with the totals you calculated for Line (11) of Part V shown in Exhibit VI-2. Identify any total ending principal balances that do not match.

	Type	Status	Amount Due	Principal Amt.
Group A				
G. Thomas	PLUS	33 days past due	50.	8,383.
Group B				
A. Summer	CONS	claim filed	1,484.	1,484.
Group C				
M. Young	STAF	deferment	0.	1,692.
Group D				
B. Arthur	SLS	current	185.	3,167.
S. Long	SLS	forbearance	0.	2,057.
P. Anthony	SLS	18 days past due	163.	2,716.
Group E				
A. Jones	unsub. Staf	current	0.	5,000.
B. Stone	unsub. Staf	current	0.	4,000.

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PART VI: GUARANTEED LOAN PORTFOLIO ANALYSIS FOR END OF QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Loans in School and in Grace	87,033				
2. Loans in Authorized Deferment				997	
3. Loans in Repayment or Forbearance:					
a. current or less than 31 days past due	25,459	40,227			
b. 31 - 60 days past due	4,355		2,371	6,207	
c. 61 - 90 days past due	1,076	212	239	138	
d. 91 - 120 days past due	839	1,649			
e. 121 - 180 days past due	2,181				
f. 181 - 270 days past due		368			
g. 271 days or more past due		1,465			
h. claims filed, but not yet paid and not listed above	1,279				
4. Ending Principal Balance (sum column)					

Exhibit VI-4

Exercise 6 Answers

Group A. The total principal balance is **$8,383**. You should have entered this amount in Column (B), Line (3b).

Group B. The total principal balance is **$1,484**. You should have entered this amount in Column (D), Line (3h).

Group C. The total principal balance is **$1,692**. You should have entered this amount in Column (A), Line (2).

Group D. The total principal balance is **$7,940**. You should have entered this amount in Column (C), Line (3a).

Group E. The total principal balance is **$9,000.** You should have entered this amount in Column (E), Line (1).

The correct Ending Principal Balance for each loan type that you should have entered on Line (4) is:

	Column (A)	Column (B)	Column (C)	Column (D)	Column (E)
Line (4)	**123,914**	**52,304**	**10,550**	**8,826**	**9,000**

These Ending Principal Balances all are the same as those you reported on Part V when you completed Practice Exercise 3 using the information in Exhibit VI-2.

UNIT VI SELF TEST

In this Unit, you have learned how to complete Part V and Part VI of ED Form 799. Here is the Self-Test on these two parts. If you are not certain about how to complete these parts, look back through this Unit.

For this Self-Test, use the information on the First Student Bank's loan portfolio shown in Exhibit VI-5. Use blank sheets of paper as worksheets. Then copy the results on the blank Part V in Exhibit VI-6 and the blank Part VI in Exhibit VI-7. The answers to this Self-Test are in Exhibit VI-8 and Exhibit VI-9.

Perform every step:

Step 1. Identify, for each type of loan, all changes in the amount of the principal balances outstanding during the quarter.

Step 2. For each change in the principal balance that occurred, determine the reason for the change.

Step 3. For each loan type, determine the total amount of increase or decrease in the outstanding principal balance that resulted due to each reason.

Step 4. Determine the total of the beginning principal balances for all loans within each loan type, and record these amounts on Line (2) of Part V.

Step 5. If there was an adjustment to the beginning principal balance in any column, put a check mark in the corresponding space on Line (1).

Step 6. Record the total amount of the changes due to each reason on the appropriate line for each loan type.

Step 7. Determine the total ending principal balance for each type of loan and enter these amounts on Line (11).

Step 8. Calculate the total of the principal balances outstanding on all loans that have in-school or grace status at the end of the quarter.

Step 9. Calculate the total principal balances outstanding on all loans of each type that are in authorized deferment at the end of the quarter.

Step 10. Calculate the total principal balances outstanding of all loans of each type on which claims have been filed but not yet paid by the guarantee agency.

Step 11. Identify all loans of each type in repayment or in forbearance at the end of the quarter, determine whether they are past due and, if so, by how many days.

Step 12. Group the loans of each type by the number of days they are past due using the categories on Lines (3a) through (3g) on Part VI, and calculate the total of the principal balances outstanding for the loans in each past-due group.

Step 13. Calculate the sum of the ending principal balances for each type of loan and record these amounts on Line (4) in the appropriate column of Part VI.

Step 14. Check the sums of the ending principal balances for each type of loan on Line (4) of Part VI to make sure they match the sums of ending principal balances reported on Line (11) of Part V.

QUARTER ENDING DECEMBER 31, 1992

NAME	LOAN TYPE	INT RATE	DATE OF LOAN	DISBURSEMENT DATES	STATUS AT END OF QTR	REPAYMEN BEGAN	QTR BEGIN BALANCE	PYMT DATE	PRIN PYMT	QTR END	ADDITIONAL INFORMATION
G. BRETT	TU	.0694	10/01/92	10/01/92	IN-SCHOOL		0			2,000	
A. JONES	TU	.0694	10/30/92	10/30/92	IN-SCHOOL		0			3,000	
O. HENRY	TU	.0694	11/15/92	11/15/92	IN SCHOOL		0			2,750	
B. RUTH*	TG	08/10	08/08/91	08/08/91, 12/5/92	IN-SCHOOL		3,000			4,000	
J. JOYCE*	TG	08/10	02/02/91	02/02/91, 11/20/92	IN-SCHOOL		5,000			6,000	
T. ELLIOT	TG	08/10	8/05/92	8/05/92	IN-SCHOOL		3,500			3,500	
D. TRAVIS	TG	08/10	08/31/92	08/31/92	IN SCHOOL		1,000			0	CHECK NOT CASHED WITHIN 120 DAYS OF DATE OF DISBURSEMENT
BLOCK OF LOANS	TG	08/10	08/25/92	08/25/92	IN-SCHOOL		25,000			0	THE ENTIRE BLOCK OF LOANS MADE THE SAME DATE WERE SOLD 11/13/92
M. HARRIS	TG	.08	08/08/86	08/08/86	REPAYMENT	11/08/90	5,000	12/08/92	50	4950	
B. RADLEY	TG	.09	08/14/83	08/14/83	REPAYMENT	11/14/87	1,000	12/14/92	40	960	
S. MARTIN	TG	.08	08/07/83	08/07/83	REPAYMENT	05/24/86	800			800	92 DAYS PAST DUE
F. SCOTT	TP	.0736	11/05/92	11/05/92	REPAYMENT	11/05/92	0			1,500	
R. ARNOLD	TP	VAR	12/09/90	12/09/90	DEFERMENT	12/09/90	2,000			2,000	
J. AUSTIN	TP	VAR	01/08/92	01/08/92	REPAYMENT	01/08/92	3,000	11/08/92	20	2980	
A. SIDDONS	TS	.0736	12/05/92	12/05/92	REPAYMENT	12/05/92	0			1,600	
J. BOND	TS	VAR	05/05/92	05/05/92	DEFERMENT	05/05/92	2,400			2,400	
R. BUTLER	TS	VAR	07/14/92	07/14/92	REPAYMENT	07/14/92	1,000	10/14/92	25	975	

*Note: The second disbursement for B. Ruth and J. Joyce was for $1,000.

Exhibit VI-5

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PART V: CHANGES IN GUARANTEED LOAN PRINCIPAL FOR THE QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Check if adjustment to prior quarter	[ ]	[ ]	[ ]	[ ]	[ ]
2. Beginning Principal Balance					
3. Loan Principal Disbursed					
4. Interest Capitalized or Other Principal Increases					
5. Principal of Loans Purchased					
6. Principal of Loans Cured					
7. Principal of Loans Sold					
8. Principal Paid by Insurance Claims					
9. Principal of Loans on Which the Guarantee Was Voided					
10. Principal Paid by Borrowers and Other Principal Reductions					
11. Ending Principal Balance					

Exhibit VI-6

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PART VI: GUARANTEED LOAN PORTFOLIO ANALYSIS FOR END OF QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Loans in School and in Grace					
2. Loans in Authorized Deferment					
3. Loans in Repayment or Forbearance:					
a. current or less than 31 days past due					
b. 31 - 60 days past due					
c. 61 - 90 days past due					
d. 91 - 120 days past due					
e. 121 - 180 days past due					
f. 181 - 270 days past due					
g. 271 days or more past due					
h. claims filed, but not yet paid and not listed above					
4. Ending Principal Balance (sum column)					

Exhibit VI-7

ANSWERS TO THE SELF-TEST

Your completed Part V should look like the one in Exhibit VI-8. Check all of your answers carefully.

You should have filled in the LID and PAGE blanks at the top.

In Column (A), $2,000 is the principal amount of the Federal Stafford loans disbursed to B. Ruth and J. Joyce.

In Column (A), $25,000 was the amount of loans sold.

In Column (A), $1090 included payments of $90 on loan principal received during the quarter from M. Harris and B. Radley. The $1000 represents funds not cashed within 120 days of disbursement.

In Column (B), $1,500 is the principal amount of the Federal PLUS loan disbursed to F. Scott on 11/05/92.

In Column (B), $20 was the sum of payments on loan principal received during the quarter from J. Austin.

In Column (C), $1,600 is the principal amount of the Federal PLUS Loan disbursed to A. Siddons on 12/05/92.

In Column (C), $25 was the sum of the payments on loan principal received during the quarter from R. Butler.

In Column (E), $7,750 is the principal amount of the unsubsidized Federal Stafford loans disbursed to G. Brett, A. Jones, and O. Henry.

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PART V: CHANGES IN GUARANTEED LOAN PRINCIPAL FOR THE QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Check if adjustment to prior quarter	[ ]	[ ]	[ ]	[ ]	[ ]
2. Beginning Principal Balance	44,300	5,000	3,400	0	0
3. Loan Principal Disbursed	2,000	1,500	1,600	0	7,750
4. Interest Capitalized or Other Principal Increases	0	0	0	0	0
5. Principal of Loans Purchased	0	0	0	0	0
6. Principal of Loans Cured	0	0	0	0	0
7. Principal of Loans Sold	25,000	0	0	0	0
8. Principal Paid by Insurance Claims	0	0	0	0	0
9. Principal of Loans on Which the Guarantee Was Voided	0	0	0	0	0
10. Principal Paid by Borrowers and Other Principal Reductions	1090	20	25	0	0
11. Ending Principal Balance	20,210	6,480	4,975	0	7,750

Exhibit VI-8

Your completed Part VI should look like the one in Exhibit VI-9. Check all of your answers carefully.

You should have filled in the LID and PAGE blanks at the top.

In Column (A), B. Ruth, J. Joyce, T. Elliot, and D. Travis have "in-school" status at the end of the quarter.

In Column (A), $5,910 is the amount of loans that are current or less than 31 days past due.

In Column (A), $800 is the amount 91-120 days past due.

In Column (B), $2,000 is the amount of the Federal PLUS Loan to R. Arnold that is in deferment status.

In Column (B), $4,480 is the amount of loans that are current or less than 31 days past due.

In Column (C), $2,400 is the principal amount of the Federal SLS Loans to J. Bond that is in deferment status.

In Column (C), $2,575 is the amount of the loans that are current or less than 31 days past due.

The amounts on Line (11) of Part V match the amounts on Line (4) of Part VI.

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PART VI: GUARANTEED LOAN PORTFOLIO ANALYSIS FOR END OF QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1. Loans in School and in Grace	13,500	[redacted]	[redacted]	[redacted]	7,750
2. Loans in Authorized Deferment	0	2,000	2,400	0	0
3. Loans in Repayment or Forbearance:					
a. current or less than 31 days past due	5,910	4,480	2,575	0	0
b. 31 - 60 days past due	0	0	0	0	0
c. 61 - 90 days past due	0	0	0	0	0
d. 91 - 120 days past due	800	0	0	0	0
e. 121 - 180 days past due	0	0	0	0	0
f. 181 - 270 days past due	0	0	0	0	0
g. 271 days or more past due	0	0	0	0	0
h. claims filed, but not yet paid and not listed above	0	0	0	0	0
4. Ending Principal Balance (sum column)	20,210	6,480	4,975	0	7,750

Exhibit VI-9

UNIT VII
ASSURING QUALITY IN STUDENT LOAN REPORTING

1. LENDER RESPONSIBILITIES

Responsibility for accuracy

Every lender participating in the FFEL programs is responsible for making sure that the information reported quarterly on ED Form 799 is accurate. Mistakes can occur, but they can be eliminated by careful planning, up-to-date records, and a little extra diligence in preparing the form.

Here are five problem areas that often are the cause of mistakes in student loan information reports:

Loan eligibility

A. Loan Eligibility. Not all loans to students are FFEL program loans and not all FFEL program loans qualify for interest and special allowance. There are many regulations regarding the eligibility of borrowers, the size of the loan, the use made of the proceeds, and the requirements for payment. If these conditions are not met, the loan may not be eligible for either interest benefits or special allowance. A loan also may lose its eligibility under certain circumstances, such as when the guarantee is voided. **Only those loans that qualify for interest and special allowance under the FFEL program should be reported in Parts II, III and IV of ED Form 799.** All FFEL program loans, whether they qualify for subsidies or not, must be reported in Parts V and VI. The only exception is those loans on which the guarantee was voided in an earlier quarter.

B. Supporting Documentation. Lenders are required to maintain complete and accurate records on all of the loans. A request for interest benefits or special allowance should not be made unless the lender has all of the documentation that's needed to support the request. This includes evidence of the borrower's eligibility, the loan documents, substantiation of the student's status, and acknowledgement of the loan's guarantee under the program. **The lender also must retain documentation to support all calculations made to complete the form, including those for adjustments. All figures submitted in calculations must have audit support and documentation at the borrower level.** Examples of acceptable documentation would include; general ledger controls, subcontrols, trial balances, transaction/history reports, accrual reports, and daily balance totals.

Supporting documentation

C. Due Diligence. Although borrowers are required to report any change in their status that would affect their loans, lenders are responsible for making reasonable efforts to make sure this information is accurate and up-to-date. Interest benefits on Federal Stafford Loans, for example, can be requested only during the time the student is in school, in the grace period, or in an authorized deferment. Lenders must maintain records on when a student's status was most recently confirmed. Lenders also must exercise due diligence to prevent fraud and abuse of the student loan program.

Due diligence

D. Prompt Posting. **Many errors result from a lender failing to promptly post information,** particularly on deferments, refunds received, claims paid, loans sold or purchased, and payments received. Posting delays often result in reporting erroneous principal balances at the end of a quarter. ED relies on lenders being up to date in the amounts they report for interest benefits and special allowance. When a lender is late in posting a payment, deferment, or other change in the status of a loan, an incorrect payment from ED may result.

Prompt posting

E. Clerical and Computational Accuracy. It is important to check all of the information that is used to prepare the form as well as the results of all computations. In addition to transcription and keypunching errors, the kinds of clerical mistakes frequently made include failing to reverse a transaction if the disbursement check was not cashed in 120 days, reporting loans using the wrong interest rates, and failing to code loans properly. Computational errors may result, for instance, when an incorrect number of days is used to calculate the average daily principal balance for that quarter. The form should be reviewed by two different persons to ensure accuracy and completeness.

Clerical and computational accuracy

All of these problem areas can be avoided through a combination of systematic procedures, routine internal audits, and occasional spot checks. These precautions not only will prevent your quarterly report from being rejected by ED, but also will save you considerable time and possible embarrassment when your institution has an on-site review or formal audit of its student loan portfolio.

Avoiding problems

Practice Exercise 1

Review the descriptions of the five problem areas on pages 1 and 2 of this unit. For each, identify one example from your own institution's operations where past mistakes would have been prevented or future mistakes would be better avoided. Finding these examples does not mean your institution is deficient in its quality controls. It does mean that your institution, like all others, could improve the accuracy of its student loan reports.

A. Loan Eligibility: _____

_____

_____

B. Supporting Documentation: _____

_____

_____

C. Due Diligence: _____

_____

_____

D. Prompt Posting: _____

_____

_____

E. Clerical and Computational Accuracy: _____

_____

_____

2. ORGANIZING STUDENT LOAN INFORMATION

Information needed

The beginning point for preparing ED Form 799 is the information contained in your institution's individual loan records, subcontrols, trial balances and general ledger accounts. Most of the errors made in preparing the form occur because this information is incomplete, incorrect, out of date, or not detailed enough.

Lenders are permitted to devise their own approaches and techniques for developing and maintaining loan records. No particular format is required. Although program regulations specify what documentation must be kept, the following information will be needed within each record in order to prepare your quarterly report.

Loan designation

A. Loan designation. Each loan should have the designation necessary to service it according to the rules applicable to the loan.

Borrower identification

B. Borrower identification. Names or numbers can be used to identify the borrower on the loan record. This identification should be sufficiently specific to allow you to match each record with its promissory note file and any other supporting documentation. The borrower's identification also is needed to determine whether the individual has reached the maximum cumulative amount of loans outstanding and to determine the applicable interest rate for new loans to borrowers with earlier loans still outstanding.

Loan type

C. Loan type. The loan record must indicate the type of that loan. For reporting purposes, loans have to be categorized by types. These types are Federal Stafford and FISL, Federal PLUS, Federal SLS, Federal Consolidation, and unsubsidized Federal Stafford loans. Certain older loans still outstanding have different names but they are to be included under one of these five types as explained in Unit I. Also, special treatments apply to loans made or purchased with tax-exempt funds, as explained in Unit V, and these loans should be differentiated from other loans of the same type.

D. Loan date and amount. The date the loan was made (disbursed) determines its special allowance category, its origination fee amount, if it is a Federal Stafford Loan, and its allowable interest rate. The amount is needed to establish that the borrower has not exceeded his or her student loan limit for the year or cumulatively. The date a loan is made is the date of the first disbursement of the loan.

Loan date and amount

E. Interest rate. A loan's applicable interest rate is needed for reporting special allowance and reporting origination feesfor Federal Stafford, PLUS, SLS, and unsubsidized Stafford loans. The actual interest rate for Federal Stafford and Consolidation loans is also needed to report interest benefits. Particular attention must be given to Federal Stafford Loans made to new borrowers on or after July 1, 1988 that carry an 8%/10% rate. The rate on these loans increases from 8% to 10% in the fifth year after repayment begins. Federal SLS and Federal PLUS loans made after July 1, 1987 have a variable, or "VAR", interest rate. Loans made after October 1, 1992 have a variable or "EVAR" interest rate. These rates are the applicable rates; actual rates may vary. Certain fixed rate loans of 7%, 8%, 9%, and 8%/10% which are converted to variable rates will have new variablerate codes. These codes, (FVAR7, FVAR8, FVAR9, or FVAR10), will apply to the corresponding "old" fixed rate. By law these loans have a maximum allowed rate referred to as a "cap". The cap for FVAR7 loans is 7% regardless of the applicable interest rate. The cap for FVAR8 loans is 8% and so on.

Interest rate

F. Disbursement dates and amounts. Both the date and the amount of each disbursement are required. Both are used to calculate the average daily principal balance outstanding on the loan. The date of the disbursement also establishes when the 120 days allowed for cashing the disbursement check has expired. After 120 days, the amount no longer is eligible for interest benefits or special allowance.

Disbursement dates and amounts

G. Student status dates. Guaranty agencies are required to make periodic determinations of the status of students who have received Federal Stafford loans and have not yet begun repayment, and to report changes in their status to the lender. Also, while guaranty agencies often report changes in a borrower's deferment status as well, the lender must track these changes so the loan will be

Student status dates

removed from deferment status when appropriate. You must update your records to reflect changes received in enrollment status dates and deferment ending dates to ensure that you do not overbill for interest benefits. All transactions must be recorded on the day that they occur.

H. Payment schedule. The dates and amounts of scheduled payments are needed to determine whether loan payments are delinquent and, if so, the amount that is past due at the end of the quarter.

Payment schedule

I. Payment dates and amounts. The date and amount of each payment received is required both to determine whether loan payments are delinquent and to calculate the average daily balance outstanding on the loan.

Payment dates and amounts

J. Amounts capitalized with dates. The interest due on a loan may be capitalized during certain periods, when authorized by program regulations and the policies of the guaranty agency. These increases in the principal amount of the loan, and the dates they occurred, should be contained in the loan record. They are needed to calculate the average daily principal balance, and also to report the amounts of interest capitalized in Part V of ED Form 799.

Amounts capitalized with dates

K. Purchase or sale transactions. The date on which a student loan was bought or sold should be contained in the loan record as well as the name of the selling or purchasing institution.

Purchase or sale transactions

L. Other changes in principal balance. The date, amount, and reason for all other changes in the principal balance outstanding on a student loan must be recorded. These changes may occur when the guarantee is voided, when the loan is converted to a Federal Consolidation loan, when the principal on the loan is paid in full, when a disbursement check is returned uncashed, or when the borrower makes an advance payment toward the loan principal.

Other changes in principal balance

M. Ending principal balance. The loan record should include the amount of principal outstanding on the loan at the end of the quarter.

Ending principal balance

N. Average daily balance. Each loan record must show the average daily balance for the quarter. This is very important on Parts III and IV of ED Form 799.

Average daily balance

O. Adjustment reasons and dates. If an adjustment is needed in the loan's ending principal balance or average balance for an earlier quarter, it should be explained as part of the loan record. The explanation should include the effective date of the adjustment and, if appropriate, a record of the recalculation of the average balance for the quarter or quarters affected.

Adjustment reasons and dates

P. Eligibility. Whether or not the loan is eligible for interest benefits, special allowance, or both during the quarter should be indicated. If there was a change in eligibility during the quarter, the date and reason for the change also should be recorded.

Eligibility

In addition to this information on individual loans, lenders also must maintain documentation on how loans were aggregated for reporting purposes and how the calculations needed to prepare ED Form 799 were performed. **This documentation must be sufficiently detailed down to the borrower level to allow an auditor or reviewer to reconstruct the form you submit.**

Maintaining documentation

Practice Exercise 2

Lenders vary in what information is entered into their loan records, how this information is coded and organized, and how much information is contained in their automated systems.

Exhibit VII-1 contains a loan record of the kind an institution might use to prepare a quarterly ED Form 799. This loan record should reflect all needed information contained in the following description of the loan's history. However, the record in the exhibit contains four errors. Either some important information is missing or it has been entered incorrectly in the record.

Read the description carefully, and compare the information in it with the information in the loan record. Identify the four errors. The loan record should be complete and correct through March 31, 1989.

> LOAN HISTORY: Tom Scott applied for a $1,200 Federal Stafford Loan on August 17, 1987 so he could enroll in Branch State College on September 1, 1987. The interest rate was 8%. The lender made two equal disbursements, one on September 1, 1987 and one on January 15, 1988. Each disbursement was for $600, before deductions for the insurance fee of 3%, or $18, and for the origination fee of 5%, or $30. Both checks, for a net amount of $552 each, were cashed within 30 days of disbursement.
>
> On June 30, 1988, Tom reported that he had left school on April 20 because of his poor grades. The grace period therefore ended six months after the end of his last month of attendance, on October 31, 1988. Tom's repayment schedule called for monthly payments beginning November 30. Each payment was to be $50 for interest and principal combined. Payments of $50 each were received on November 30, January 18, February 19, and March 30. No payment was received during December.
>
> Tom's Social Security Number is 411-73-0825.

Exhibit VII-1

LOAN RECORD

Loan: S-87-6338
08-17-87
$1,200.00

To: 411-73-0825
Thomas L. Scott
Branch State College

Subsidized loan: yes

Special allowance: yes

Interest benefits: yes

Eligible this quarter

DISBURSEMENT RECORD

Date	Amount	Insurance Fee	Origination Fee	Paid by Check	Principal Balance
09/01/87	$600.00	18.00	30.00	552.00	600.00
01/15/88	600.00	18.00	30.00	552.00	1,200.00

Notice of withdrawal received 6/30/88 effective 4/20/88; repayment schedule sent 7/15/88 to begin 11/30/88 at $50 per month.

PAYMENT RECORD

Date	Amount	Applied to Principal	Applied to Interest	Interest Capitalized	Principal Balance
11/30/88	50.00	42.00	8.00		1,158.00
01/18/89	50.00	42.28	7.72		1,115.72
02/20/89	50.00	42.56	7.44		1,073.16
03/30/89	50.00	35.65	14.35		1,037.51

02/28/89 payment is 31 days past due, as of 3/31/89

Exercise 2 Answers

You should have found these four errors in the loan record:

1. **Interest rate**. The interest rate on this loan, 8%, is not indicated.

2. **Payment date**. The February, 1989 payment was received on February 19, not on February 20. This would make the amount of the average daily balance larger for this loan than it should be.

3. **Days past due**. As of the end of the quarter, this loan is 1 day, not 31 days, past due. The February payment was received in March, so it is only the March payment that is due.

4. **Eligibility**. This loan no longer is eligible for interest benefits because the grace period expired October 31, 1988 and has been in repayment since November 1, 1988. The previous quarterly ED Form 799 also should be checked to determine whether an adjustment to the amount of interest benefits requested is needed.

3. CHECKING ED FORM 799

Checking ED Form 799

You must check the ED Form 799 you prepare carefully before it is submitted for processing. Any errors or omissions will result in the form being rejected, and delay any payments due to your institution from ED.

There are check lists you can use to review your report on the following pages. There is a set for the form as a whole plus one set for each part of the form. You can use these check lists whether you prepare your ED Form 799 by hand or with a computer. If you submit a computer printout, you must make sure that all of the required information is given, and that the columns and lines in each part match those in the preprinted form.

Overall checklist

Entire ED Form 799

- ❑ Your LID and the PAGE number must appear on every page. Pages should be numbered sequentially.
- ❑ The box at the bottom must be checked, or the use of continuation pages noted, if more than one page is required for Part II, Part III,or Part IV.
- ❑ All dollar values must be positive and, except for Column (E) in Part III, must be rounded to the nearest whole dollar amount. Do not indicate any negative values.
- ❑ All percentages must be entered in decimal form. In Part II, use ".08/.10" as the interest rate for Federal Stafford Loans having rates that increase in the fifth year after repayment begins. In Part IV, use "VAR" for Federal SLS and Federal PLUS Loans that carry a variable interest rate if first disbursed before October 1, 1992 and "EVAR" for variable rate loans made after October 1, 1992. In Parts II and IV, use "FVAR7", "FVAR8", "FVAR9", or "FVAR10" for converted fixed rate loans. See VII-6(G) for more details on FVARs.
- ❑ The envelope used to mail the form is correctly addressed as shown in the box on Part I of the form.

Part I: Identification and Certification

Part I checklist

- ☐ All preprinted information, including the lender's LID, name, address, and Employer Identification Number must be correct.
- ☐ The Servicer's name and address, if used, and the lender's Routing Number and Account Number for Deposit, if used, must be correct.
- ☐ The quarter and year covered by this report must be entered.
- ☐ The report that is submitted must have an original signature and be dated.
- ☐ The name and telephone number of a person to contact must be given.

Part II: Loan Origination & Lender Loan Fees

Part II checklist

- ☐ Columns (A), (B), (C), (D) and (E) must be completed for each line used. Completing Column (F) is optional.
- ☐ There must be an entry for the current quarter even if the principal amount of qualifying loans disbursed during the quarter is zero.
- ☐ Only Federal Stafford, FISL, PLUS, SLS, and Unsubsidized Stafford Loans are included, and only the principal amount of disbursements made during the current quarter are reported on lines with a Fee Code of FN.
- ☐ The rate reported in Column (D) must be the applicable, or maximum allowable interest rate, not the actual rate. The only rates that can appear are .07, .08, .09, .08/.10, EVAR, FVAR7, FVAR8, FVAR9, and FVAR10.

- ❑ The principal amount reported in Column (E) must be the amount prior to any deductions for the origination fee or lender loan fee.

- ❑ Adjustments reported using fee codes of FI or FD that affect the principal balance outstanding also may have to be reported in Parts III, IV, and V.

- ❑ The total amount reported in Column (E) on lines with a Fee Code of FN and FS must match the amount reported in Part V, Column (A), Line (3) unless the origination fee does not apply to one or more non-subsidized loans.

- ❑ Any amounts reported in Column (E) on lines with a Fee Code of FB or FS must be included in the amounts reported in Part V, Column (A) on Lines (5) and (7) respectively.

- ❑ All FFEL Program loans are subject to Lender Loan fees.

Part III: Interest Benefits

Part III checklist

- ❑ Columns (A), (B), (C), (D) and (E) must be completed for each line with a Billing Code of BC or EC. Completing Column (F) is optional.

- ❑ Only eligible Federal Stafford or FISL Loans are included, and only when the student is in school, in the grace period, or during an authorized period of deferment. Loans in repayment or in forbearance are not eligible. Consolidation loans are eligible only when the student is in an authorized deferment.

- ❑ The rate reported in Column (B) must be the <u>actual</u> interest rate, entered using up to four decimal places. Loans made at the 8%/10% rate are entered as .08 while the student is in school or in the grace period. The rate entered for a period of deferment depends on whether the repayment period began less than, or more than, four years earlier.

- ❑ The average daily principal balance reported in Column (E) must be calculated using the actual number of days in the quarter.

- ❑ The average daily principal balance in Column (E) must accurately reflect the exact dates of all changes in principal balance outstanding. These include the dates of new disbursements, claims payments, guarantees voided or cured, sales or purchases of loans, the end of the grace or deferment periods, and the end of the 120 days allowed for a disbursement check to be cashed.

- ❑ Adjustments reported using Billing Codes of BI or BD that affect the principal balance outstanding also may have to be reported in Parts II, IV, and V.

- ❑ The total amounts reported in Column (D) on lines with a Billing Code of BC must match the total amounts reported in Part VI, Column (A), Lines (1) and (2), except for non-subsidized loans and loans on which a claim is pending for reasons other than default.

- ❑ If Column (F) is completed for a line with a BC Billing Code, the amount shown must equal the interest rate in Column (B), times the average balance in Column (E), times the number of days in the quarter, divided by the number of days in the year. If the actual accrual method is used, only small differences due to rounding will be acceptable.

Part IV: Special Allowance

Part IV checklist

- ❑ All columns except Column (I) must be completed for each line with a Billing Code of BC or EC. All columns except for Columns (G) and (H) must be completed for each line with a Billing Code of BI, BD, EI, or ED.

- All groups of loans must be identified by the correct Special Allowance Category based on the date of the loan and, sometimes, the date of enrollment (see the table in Exhibit V-2).

- The rates reported in Column (E) must be the applicable interest rate, not the actual rate. The only rates that can appear are .07, .08, .09, .10, .11, .12, .13, .14, VAR, EVAR, CVAR, FVAR7, FVAR8, FVAR9, and FVAR10. Loans with rates less than 7% should be entered as .07. Loans with 8%/10% rates should be entered as .08 during the first four years of repayment and as .10 after that.

- The average daily balance reported in Column (H) must be calculated using the actual number of days in the quarter. Adjustments must be calculated using the actual number of days in the quarter specified in Columns (A) and (B).

- The average daily principal balance in Column (H) must accurately reflect the exact dates of all changes in principal balance outstanding. These include the dates of new disbursements, claims payments, guarantees voided or cured, sales or purchases of loans, the end of the 120 days allowed for a disbursement check to be cashed, and repayments toward loan principal.

- Adjustments reported using Billing Codes of BI or BD that affect the principal balance outstanding also may have to be reported in Parts II, III, and V.

- The total amounts reported in Column (G) on lines with a Billing Code of BC must match the sum of the amounts reported, by type of loan, in Part V, Line (11) and in Part VI, Line (4), except for loans that do not qualify for special allowance.

Part V: Changes in Loan Principal

Part V checklist

- ☐ All spaces in Part V must be filled in. Use a zero where no dollar amount is to be reported.
- ☐ Any amounts reported in Column (D), Line (3) must be included in the amounts reported in Column (A), (B), or (C) on Line (10) if the disbursement was used to repay outstanding Part B loans.
- ☐ A check mark must appear in Line (1) if any adjustments affecting the principal balance outstanding at the end of the previous quarter are reported in Parts II, III, or IV.
- ☐ The amount reported in Column (A), Line (3) must match the amount reported in Part II, Column (D) on lines with a Fee Code of FN and FS, unless the origination fee does not apply to one or more non-subsidized loans.
- ☐ Any amounts reported in Column (A), Lines (5) or (7) must include amounts reported in Part II, Column (D) on lines with a Fee Code of FB or FS.
- ☐ The amounts reported on Line (11) must match the total amounts reported, by type of loan, in Part IV, Column (G), except for loans that do not qualify for special allowance.
- ☐ The amounts reported on Line (11) must match the amounts reported in Part VI, Line (4), by type of loan.

Part VI: Loan Portfolio Analysis

Part VI checklist

- ☐ All spaces in Part VI must be filled in. Use a zero where no dollar amount is to be reported.
- ☐ Line (1) applies only to Federal Stafford and FISL Loans reported in Column (A). Line (1) must contain a zero in Columns (B), (C), and (D).
- ☐ The total amounts reported in Column (A), Lines (1) and (2) must match the total amounts reported in Part III, Column (C) on lines with a Billing Code of BC, except for non-subsidized loans and loans on which a claim is pending for reasons other than default.
- ☐ The amounts reported on Line (4) must match the total amounts reported, by type of loan, in Part IV, Column (G), except for loans that do not qualify for special allowance.
- ☐ The amounts reported on Line (4) must match the amounts reported in Part V, Line (11), by type of loan.

Practice Exercise 3

Exhibit VII-2, on the next two pages, contains Parts II through VI of an ED Form 799 containing the quarterly report on a very simple portfolio. Use the checklists just shown you to examine this report for possible errors. There are six discrepancies in this exhibit. For each, indicate the part of the form and the column and line that is incorrect. If the discrepancy is because two amounts do not match, indicate the part, column, and line for each of these amounts. Assume all loans qualify for special allowance, and that all Federal Stafford Loans are subsidized.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

Exhibit VII-2

LID: 362415 PAGE: 2

PART II: LOAN ORIGINATION AND LENDER LOAN FEES					
Loan Type (A)	Fee Percent (B)	Fee Code (C)	Loan Interest Rate (D)	Principal Amount of Loans (E)	Fee Due (F)
TG	.05	FN	.08/.10	600	

LID: 362415 PAGE 3

PART III: INTEREST BENEFITS					
Loan Type (A)	Interest Rate (B)	Billing Code (C)	Ending Principal Balance (D)	Average Daily Principal Balance (E)	Interest Amount (F)
TG	.09	BC	800	800	
TG	.08	BC	3,150	2,812	

LID: 362415 PAGE 4

PART IV: SPECIAL ALLOWANCE								
Calendar Year (A)	Quarter Code (B)	Special Allowance Category (C)	Loan Type (D)	Interest Rate (E)	Billing Code (F)	Ending Principal Balance (G)	Average Daily Principal Balance (H)	Adjustments for Difference in Average Daily Principal Balance (I)
89	3	SB	TG	.09	BC	800	800	
89	3	SB	TG	.08	BC	2,100	2,100	
89	3	SD	TG	.08	BC	1,350	712	
89	3	SD	TP	.12	BC	0	68	
89	3	SD	TP	VAR	BC	0	137	
89	3	SB	TS	VAR	BC	550	625	
89	3	SD	TS	VAR	BC	0	95	
89	3	SD	TC	.115	BC	1,185	1,004	

Exhibit VII-2 (Continued)

LID: 362415 PAGE: 5

PART V: CHANGES IN GUARANTEED LOAN PRINCIPAL FOR THE QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1 Check if adjustment to prior quarter	[ ]	[ ]	[ ]	[ ]	[ ]
2 Beginning Principal Balance	3,575	1,260	975	0	0
3 Loan Principal Disbursed	675	0	0	1,260	0
4 Interest Capitalized or Other Principal Increases	0	0	0	0	0
5 Principal of Loans Purchased	0	0	0	0	0
6 Principal of Loans Cured	0	0	0	0	0
7 Principal of Loans Sold	0	0	275	0	0
8 Principal Paid by Insurance Claims	0	0	0	0	0
9 Principal of Loans on Which the Guarantee Was Voided	0	0	0	0	0
10 Principal Paid by Borrowers and Other Principal Reductions	0	1,260	225	75	0
11 Ending Principal Balance	4,250	0	475	1,185	0

LID: 362415 PAGE: 6

PART VI: GUARANTEED LOAN PORTFOLIO ANALYSIS FOR END OF QUARTER

	STAFFORD & FISL (Except Unsubsidized) (A)	FEDERAL PLUS (B)	FEDERAL SLS (C)	FEDERAL CONSOLIDATION (D)	UNSUBSIDIZED STAFFORD (E)
1 Loans in School and in Grace	4,250				0
2 Loans in Authorized Deferment	0	0	0	0	0
3 Loans in Repayment or Forbearance					
a Current or less than 31 days past due	0	0	0	0	0
b 31 - 60 days past due	0	0	0	1,185	0
c 61 - 90 days past due	0	0	0		0
d 91 - 120 days past due	0	0	0	0	0
e 121 - 180 days past due	0	0	0	0	0
f 181 - 270 days past due	0	0	0	0	0
g 271 days or more past due	0	0	0	0	0
h Claims filed, but not yet paid and not listed above	0	0	0	0	0
4 Ending Principal Balance (sum column)	4,250	0	0	1,185	0

Exercise 3 Answers

Your answers may be in any order.

1. **The amount in Part II, Column (E), Line (1) does not match the amount in Part V, Column (A), Line (3)**. These two amounts should be the same.

2. **The total of the amounts in Part III, Column (D) does not match the amounts in Part VI, Column (A), Lines (1) plus (2).** Interest benefits should apply to all qualifying Federal Stafford Loans with an in-school, in-grace, or in-deferment status.

3. **The Interest Rate in Part IV, Column (E), Line (8) is incorrect.** 11.5% (.115) was never an applicable interest rate.

4. **The total of the Ending Balances in Part IV, Column (G) for Federal SLS Loans does not match the amount in Part V, Column (C), Line (11).** These amounts must match.

5. **The amount in Part V, Column (C), Line (11) does not match the amount in Part VI, Column (C), Line (4).** These amounts must match.

UNIT VII SELF TEST

You have now learned about likely sources of errors that are made when ED Form 799 is prepared, about the information that must appear in a loan record in order to prepare a quarterly report, and about ways of checking a completed ED Form 799 for accuracy and completeness.

For this Self-Test, review your answers to the Self-Tests you completed for Units II, III, IV, V, and VI. Use the check lists in this Unit as you examine each part of the form. You may find errors you did not correct earlier, or did not notice before.

As you inspect each part of the form, review the steps listed in the Self-Test for that Unit. Make sure you remember how to do each step. If not, go back and reread the section where that step was presented.

CONCLUSION

This Workbook has covered all of the basic information you need to complete the new ED Form 799. You have learned about, and have practiced, all of the steps and calculations.

The new form is required for any billing received by ED on or after April 1, 1993. You may not use the new form before April 1. When you do switch to the new form, use this Workbook as a guide to help you through each step. Give yourself plenty of time to refresh your understanding of the information to be reported in each part. You may want to go through the entire Workbook again before you begin. This will help you avoid mistakes that could result in your submission being rejected.

APPENDIX A

SOURCES OF INFORMATION

Lenders who have questions about ED Form 799, about how to report on unusual student loans in their portfolio, or about which loans qualify for interest benefits or the special allowance can contact the following information sources.

STUDENT AID INFORMATION CENTER

The Federal Student Aid Information Center primarily provides information about Federal student aid programs to students, parents, and educators. It offers information on the loan process, participating schools, and eligibility for financial assistance. The Center can be contacted using its toll-free number from 9:00 a.m. to 5:30 p.m. (Eastern Time), Monday through Friday. To order additional copies of the Self-Instructional Workbook for the ED Form 799 or to obtain an ED Form 799 if you have not received one, call or write to the Center.

Federal Student Aid Information Center
P. O. Box 84
Washington, D.C. 20044

Telephone: (800) 4 FED AID

LENDER UPDATE DESK

The Lender Update Desk should be contacted if the lender wishes to change or stop using a servicer, modify its routing number and account number for electronic funds transfer (EFT), or terminate their participation in the program.

U.S. Department of Education
Lender Update Desk
P.O. Box 23457
L'Enfant Plaza Station
Washington, D.C. 20026-3457
FAX: (202) 708-9904

Telephone: (202) 708-9776

INTEREST PAYMENT PROCESSING

The ED Form 799 you submit is processed in Greenville. Call this location if you have questions about why your ED Form 799 was returned to you or if you want to inquire about the status of your submission.

U.S. Department of Education
Interest Payment Processing
Post Office Box 4134
Greenville, TX 75403-4134

Telephone: (903) 408-4541

Payment of Federal Consolidation Loan Rebate Fees should be submitted to the following address:

U.S. Department of Education
Interest Payment Processing
P.O. Box 4138
Greenville, TX 75403-4138

ED REGIONAL OFFICES

Many ED Regional Offices have a Guaranteed Student Loan Branch that can assist lenders by answering questions about ED Form 799 and how to calculate origination fees, interest benefits and special allowance when unusual problems are encountered. A lender should contact the Regional Office that serves its geographic area on student loan lender issues.

Region I: **Serving CT, ME, MA, NH, RI and VT**

Guaranteed Student Loan Branch
U.S. Department of Education, Region I
Office of Student Financial Assistance
J. W. McCormack Post Office and Courthouse Building
5 Post Office Square, Room 502
Boston, MA 02109

Telephone: (617) 223-9333

Region II: **Serving DE, DC, MD, NJ, NY, PA, VA, WV, Puerto Rico and the Virgin Islands:**

Guaranteed Student Loan Branch
U.S. Department of Education, Region II
Office of Student Financial Assistance
26 Federal Plaza, Room 3954
New York, NY 10278-0043

Telephone: (212) 264-8143

Region IV: Serving AL, FL, GA, KY, MS, NC, SC and TN

Guaranteed Student Loan Branch
U.S. Department of Education, Region IV
Office of Student Financial Assistance
101 Marietta Tower, Suite 2217
Atlanta, GA 30323

Telephone: (404) 331-0526

Region V: Serving IL, IN, MI, MN, OH and WI

Guaranteed Student Loan Branch
U.S. Department of Education, Region V
Office of Student Financial Assistance
401 South State Street, Room 700-D
Chicago, IL 60605

Telephone: (312) 353-0377

Region VI: Serving AR, IA, KS, LA, MO, NE, NM, OK and TX

Guaranteed Student Loan Branch
U.S. Department of Education, Region VI
Office of Student Financial Assistance
1200 Main Tower, Room 2150
Dallas, TX 75202

Telephone: (214) 767-3811

Region IX: Serving AK, AZ, CA, CO, HI, ID, MT, NV, ND, OR, SD, UT, WA, WY, American Samoa, Guam, Federated States of Micronesia, Palau, Marshall Islands, and Commonwealth of the Northern Marianas

Guaranteed Student Loan Branch
U.S. Department of Education, Region IX
Office of Student Financial Assistance
50 United Nations Plaza
San Francisco, CA 94102

Telephone: (415) 556-1630

APPENDIX B

GUARANTY AGENCIES

Contact your guaranty agency concerning regulations that apply to the FFEL programs or inquiries regarding how particular loans should be reported.

Alabama

Alabama Commission on Higher Education
One Court Square, Suite #221
Montgomery, AL 36197-0001

Telephone: (205) 281-1921

Alaska

Alaska Commission on Postsecondary Education
P. O. Box 110505
400 Willoughby Avenue
Juneau, AK 99811-0505

Telephone: (907) 465-2854

Arizona

Arizona Educational Loan Program (USAF)
2600 N. Central Ave., Suite #621
Phoenix, AZ 85004

Telephone: (602) 252-5793

Arkansas

Student Loan Guarantee Foundation of Arkansas
101 East Capitol Ave., Suite #401
Little Rock, AR 72201

Telephone: (501) 682-2952

California

California State Aid Commission
P.O. Box #510845
1515 "S" Street, Suite #500, North Bldg.
Sacramento, CA 94245-0845

Telephone: (916) 322-1904

Colorado

Colorado Student Loan Program
999 18th Street, Suite 425
Denver, CO 80202-2440

Telephone: (800) 727-9834

Connecticut

Connecticut Student Loan Foundation
P. O. Box 1009
525 Brook Street
Rocky Hill, CT 06067

Telephone: (203) 257-4001

Delaware

Delaware Higher Education Loan Program
Carvel State Office Bldg.
820 North French Street, 4th Floor
Wilmington, DE 19801

Telephone: (302) 577-6055

District of Columbia

Higher Education Loan Program of Washington, D. C.
801 Pennsylvania Ave., S.E.
Washington, D.C. 20003

Telephone: (202) 547-1571

or

Office of Postsecondary Research & Assistance
1331-H St. N.W., Suite 600
Washington, D.C. 20005

Florida

Florida Department of Education
Office of Student Financial Assistance
325 W. Gaines St.
Tallahassee, FL 32399-0400

Telephone: (904) 488-7043

Georgia

Georgia Higher Education Assistance Corporation
2082 E. Exchange Place, Suite #200
Tucker, GA 30084

Telephone: (404) 493-5468

Hawaii

Hawaii Education Loan Program (USAF)
1314 S. King, Suite 861
Honolulu, HI 96814

Telephone: (808) 536-3731

Idaho

Student Loan Fund of Idaho Marketing Association, Inc.
Processing Center
P.O. Box 730
Fruitland, ID 83619-0730

Telephone: (208) 452-4058

Illinois

Illinois Student Assistance Commission
106 Wilmot Road
Deerfield, IL 60015

Telephone: (708) 948-8500

Indiana

State Student Assistance
150 N. Market St., 5th Floor
Indianapolis, IN 46204-1088

Telephone: (317) 232-2350

or

United Student Aid Funds, Inc.
Processing Center
8115 Knue Rd., P. O. Box 50827
Indianapolis, IN 46250-0827

Iowa

Iowa College Aid Commission
914 Grand Avenue
Des Moines, IA 50309

Telephone: (515) 281-3501

Kentucky

Kentucky Higher Education Assistance Authority
West Fraternal Office Complex
1050 U.S. 127 South, Suite 102
Frankfort, KY 40601

Telephone: (502) 564-7507

Louisiana

Louisiana Student Financial Assistance Commission
P.O. Box 91202
1885 Wood Dale Blvd.
Baton Rouge, LA 70821

Telephone: (504) 342-9415

Maine

Finance Authority of Maine
Division of Higher Ed. Services-FFEL Program
State House Station #119
Augusta, ME 04333

Telephone: (207) 287-2183

Maryland

Maryland Higher Education Loan Corporation
2100 Guilford Avenue, Room 305
Baltimore, MD 21218-5850

Telephone: (410) 333-6555

Massachusetts

American Student Assistance
Berkley Place
330 Stuart Street
Boston, MA 02116

Telephone: (617) 426-9434

Michigan

Michigan Guaranty Agency
P.O. Box 30047
Lansing, MI 48909

Telephone: (800) 642-5626

Minnesota

Northstar Guarantee Inc.
P.O. Box 64102
St. Paul, MN 55164-0102

Mississippi

Mississippi Guaranteed Student Loan Program
P.O. Box 2336
3825 Ridgewood Road
Jackson, MS 39205

Telephone: (601) 981-9425

Missouri

Missouri Coordinating Board for Higher Education
101 Adams Street
Jefferson City, MO 65101

Telephone: (314) 751-2361

Montana

Montana Guaranteed Student Loan Program
33 South Last Chance Gulch Freeway
Helena, MT 59620

Telephone: (406) 444-6594

Nebraska

Nebraska Student Loan Program
P. O. Box 82507
1300 "O" Street
Lincoln, NE 68501-2507

Telephone: (402) 475-8686

Nevada

Nevada State Department of Education (USAF)
400 W. King St./Capitol Complex
Carson City, NV 89710

Telephone: (702) 885-5914

New Hampshire

New Hampshire Higher Education Assistance Foundation
P.O. Box #877
Concord, NH 03302-0877

Telephone: (603) 225-6612

New Jersey

New Jersey Higher Education Assistance Authority
Office of Student Assistance
4 Quakerbridge Plaza, CN 540
Trenton, NJ 08652

Telephone: (609) 588-3200

New Mexico

New Mexico Educational Assistance Foundation
P.O. Box 27020
3900 Osuna, NE
Albuquerque, NM 87125-7020

Telephone: (505) 345-3371

New York

New York State Higher Education Services Corp.
99 Washington Avenue
Albany, NY 12255

Telephone: (518) 474-3219

North Carolina

North Carolina State Education Assistance Authority
P.O. Box 2688
Chapel Hill, NC 27515-2688

Telephone: (919) 549-8614

North Dakota

Student Loans of North Dakota
Box Number 5524
Bismarck, ND 58502-5524

Telephone: (701) 224-5600

Ohio

Ohio Student Loan Commission
P.O. Box 16610
309 South Fourth Street
Columbus, OH 43266-0610

Telephone: (614) 466-3091

Oklahoma

Oklahoma State Regents for Higher Education
P.O. Box 3000
State Capitol Complex
500 Education Building
Oklahoma City, OK 73105

Telephone: (405) 840-8300

Oregon

Oregon State Scholarship Commission
Valley River Office Park
1500 Valley River Drive, Suite 100
Eugene, OR 97401

Telephone: (800) 452-8807

Pacific Islands

Pacific Islands Educational Loan Program
USAF
1314 South King St., Suite 961
Honolulu, HI 96814

Telephone: (808) 536-3731

Pennsylvania

Pennsylvania Higher Education Assistance Agency
Towne House
660 Boas Street
Harrisburg, PA 17102-1398

Telephone: (717) 257-2740

Rhode Island

Rhode Island Higher Education Assistance Authority
560 Jefferson Blvd.
Warwick, RI 02866

Telephone: (401) 277-2050

South Carolina

South Carolina Student Loan Corporation
P.O. Box 21487
Columbia, SC 29221

Telephone: (803) 798-7960

South Dakota

South Dakota Education Assistance Corporation
115 First Ave., SW
Aberdeen, SD 57401

Telephone: (605) 225-6423

Tennessee

Tennessee Student Assistance Corporation
404 James Robertson Parkway, Suite 1950
Nashville, TN 37243-0820

Telephone: (615) 741-1346

Texas

Texas Guaranteed Student Loan Corporation
P.O. Box 15996
Austin, TX 78761-5996

Telephone: (512) 835-1900

Utah

Utah Higher Assistance Authority
P.O. Box #45202
Salt Lake City, UT 84145-0202

Telephone: (801) 538-5256

Vermont

Vermont Student Assistance Corporation
Champlain Mill, P.O. Box 2000,
Winooski, VT 05404

Telephone: (802) 655-9602

Virginia

Virgiania Student Assistance Authority
411 East Franklin Street
Richmond, VA 23219

Telephone: (804) 775-8800

Virgin Islands

Virgin Islands Board of Education
P. O. Box 11900
St. Thomas, VI 00801

Telephone: (809) 774-7546

Washington

Northwest Education Loan Association
500 Colman Building
811 First Ave.
Seattle, WA 98104

Telephone: (206) 461-5300

West Virginia

Higher Education Loan Program of West Virginia, Inc.
P.O. Box #591
Charleston, WV 25322

Telephone: (304) 345-7211

Wisconsin

Great Lakes Higher Education Corporation
P.O. Box #7858
Madison, WI 53707

Telephone: (608) 246-1800

Wyoming

Higher Education Assistance Foundation of Wyoming
3rd Floor American National Bank
1912 Capitol Avenue
Cheyenne, WY 82201

Telephone: (307) 635-3259

APPENDIX C

REFERENCES

The following references may be of help to you in learning more about the FFEL programs, and getting a better understanding of the responsibilities of participating lenders.

Higher Education Act of 1965 as amended

34 CFR Part 682

Omnibus Budget Reconciliation Act of 1993

Dear Colleague Letter 93-L-152 (March 1993)

Dear Colleague Letter 93-L-160 (September 1993)

Dear Colleague Letter 93-L-161 (November 1993)

Dear Colleague Letter 93-L-162 (December 1993)

APPENDIX D

QUESTIONS & ANSWERS

This appendix contains questions that the Department of Education answered for servicers at a meeting held on April 12, 1989.

GENERAL QUESTIONS

Question 1. The use of computer generated 799s in a format consistent with the form provided by the Department is acceptable as described on page II-1. Must a servicer submit a proposed format to the Department for approval prior to implementation? If not required, is prior approval recommended? Allowed? Can we, the servicer, include our own headings (which may differ in name or number) at the top of each page? This information would be provided in addition to the required information by the Department of Education. How closely should computerized forms match the preprinted forms? If the Department of Education has specifications, can these be obtained?

Answer: Computerized forms do not require pre-approval by ED but, if you wish to submit them for our review, you may do so. Please allow four weeks for approval.

Computerized forms must match the ED form exactly in terms of headings, data elements, number of lines on the page, and order of columns. They need not have the instructions printed on them nor do the number of spaces allowed for each column have to match exactly. They must be printed horizontally on the page and may not contain any information other than that required on a preprinted ED form. They must be on 8 1/2" x 11" or 11" x 15" paper. Colored bar paper is not allowed. The lender and servicer names provided in Part I should match ED's preprinted information exactly unless you intend for ED to change the names in its computer system.

Question 2. Does the Department of Education have a preference in how the information is sorted in Parts II, III, and IV?

Answer: ED has no preference in how the information in Parts II, III, and IV is sorted.

Question 3. If a lender is using more than one servicer or servicing partial portfolios themselves, is it possible for that lender to submit multiple 799s in the same quarter?

Answer: Only one 799 per Lender Identification Number (LID) can be processed for a specific quarter.

Question 4. The following is quoted from the manual:

SLS Loans...Payments to lenders holding these loans are limited to special allowance only...
PLUS Loans...For this type of loan, the lender is eligible for special allowance but not interest benefits...

There is a difference implied in the treatment of interest between the two types, but it's not clear. If there is a diffeence, what is it, and if not, maybe the language could be the same?

Answer: There is no difference. Neither PLUS nor SLS loans qualify for interest benefits.

Question 5. Does the Department of Education have any guidelines on the minimum amount of adjustments that would require changing the average daily balance? For example, if a NSF check was returned, should the average daily balance be adjusted for a prior quarter?

Answer: No, there are no guidelines on the minimum amount of adjustments that are required. However, in certain cases the lender may determine that it is not cost effective to make small adjustments that benefit the lender and need not make these adjustments. The lender must make all adjustments that benefit ED financially.

PART II - ORIGINATION FEES

Question 1. What is the purpose of a lender reporting "FS" loans?

Answer: ED intends to compare amounts reported in Part II, "Loan Origination Fee" with the amounts reported in line 3 of Part V to ensure that a lender is

accurately reporting origination fees. Without the "FS" code, we could not make a valid comparison. It would appear that the origination fees were understated.

Question 2. As a lender you are the purchaser, but the seller pays the origination fees. How do you list those loans on the 799 Report?

Answer: These loans are not reported in Part II of the purchaser's 799. They are reported in Part II of the seller's 799 using the "FN" code.

Question 3. What is to be gained by splitting principal by interest rate, where fee codes and fee percents are all the same?

Answer: In order to project program costs, ED needs to know the volume of loans being made at each interest rate. Based on comments received on the first draft of the new 799, it was believed that the least burdensome method for lenders to report this information is by associating it with origination fees in Part II.

Question 4. Are there any penalties for incorrectly reporting the loan interest rates in Part II- Loan Origination Fees?

Answer: When the lender signs the 799, they are certifying that the information is accurate and complete. There are penalties provided by statue for making false certifications.

Question 5. Page III-19, Step 4 states: "Do <u>not</u> include in the principal amount any funds disbursed during the quarter that also were repaid or returned during the quarter. Report only the <u>net</u> amount."

It is our understanding that origination fees are charged on all loans disbursed, and that the fees are returned only if the loan is cancelled or <u>fully</u> repaid within 120 days of disbursement. This instruction appears to exclude from the calculation from origination fees due any amount that is repaid on the loan during the same quarter it is disbursed. Is that correct?

Answer: The instruction is meant to cover only cancellations or partial cancellations that occur in the same quarter as the disbursement. It is not meant to cover payments made by borrowers during the quarter the loan was disbursed unless they are full repayments. Your understanding is correct.

PART III - INTEREST BENEFITS

Question 1. It (p. IV-5) states that interest benefits must be calculated using the average daily principal balance method, then on p. IV-8 it states that the actual accrual method may be used. Can you clarify this?

Answer: Lenders may use either the actual accrual or average daily balance method to calculate the "Interest Amount", Column F of Part III. However, all lenders must report the "Average Daily Principal Balance" in Column E of Part III.

Question 2. Why must interest accrual be based on average daily balance? What information would the calculation of both figures provide?

Answer: ED intends to edit the "Interest Amount" reported by lenders against the "Average Daily Principal Balance" to ensure the accuracy of interest payments. ED has no way to edit amounts billed for interest unless the average daily principal balance is reported. Considering the fact that ED paid lenders over $1.6 billion in FY88 in interest alone, we believe it is essential that we be able to edit this field in order to protect Federal fiscal interests.

Question 3. Our system uses the actual accrual method to calculate interest benefits. Average daily principal balance is calculated using the following formula:

> Interest due, times number of days in a year, divided by number of days in a quarter, divided by interest rate. Is this acceptable?

Answer: No. ED requires that lenders calculate and report the average daily balance independently of interest due so that the two fields can be edited against each other. Calculating the average daily balance using the method described in this question would negate the usefulness of the edit.

Question 4. Is it acceptable to add the accrued interest and daily balances for special allowance based on the amount outstanding overnight rather than based on the balance outstanding as of the close of business?

Our accounting system is set up to charge interest and special allowance on the balance existing overnight, rather than the balance as of the close of business on a given day, as is described in the instructions. The result of this difference is that the accrued interest and the balance for special allowance are added to our system one day later than in your suggested method although the amounts would be identical. This results in us not showing any interest or special allowance on loans disbursed the last day of a quarter, until the next quarter. For example, a disbursement made 12/31/89 would show no accrued interest or special allowance until 1/1/90. Conversely, an account paid in full on 1/1/90 would show one days accrual during the January-March quarter under our methodology but no accrual under the method you describe. This accrual method is consistent throughout our system, affecting payments, status changes, disbursements, and everything else.

Answer: "Close of business" does not necessarily mean the end of a lender's office hours but can include any overnight processing that the lender must perform to update the lender's records with transactions occurring that day. The instructions in the "799 Self-Instructional Workbook" referring to using balances as of close of business apply to the balances on which you are calculating benefits. The benefits themselves do not have to be calculated as of close of business but at whatever point in time they are calculated, they must reflect loan balances as of close of business. It would be inappropriate to bill for special allowance for a loan disbursed on 12/31/89 by including that day's special allowance on the 799 for the quarter ending 3/31/90 unless it were included as an adjustment. Though, overall, the system you describe in your example would result in the same number of days for which special allowance is billed on a loan, it is still inaccurate because the rates for special allowance change from quarter to quarter. Therefore, in the example provided, special allowance for the loan would have been paid at an incorrect rate for one day.

Question 5. Throughout the instruction guide lenders are cautioned to use the balance as of the close of business in calculating average daily balances. Does this concept also apply to status transactions? For instance, if a deferment on a Stafford loan expires on 2/28/90, is the loan eligible for interest benefits on 2/28/90? At close of business on 2/28/90, the account is in repayment, however, Exercise 7, pages IV-33 and IV-34, Loan 126 implies that the loan would be eligible for interest benefits for 2/28/90.

Answer: In the example on page IV-33 for Loan 126, the borrower's deferment is assumed to have been in effect through the close of business on 2/28/90. The borrower re-entered the repayment period on 3/1. The concept of using close of business balances for calculating interest and special allowance applies when considering status changes. For a status change from being in the grace period to entering repayment, the borrower would be considered eligible for interest benefits through the last day of the grace period and must be removed from interest benefits on the first day of the repayment period.

Question 6. Instructions on the 799 form, Part III: Interest Benefits, item (F) Interest Amount, state "This column is optional for interest due for the current quarter...if completed, ED will pay the amount if it is reasonable in comparison to the amount in the Average Daily Principal Balance Column." Will the Department define "reasonable" prior to the first submission? Will it be expressed as an absolute dollar value or the difference as a percent of the calculated interest figure? How will the Department allow for calculation differences which result when a lender uses 365.25 days in a year?

Answer: Column F is optional because ED can calculate the interest benefits based on the average principal balance reported. ED will calculate interest benefits using the actual number of days in the year (i.e., 365 or 366). If the lender completes the interest amount column, ED will pay the amount reported by the lender if it is "reasonable" when compared to the average daily balance. "Reasonable" is based on a percentage of difference between what ED calculates and what the lender reports. The percentage will be high enough to accommodate those lenders who use a 365.25 day year.

Question 7. Results would be visually more appealing if subtraction sinage (-) or (<>) could be used in Column F. As a check, the Department could verify it against the code and if different, allow the code to govern.

Answer: The use of plus and minus signs has caused great confusion and many form rejections in the past especially in the areas of reporting origination fees and in processing the Call Report. ED decided to eliminate this source of confusion for both lenders and our 799 processing contractor by eliminating negative values from the revised 799. Only one exception to this rule will be allowed and that is for line 3 of Part V. (See question 3 on page D-10).

Question 8. Section IV-7 describes a loan-by-loan calculation of sum of daily balances, which would accommodate adjustments within the quarter. The instructions then describe an alternate method of calculation which does not appear able to accommodate adjustments. That method is to "add the outstanding daily balances across all eligible loans in an interest rate group each day, and then divide the total of these amounts by the number of days in the quarter..."

If a lender uses the alternative method, will the Department's tolerances be wide enough to accommodate the lack of precision in the Daily Balance calculation if the lender also reports an Actual Accrual of interest?

Answer: Adjustments occurring within the quarter would have to be made regardless of the method of calculation used. ED's tolerances will not be broad enough to accommodate this level of imprecision.

PART IV - SPECIAL ALLOWANCE

Question 1. Does a lender have the option of reporting all loans in the "after 11/16/86" categories for special allowance if they cannot track loans by the disbursement date? Adjustments on loans made between 3/1/86 and 9/30/86 during the first four quarters would be reported separately.

Answer: Yes.

Question 2. What loans that do not qualify for special allowance would be reported in Part VI? (see also P. V-1)

Answer: Loans made on or after October 1, 1981 to Stafford and FISL borrowers who did not qualify for interest benefits are not reported in Part IV but are reported in Parts V and VI.

Question 3. The old 799 Part V read "Report all loans made on or after 11/16/86 and all consolidation loans." The new form refers to enrollment periods on or after 11/16/86. Can we go strictly by loan disbursement to determine which category these loans appear in?

Answer: No. Those loans disbursed on or after 10/17/86 but before 11/16/86 that were for periods of enrollment that began before 11/16/86 are to be reported under Special Allowance Category "SB". However, if you wish to forego the increased yield to which you are entitled for those loans for which the period of enrollment began before November 16, 1986, you may report all loans in the "SD" category.

Question 4. How are PLUS/SLS refinanced loans from January 1987 supposed to be reported since their interest rate is different than the PLUS/SLS loans disbursed under the variable rate program that went into effect 7/1/87?

Answer: These refinanced variable rate PLUS/SLS loans are to be reported the same way as other variable rate PLUS/SLS loans. ED realizes that a few of these loans have a different interest rate. This would only create a problem if one group of loans qualified for special allowance payments (i.e., the interest rate for a particular year was capped at 12%) and the other group did not. Though it is unlikely that this will occur, ED will provide a new interest rate code to differentiate between the two groups of loans.

Question 5. "Loans made or purchased with tax-exempt funds... ." Should the disbursement date be used rather than the purchased date to categorize these types of loans?

Answer: To the extent that a loan is disbursed prior to 10/1/80, the disbursement date is used to categorize the loan. These loans are reported using Special Allowance Category (SAC) "SA" even if these loans are later purchased with tax-exempt funds. However, if a loan is disbursed on or after 10/1/80, both the disbursement date and the current source of financing are used to categorize the loan. For example, a loan disbursed on 10/15/80 using a taxable source of financing and then later purchased using tax-exempt financing would be reported using a SAC of "XA" after the purchase.

Question 6. "For Stafford Loans with an 8%-10% interest rate, the rate in effect for the quarter, or part of the quarter, being reported is used."

Must the lender report 8%-10% loans twice in the quarter in which they change rates--once for the 8% portion, again for the 10% portion? If not, is the rate reported that at the beginning of the quarter, or that at the end?

Answer: The loans would have to be reported twice, once at each rate.

PART V - CHANGES IN LOAN PRINCIPAL

Question 1. Section VII-17 states that a check mark must appear in Line (1) if adjustments to prior quarters are reported in the preceding parts. Since adjustments to prior quarter principal have actually been performed during the current quarter, it would seem to provide a more significant audit trail to permit an adjustment to "Beginning Balance" only in extraordinary cases. Does this statement mean that for purposes of establishing a current quarter beginning principal balance the lender must recalculate the previous quarter's ending balance based on all adjustments processed retroactively for the previous quarter?

Answer: The lender need not recalculate the previous quarter's ending balance. Line 1 on Part V is provided simply as a quality control check to ensure that changes reported by the lender in a current quarter's beginning balance from a prior quarter's ending balance are actually due to adjustments the lender made and not to a transcription, typographical or other clerical error. Lenders may use either of two methods for reporting adjustments to prior quarters in Part V. The first method is to recalculate the prior quarter's ending balance taking into account the adjustments, use an adjusted beginning balance (with a check mark in line 1) and not report the adjustments in any other lines of Part V. The second method is to use the prior quarter's unadjusted ending balance as the current quarter's beginning balance in line 2 and report the adjustments as transactions occuring in the current quarter in the appropriate lines of Part V.

Question 2. What is the benefit in showing Principal Balance of Loans Cured and Principal Balance of Loans on which the Guarantee was Voided? What is the definition of a "cured" loan and a "voided" loan and at what point in the life cycle is the determination made? What are the penalties for reporting these incorrectly?

Answer: ED attempted to include lines for the significant events that occur during the life of a student loan that have an effect on the student loan portfolio balance. We consider the loss of a guarantee and a cure to be significant events. This information can be used by ED in a variety of ways including projecting Federal expenditures. The definitions of cured loans and loans on which the guarantee has been voided have been dealt with extensively in ED's Dear Colleague letter of March 11, 1988 (88-G-138) to guaranty agencies as well as in Appendix C to the GSL and PLUS regulations published on November 10, 1986. Penalties for reporting inaccurate information will be determined on a case-by-case basis at the time the inaccuracies are discovered.

Question 3. The last paragraph of page VI-1 reads that all transactions should be reported, then on page VI-4 it says not to report loans disbursed and cancelled in the same quarter and on page VI-6 do not report loan guarantees voided and cured in the same quarter. Can you clarify? Assume that a loan with a $3,000.00 balance is "denied" for claim payment and a transaction is entered to segregate the loan into "Principal...Voided." During the cure process, payments are received which reduce the balance to $2,800.00. The loan is then changed to a "Principal...Cured." If this occurs during the same quarter, the transactions are supposed to be invisible to reporting. But, the loan "leaving" and "returning" has different balances. Should then the payments received on loans cured be reported as a principal reduction? Or will the report have more integrity if all loans cured and denied are reported, regardless of the quarter in which the transaction occurs, and "cured" payments are invisible?

Answer: Generally if a loan guarantee is voided and then cured in the same quarter, you would report the loan as though the loan retained the guarantee for the entire quarter. It would not be reported in either line 6 or line 9. Any principal payments received on the loan during the quarter would be reported in line 10. ED developed these procedures believing this would be the simplest way for lenders to report these transactions. However, if you find it easier to develop a system where these type of transactions are reported individually, you may do so. In that case the $3,000.00 would be reported in line 9, Guarantees Voided, the $2,800.00 would be reported in line 6, Cures, and the payments would not be reported at all since they were received on an uninsured loan.

Generally, loans that are disbursed and cancelled in the same quarter should not be reported in Part V. This is because ED will make comparisons between the information reported in Part II for origination fees and the disbursements reported in Part V. Instructions for Part II require that lenders not report loans that are disbursed and cancelled in the same quarter. The methods for reporting disbursements must be consistent in order to make valid comparisons.

However, comments ED received from NCHELP's servicing committee have convinced ED that some lenders could provide better data if ED allowed them to subtract cancellations from loan disbursements and report the net amount of these transactions in line 3 of Part V, regardless of whether or not the cancellation occurred in the same quarter as the disbursement. In the case of lenders who make a small number of disbursements during a quarter, this could result in a negative amount being reported in line 3. ED has agreed to relax the edit for reporting negative amounts and will allow a negative number to be reported only in line 3 of Part V. The negative number should be enclosed in brackets ([ ]) rather than preceded by a minus sign (-). In order to enable ED to compare amounts reported in Part V with those reported in Part II, lenders who use this method must report the gross amount of disbursements under either code "FN", "FS", or "FB" in Part II, and report cancellations, regardless of the quarter in which they occur, under code "FD". The "799 Self-Instructional Workbook" will be updated to include this method.

Question 4. Why separate PLUS/SLS? These used to be combined.

Answer: In order to make informed policy and planning decisions regarding the SLS and PLUS programs, ED needs information regarding these programs separately. In addition, ED is required to track program expenditures by loan type.

Question 5. In Part V #4 of the new 799/Call Report instructions, what are unpaid insurance premiums?

Answer: Regulations [34 CFR 682.202 (b) (1)] state that a lender may add unpaid insurance premiums to a borrower's unpaid principal balance if authorized by the guaranty agency. Though ED knows of no lender who actually does this, the instructions regarding capitalizing unpaid insurance premiums were included to accomodate this practice. In the vast majority of cases, the insurance premium is "paid" by the borrower when the loan is disbursed by deducting it from the loan proceeds.

Question 6. Page VI-22, claims filed balances. Do these balances include death, disability, and bankruptcy claims?

Answer: Yes.

Question 7. If an existing lender is transferring loans to a new servicer and the servicer's system showed a beginning balance in Part V of zero, would the 799 form be rejected? Where would these loan amounts, that are being converted to the servicer's system, be listed in Part V?

Answer: The loans would be listed in line 4. The 799 would not be rejected if the beginning balance were zero. This is assuming that the lender has a separate LID that is used only by the servicer in question.

Question 8. Lender A receives one claim payment in the current quarter totaling principal of $2,500.00. In this same quarter Lender A reverses a $5,000.00 claim payment and returns it to the guarantor. The lender has received a negative of $2,500.00 in claim payments for the current quarter. Is the $5,000.00 reversal reported as a positive sum in "Interest Capitalized or Other Principal Increases"? This approach would negate the integrity of the "claims paid" information.

Answer: Yes, the $5,000.00 claim was actually paid so ED does not believe this procedure negates the integrity of claims paid information. ED realizes that situations can occur for which no specific line on Part V is included to reflect the situation. For example, to accurately reflect this situation an additional line would be necessary for reporting repurchases. Instead of trying to accommodate each unique situation, ED decided to include a "catch all" line for both increases and decreases to principal. These are lines 4 and 10 respectfully.

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