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Electronic Transfer of Financial Aid Funds and Loan Applications
[Using the CommonLine Network]

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For Fall semester 1996, East Carolina University (ECU) designed, developed and implemented new applications for the electronic transfer of student financial aid funds and loan applications. Previously, ECU printed loan applications and mailed them to students who then submitted copies to lenders. The lenders reviewed the applications and notified ECU when a loan had been approved via individual approval notices. The notices were manually entered into the financial aid DB2 database on the mainframe to update each student’s records. Separate checks were sent to ECU by the lenders/guarantors for each student. Students waited in lines to get their loan checks and then had to wait an additional period to get their excess aid checks.

Now, using the CommonLine Network and LineSS software, the Financial Aid Office submits electronic loan applications to lenders. The lenders process the loan applications and send ECU electronic status files which ECU, in turn, uses to update the student database and LineSS files. Rosters are processed and funds are automatically credited to each student’s account receivable. All charges to the university are paid electronically and an excess aid check is printed for each student whose financial aid exceeds their charges. Students no longer stand in long lines or experience delays in receiving their loans.
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East Carolina University

East Carolina University, North Carolina’s third largest institution of higher learning, was founded in 1907 as a state-supported teacher training school and became a liberal arts college in 1941. Developing and growing rapidly, ECU became a state university in 1967 and a constituent campus of The University of North Carolina system in 1972. ECU is in Greenville, a city of 50,000 located ninety miles east of Raleigh and ninety miles west of the beautiful North Carolina beaches. The school’s enrollment has grown to 17,600, and it employs 3600 faculty and staff. While ECU has a strong tradition of preparing students as teachers, its mission has changed with the changing times. It now offers bachelor’s degrees in 102 program tracks, 70 master’s degree program tracks, several certificate and education specialist degrees, and some doctoral programs in the basic medical sciences and School of Education. The MD degree is offered by the School of Medicine.

Computing and Information Systems and the Financial Aid Office

ECU’s ‘home grown’ financial aid system has gone through three major conversions since its inception. Initially, a small system was developed by Computing and Information Systems (CIS) on a Burroughs computer utilizing ISAM files with very limited on-line access. Most applications were done by batch processing. The Burroughs was replaced by a Unisys computer in 1985 along with a hierarchical database. At that time, the limited financial aid programs were rewritten for the Unisys, and new database records were developed. While on the Unisys, a major revamping was done of the entire financial aid system. A third conversion took place when ECU made a decision to have all of administrative computing under one operating system on an IBM mainframe.

The conversion that occurred on the Unisys included the design and creation of all new database records and on-line transactions to store and track student financial aid data. Automated packaging of awards was implemented along with computer generated letters. Loan applications were printed as part of the awarding process and checks were printed for campus-based awards.

Moving from the Unisys to the IBM entailed converting to another database and designing new financial aid records. DB2, a relational database, was implemented. While working closely with the Financial Aid Office, the new database records were designed with Electronic Funds Transfer (EFT) and electronic loan application processing in mind. All applications were initially converted to give the Financial Aid Office the same functionality they had had on the Unisys. The on-line transactions were converted using Cross Systems Product (CSP), and the batch programs were converted using COBOL and Query Manager (QMF). All of ECU’s Student Systems are, and have always been, in one database.

EFT Becomes Number One Priority

The Director of Student Financial Aid came to ECU in 1991 with EFT and electronic loan processing as her number one priority and has lobbied diligently for their development and inception. The Administrative Computing Committee finally made its top priority to “design and develop a system for the electronic fund transfer of financial aid funds and scholarship funds to the Cashier’s Office” in November of 1995 for the 1996-97 school year.
An EFT Committee was Formed

A seven member committee was formed, had its first meeting in November 1995, and met once a week until the project was completed. It was made up of representatives from CIS and Systems Accounting, the Director of Financial Aid, the University Comptroller, and the University Cashier. As time progressed, more people were added to the committee as needed. The Vice Chancellor for Business Affairs provided the group with a budget, with which to purchase software, host modem connections, and PC upgrades. A big key to the success of the project was the cooperation and coordination of the committee members and their respective departments. Setting objectives, working together, having lots of discussion, and meeting regularly allowed the committee to reach its goals.

The committee established four goals:

1. The project would be completed for Fall Semester 1996.
2. The students’ loan application data would be sent electronically using a School-Based Software product. We would utilize CommonLine, which is an industry-wide process that standardizes the Federal Family Education Loan Program (FFELP) loan processing procedures, and electronic communication between schools and service providers.
3. The students’ account would be credited electronically for institutional funds, Federal Title IV money, as well as for Stafford Loans.
4. Excess aid checks would be generated for students whose financial aid and/or scholarships exceeded their cost of tuition and fees.

The Financial Aid System Prior to EFT

Before the implementation of the new system, it took a substantial amount of time for students to receive their excess aid checks, which they used to pay for books, housing other than dorms, and personal expenses. This caused needless hardships and delays. With the old system, students waited in line for a financial aid check, signed the check, and gave it to the Cashier so that it could be applied to tuition and fees. Then, at a later date, an additional check would be printed for their excess aid. This process took weeks to complete. The loan application process and paper checks required excessive manual intervention, data entry, and expense for the Financial Aid and Cashier’s Offices.

Below is a detailed explanation of our old Financial Aid System.

1. The students applied for financial aid using the Free Application for Federal Student Aid (FAFSA) or FAFSA Express.
2. Central Processing System (CPS) created tapes of the students’ application data and sent the tapes to ECU. The records were loaded and updated for students that matched ECU’s database. In February of 1996, the Department of Education informed ECU a change had to be made regarding the receipt of the data. Any school that continued to receive tapes would no longer be able to submit and receive corrections, nor submit Pell payment information via EDEpress (PC software from the Department of Education). The decision was made to get the data electronically through the Title IV Wide Area Network (WAN), mainframe to mainframe, which required new hardware, software and communications.
3. A wide variety of letters were computer generated and printed. These included follow-ups, Satisfactory Academic Progress notifications, and requests for information.
4. Financial Aid awards were made by automated or, in special cases, hand-packaging procedures.
5. Computer generated award letters (over 11,000 in 1994-95) and Stafford Loan applications (over 8200 in 1994-95) were printed and mailed.
6. The students returned the award letters to the Financial Aid Office who updated their records with the students’ acceptance or denial of the awards. When an award was accepted, it would appear on the Cashier’s system as a ‘pending credit’.

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7. The students completed the loan application and submitted it to the lender of their choice.
8. The lenders reviewed the applications and informed ECU when the loans had been guaranteed via individual approval notices for each borrower. The approval of each loan was entered on the students’ financial aid records, indicated by changing an estimated award to an official award. The school copies of the applications and approval notices had to be filed.
9. Financial Aid checks were written (over 5000 per semester for 1995-96) for institutional funds, Federal Title IV money, and institutional scholarships.
10. Lenders mailed Stafford and PLUS loan checks to ECU (over 8200 per semester for 1995-96). Each check had to be handled by someone in the Financial Aid Office to verify that each borrower had maintained eligibility for the funds. Each student’s records were updated using an on-line transaction to indicate a check had been received.
11. All checks were sent to the Cashier’s Office where they had to be alphabetized and filed, and then distributed to the students who had to wait in long lines to endorse the checks.
12. The students then had to report back to the Cashier’s Office at a later date to pick up checks for aid that exceeded their charges.

Preparing for Electronic Loan Applications and EFT

The old process was confusing to committee members. Only those familiar with the old flow of information understood the steps required. Before ECU could improve this, the EFT committee had to understand what was being done and what could be done. The committee repeatedly revisited the process flow. With a good understanding, the committee acquired new equipment and software and made the needed changes to keep others on campus, especially the students on aid, informed. At this point, parts of the new system were put into production. It required careful planning to make sure that all the correct activities were done before the final switch-over to EFT.

1. A flow chart and outline were developed to explain EFT and electronic loan processing to the committee members. The processes were very complicated and EFT impacted many departments campus-wide. It was necessary to review the flow chart on a regular basis to help everyone understand the process and keep all the members abreast of the progress.
2. A decision was made to use LineSS as opposed to other School-Based Software products.
   - Representatives from Sallie Mae (LineSS) and USA Group (Whiz Kid) presented their respective products to the Financial Aid Office and representatives from CIS.
   - Both products were similar in scope and functionality.
   - Cost was not a factor in either case.
   - Sallie Mae’s LineSS was chosen primarily because of the level and quality of customer support. ECU has found the people at Sallie Mae to be extremely helpful, quick to respond and diligent in their course of action in customer support. The software adequately serves the purpose for which it was intended.
   - PC’s in the Financial Aid Office and one in CIS had to be upgraded to run LineSS.
   - A decision was made to put LineSS on a file server that could be accessed by the Financial Aid Office and CIS (for testing purposes). A new file server had to be purchased as a result.
3. The Financial Aid Office had to get a CompuServe mailbox and account because the CommonLine process uses CompuServe for security reasons.
4. Billing statements were redesigned to reflect ‘pending’ financial aid.
5. Award letters were redesigned to include an EFT Authorization section:
   “My signature authorizes the electronic transfer of my Federal Stafford Loan funds. If I do not want funds electronically transferred, I have written those instructions on the bottom of this letter.”
Of the approximately 5000 letters that were sent, about twenty students wrote they did not want EFT for the fall semester. After the process was explained to them, one half changed their minds and chose to participate. Of the ten left, all but three have decided to have their funds electronically transferred for spring semester.
The wording in the award letters will be changed for the 1997-98 year to more clearly explain what 'EFT authorization' means. Some students had the misconception that their individual savings or checking accounts were going to be credited.

6. The awards to be credited in the electronic process were put into a table in the database, giving flexibility to more easily add awards to or delete awards from the process. As mentioned previously, institutional funds, Federal Title IV money, and Stafford Loans funds were included.

7. Decisions were made about the edit checks needed to disburse funds electronically. Discussions were held with the University Cashier to determine what criteria was used when deciding if a student’s bill could be paid. There were also certain restrictions based on the type of award that was being considered. For example, Perkins loans had to have a promissory note signed prior to disbursement. There were ‘exceptions’ already built into the financial aid system that blocked the disbursement of funds via paper checks that would be incorporated into the electronic crediting process. In addition, a copy of the student’s bill had to be returned to the Cashier’s Office to waive the payment.

8. The committee agreed to call the checks given to the students after the bill was paid ‘excess aid checks’. The old term used, ‘refund checks’, implied the university was giving back money because the students’ charges had decreased. They also decided that excess aid checks would not be printed for less than fifty dollars and students could pick up the excess amount in cash at the Cashier’s Office.

9. Federal regulations state that a school must provide written notification to students informing them that their accounts have been electronically credited and make the excess aid checks available within fourteen days. It was decided a document would be drafted that would serve as the ‘notification letter’. Many hours of discussion were devoted to deciding what to include in the letter, what form it would take and which office would be responsible for sending it. It was finally agreed upon that it would be in the form of a letter that would be mailed out by the Financial Aid Office each time an EFT batch run took place. It included the date (put in by parameter) the excess aid checks could be picked up. Also included were the awards credited, the date credited, and the amount left, if any, to be credited.

10. Meetings were held with other members in CIS who were responsible for programming for Accounts Payable and Receivable, the Student Loans Office, General Ledger, and Grants Administration to discuss any changes that needed to be addressed in their areas. Minor changes had to be made to the files that were already being passed to the General Ledger and Student Loans systems. A distinction was made between paper checks and electronic transactions by assigning numbers greater than 300,000 to reflect electronic transactions. In addition, a file containing students with Perkins and Nursing awards would be passed to the Student Loans system on a regular basis that would be used to print promissory notes. An ‘exception’ was activated on each of the students’ financial aid records when they accepted the Perkins or Nursing award. An on-line transaction was designed to allow the Student Loans Office to clear the exception when the note was signed, enabling their accounts to be credited with the loans.

11. An Official Credit table was created in the database. The table would be populated by incoming Stafford Loan Disbursement Rosters and by awards from ECU’s financial aid records.

Implementation

In many ways, the implementation began in the previous step when we informed students we were changing the process and gave them a choice of whether or not to use EFT. The flow of data between lending institutions and ECU is explained in detail below.

1. The existing financial aid system remained essentially the same up to the computer packaging of awards and the returning of the award letters, except for the aforementioned receiving of student application data electronically via Title IV WAN.

2. Stafford Loan certification records were updated with a Lender ID. If the student had a previous lender on the system, that Lender ID was used. Also, an Electronic Flag was set to ‘Y’ if it was a designated ‘electronic lender’, to indicate the loan application data was ready to send. A batch program was run to build a file of those records in the CommonLine format and was imported into LineSS to be sent off to various lenders.
Application Response Files were received from the lenders and were used to update the Stafford Loan award records on the mainframe, changing "estimated" to 'official', or terminating the loans. (When Stafford Loans are awarded by ECU, they are considered 'estimated', and when the lenders or guarantors guarantee the loan, they are changed to ‘official’ awards. Only official awards can be disbursed.) The Application Response Files were also imported into LineSS to update its database. The Financial Aid Office uses LineSS to inform students of the status of their loan.

3. Billing Statements were sent out and students were required to send back a copy of the bill indicating they were going to attend ECU and would use the financial aid awards listed to pay their tuition and fees. The students could also remit payment if the awards did not cover the entire bill. The Cashier’s Office looked up each student with an on-line transaction and waived the bill against all their student accounts. The accounts appeared as ‘paid’, but an overall ‘balance due’ was created as a result of the waiving.

4. Due to extreme time constraints and other circumstances, it was decided ECU would not receive the Disbursement Rosters via EFT initially. The programmer in CIS had had a lot of difficulty testing the Application Response Files with the participating lenders, indicating that the Disbursement Rosters may have proven difficult as well. The CommonLine96 file formats that were being used had not been released until late spring 1996 and most lenders, guarantors, servicing agents and School-Based Software providers were still in the testing phases with their files mid-summer, which was very late for a 1996 fall semester implementation.

- ECU received ‘master checks’ or wired monies and paper Disbursement Rosters from the participating lenders and guarantors. Two new on-line transactions were designed to facilitate the entering of the roster information into the Official Credit table. Separate Batch ID’s for rosters from each lender were entered into the table. The on-line screens will continue to be used for adjustments and inquiries to the Official Credit table after electronic rosters are received. By doing the process manually to begin with, the programmers will be better able to understand how to read and load the rosters electronically.

- Queries were written to verify and balance the incoming monies by batch with the paper rosters and monies received.

- ECU will begin Consolidated EFT through Sallie Mae during the 1997 spring semester. The populating of the Official Credit table with the electronic roster was the only step not completed for the fall semester startup. While programming for the electronic roster, it was discovered that paper check and EFT information were sent together in the same roster. Paper check information cannot be put into the table to be electronically credited!

On August 12, 1996, ten days prior to the beginning of fall semester, the first ECU student accounts were electronically credited. For ten days, the accounts were credited each night, and later in the semester, were credited twice a week.

**ECU’s EFT Process**

After months of planning and preparation, ECU’s EFT process was implemented. A series of batch programs are run that edit and prepare the students’ records, for crediting, credit and update their accounts, create letters of notification, and produce files for the General Ledger and Student Loans system. More detailed explanations of the EFT process and flow are in the following list.

1. The first batch program in the EFT series reads through all the award records in the financial aid system and loads the accepted awards that are designated in the Codes table as ‘EFT awards’ to the Official Credit table.

2. A second batch program performs all the edits, and runs on all selected students and their awards in the Official Credit table. There is a ‘credit indicator’ field in the Official Credit table that triggers the selection. (Note - in order to limit the number of students credited in the first run, the data was manipulated in the credit table to create a smaller population to be selected.) If a student’s campus-based award does not pass the edits, it is deleted from the table because it is reloaded each time an EFT batch runs. However, if a student’s Stafford Loan does not pass the edits, an ‘N’ is placed in the credit indicator and is selected on subsequent runs and re-evaluated. All students who do not pass the edits are written on an error report telling why they did not pass. If all edits are passed, the credit indicator is set to ‘Y’ and the student’s financial aid records are updated to reflect the disbursement.
3. All students and their awards that have a credit indicator of ‘Y’ in the Official Credit table are then selected by the next batch program that credits the students’ accounts. A sequence number is included for each award type in the Official Credit table that dictates the order in which the awards are to be credited to the accounts (grants first, then loans). This is done to help with the refund process, because if a student withdraws from school, the refund to the student is more likely be a loan, which he or she is not required to repay immediately. The awards are posted toward the student’s ‘balance due’ because the individual account has already been paid (waived). The credit indicator is then set to ‘P’ (for ‘paid’). The programmers debated deleting the campus-based awards out of the table after disbursement since the awards were in the financial aid system already, but decided to leave them in the Official Credit table. This turned out to be an excellent decision, since queries are run against the table and used for all types of reporting.

4. A fourth batch program is run to produce the files for the General Ledger and Student Loans systems.

5. The notification letters are printed and mailed.

6. The reconciliation process is manual. After a batch has been in the Official Credit table for thirty to forty-five days, queries produce reports by batch from the Official Credit table, with the credit indicator telling why the money is to be returned or adjusted. Such situations include when the student never passed the edits, withdrew, never enrolled, or dropped to less than half time. Batch programs are run against the table to update the credit indicator for ‘not enrolled’ and ‘withdrawn’. A ‘return’ column in the Official Credit table is updated to an ‘R’ when the batch has been reconciled and the appropriate money sent back, thereby blocking the record from being selected for disbursement on subsequent runs. The Director of Financial Aid performs the reconciliation process with the financial aid records and produces spreadsheets for the Grants Administration Office to enable them to reconcile their accounts. Grants Administration sends the money back via checks to the various lenders. ECU plans to use LineSS for Disbursements with Consolidated EFT to streamline and simplify the reconciliation process.

7. If a student has to have a check printed because of special circumstances, a specific exception is placed on his or her financial aid records and a batch program prints the paper check for the student.

The Fruits of our Labor

In an effort to see the results of the EFT process and to possibly pick up on any problems that might have occurred as a result of the process, members of CIS, including myself, ventured down to the Cashier’s Office and the ‘Excess Aid Check’ pick-up tent located outside the Cashier’s Office the day after the first EFT. We found we were able to answer many questions the students had about the new process. Many students were still expecting to wait in line to pick up a loan check, endorse it and wait in another line to pay their fees, even though all had been notified of the new procedure in many different mailings. At that time, we discovered students expected to pick up their checks on the date the notification letter had printed in it, rather than after the date. A change was made to the program immediately for the next run to clarify the date the check could be picked up. We also found by using a printout of the Official Credit table, we were able to tell students which awards had been credited and whether or not their Stafford money had been received by ECU. If a student’s record had not passed the edits, we pinpointed problems and told them what he or she could do to clear things up so his or her account would be credited the next time. For future semesters, we plan to have a computer terminal available at the ‘tent site’ so we can access all the student records on-line to enable us to further enhance the service to the students.

Future Enhancements

We have mentioned some enhancements that we have already implemented. In addition, we plan to make some additional changes. This process will continue to evolve as we improve service our students.

1. Include medical students in EFT process.
2. Include PLUS (parent loans) in the electronic loan disbursement process.
3. Make student ECU account and financial aid information available on the World Wide Web, kiosks and a telephone information system.

4. Explore the possibility of crediting the excess aid to the students’ bank accounts or (future) One-Card account. Drawbacks to this:
   - Staff would lose the ‘personal’ interaction with the students. When they pick up their excess aid checks now, they can speak with someone while getting the check and have their questions answered.
   - Students who do not have bank accounts would have to be processed separately.
   - The One-Card accounts may have a limit on cash withdrawals, and students often need large sums of money immediately for expenses like buying books and/or paying rent.

Benefits of the Project

ECU’s project to electronically transfer financial aid funds and student loan applications was a resounding success! There was a dramatic reduction in the number of students waiting in line at the Cashier’s Office to pick up and endorse checks, and pay fees. Over 7000 Stafford Loan checks would have been mailed to ECU and approximately 5500 campus-based award checks would have been printed for the 1996 fall semester. Instead, all the money was electronically credited, allowing students to stay out of the lines. The students did not have to return multiple times when the various checks came in. There was a reduction in paper and significant savings in the Financial Aid Office as a result of the 6500 loan applications that were processed electronically for the 1996 fall semester. Postage for the award letter packets was greatly reduced, and only a few checks were printed (about 450 for fall 1996), eliminating the need to process and warehouse checks. Overall, there was improved efficiency in the delivery of funds and services to the students of East Carolina University.