

Write-Off Helpful Hints

HHS, DSA, OCBP

Write-Off Submissions

August 21, 2000

Sticking Points in the Process

Starting the Process

You have decided to clear out those delinquent case files and know that the Division of Student Assistance (DSA), Office for Campus Based Programs (OCBP) is the key to the write-off process. But how to get started? What does the process require? So many questions you say? How does a person get help? The purpose of this information sheet is to answer some of those questions.

Go to the Source: The answers to these and most questions can be found in the updated Student Financial Aid Guidelines (SFAG). The SFAG including exhibits can be found on its own website at <http://www.hrsa.gov/bhpr/dsa/sfag>. We invite schools to visit the site.



Finding the information

Check out the exhibits: They contain such things as a Due Diligence Checklist which provides guidance on the types of documentation required to evidence due-diligence compliance.

After reading the referenced material, completing your research, and collecting your documentation, you are almost ready for submission. But wait, let's just double check what we've got. Here are a few last minute items to review which often become the sticking points in write-off submissions.

Is the total amount of all the borrower's loans (principal, interest, & penalty charges) less than \$3,000? If so, the schools have the authority to write-off the balance of the loan provided all due diligence steps have been completed, and documented (subject to audit).

Is the write-off review submission request within the 30 day time-frame of the date the loan(s) were determined to be uncollectible or when the repayment period expired? Cases over \$3,000 requesting review need to be

submitted within 30 days after uncollectibility has been determined. Additionally, for cases discharged in bankruptcy proceedings, the case is deemed uncollectible the day the school receives the discharge notice and must be submitted within 30 days of that date.

Is the case submitted by a servicer or the school? A school is in the best position to make the decision as to the uncollectibility of a loan and ultimately decide to submit it for write-off review. However, if the case is submitted by a servicer, documentation of the School's determination of uncollectibility should be included with the submission.

Ensure that copies of signed and dated Promissory Notes are included. Schools are responsible to keep and safeguard the originals as a permanent part of the borrowers record.

Does Entry/Exit documentation exist in the file? To meet this requirement, a school should conduct and document an entrance interview for each academic year during which the student receives loan funds and prior to funds being disbursed to the student. Likewise, a school must conduct and document an exit interview upon a borrowers exit from the program for which the funds were loaned. A school should make every effort to establish electronic or paper records of individual or group sessions or procedures to support compliance.

Are the required grace period contacts included/supported? The regulations require a school to contact borrowers in writing twice during the grace period at intervals determined by the school. Mailed exit interview information may not take the place of one of the two grace period contacts.

Deferments are available for periods of time in which a borrower is engaged in an approved activity. Regulations require the borrower to request a deferment citing an eligible activity for the time frame in which it is

to be in effect. Ensuring that the borrower signed the request and the appropriate school official has approved the request will meet the basic requirements for this one.

Does regular billing exist and is supported by documentation? The regulations require a school to perform and document regular billing. To comply with this requirement, a school must either send a statement prior to the due date of each payment or use a coupon payment system which provides coupons to borrowers no less often than biennially. *Past Due notices should not be mistaken for the required billings.*



Communicate with Borrowers

Reporting delinquent accounts to Credit Bureau(s) when the account first becomes over 120 days delinquent.

An integral part of the review process is to scan the case history for an annotation of credit bureau reporting anytime the account exceeds the 120 day delinquency date.

Has the account been referred to a Collection Agent? Regulations require a school to use a Collection Agency. However, a school can use an in-house or a commercial agent. For each collection agent to which an account is referred, the school must document the date of referral, the results of the collection agent's efforts, and the date the account was returned to or recalled by the school. In addition, a copy of the procedures followed by the in-house collection agent, or a copy of the contract (i.e, service agreement) with the commercial

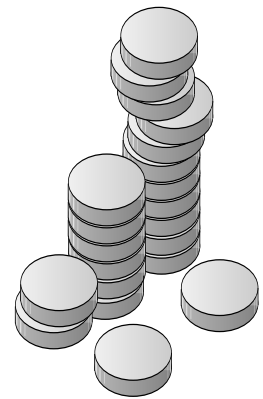
collection agency must be made available to the Department.

Has the account been Litigated?

Regulations require a school to litigate the account after all other collection efforts have failed unless the school can show that litigation would not be cost-effective. This is subject to the Secretary's approval. A package that contains documentation to that effect will greatly enhance its chances for success.

It all makes sense: By taking a few extra moments to look over your due diligence documentation on each borrower that a school contemplates submitting, a school can better avoid the pitfalls and problems associated with denials. It's that last look-see and a spare moment of double-checking that usually catches those "sticking points".

Check to see if the package you prepare for submission contains, supports, and evidences the items referenced above. Then, any need for additional information will be greatly reduced while enhancing the potential for approval. Time and effort spent in preparing the package and its subsequent



It all adds up

submission will be greatly reduced. Now, you have the latest helpful information available, are equipped and encouraged to give the write-off process a try.

Quick References - Student Financial Aid Guidelines: Fiscal Management-Part II-Collections

Due Diligence Summary	Chapter 1
Due Diligence Process	Chapter 2
Bankruptcy	Effective 10/7/98 major revisions (PL 105-244)
Write-off Process (documentation)	
Flowchart	Exhibit A
Checklist	Exhibit C