

Student Aid: William D. Ford Federal Direct Loan Program

"He who receives a benefit with gratitude,
repays the first installment on his debt."

-- Seneca

I. INTRODUCTION

The William D. Ford Federal Direct Loan Program (Direct Loan Program), formerly the Federal Direct Student Loan Program, was established in 1993 by the Student Loan Reform Act. The Direct Loan Program, which provides loans from the Federal government directly to student and parent borrowers, includes the following loan programs:

- o Federal Direct Stafford Loan;
- o Federal Direct Unsubsidized Stafford Loan; and
- o Federal Direct Parent Loan Undergraduate Student (PLUS).

This chapter presents procedures for recording and accounting for these loans.

II. PROCEDURES

A. TRANSFER OF FUNDS

Title IV Federal funds for Direct Loan Program loans are drawn down from the Department of Education as needed, generally at the same time other Federal funds are requested. As specified by Federal guidelines published in the Federal Register by the Department of Education, these drawdowns must be charged directly to a specific loan fund. The entry should be made to one of the following fund balance accounts using transaction code 8040, Federal Loans Received, as follows:

Dr. Cash	X-1100XX
Cr. FD Stud Loan Funds	X-10394X-0394X-8040
Cr. FD Unsub Stud Loan Funds	X-10394X-0394X-8040
Cr. FD PLUS Loan Funds	X-10394X-0394X-8040

II. PROCEDURES (Cont.)

A. TRANSFER OF FUNDS (Cont.)

To record the disbursement of loan funds to students or parents, or to the University for a student's tuition and fees, an entry is made to one of the following Notes Receivable accounts:

Dr. FD Student Receivable	X-102032-0394X
Dr. FD Unsub Stud Receivable	X-102037-0394X
Dr. FD PLUS Receivable	X-102039-0394X
Cr. Cash	X-1100XX

and/or

Cr. Various student accounts for tuition, housing, etc.	X-XXXXXX
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B. FUND NUMBERS

Campuses have two options in accounting for Direct Loan program funds. One of the following series of numbers can be used to record all transactions or a different series of numbers can be used each year for three years, then the first year's numbers used again for the fourth year and so forth.

1) First Year

Fed Direct Student Loan Funds	103941-03941
Fed Direct Unsubsidized Stud Loan	103942-03942
Fed Direct PLUS Loans	103943-03493

2) Second Year

Fed Direct Student Loan Funds	103944-03944
Fed Direct Unsubsidized Stud Loan	103945-03945
Fed Direct PLUS Loans	103946-03496

3) Third Year

Fed Direct Student Loan Funds	103947-03947
Fed Direct Unsubsidized Stud Loan	103948-03948
Fed Direct PLUS Loans	103949-03949

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* 4) Fourth Year

Fed Direct Student Loan Funds	103951-03951
Fed Direct Unsubsidized Stud Loan	103952-03952
Fed Direct PLUS Loans	103953-03953

C. FISCAL YEAR-END

Because the University is acting as an agent for the Federal government and the borrower, the fund balance accounts listed in Section A above must be closed out at the end of the fiscal year to a Notes Receivable account. A permanent journal entry is made using transaction code 8140, Federal Loans Disbursed, as follows:

Dr. FD Student Loan Funds	X-10394X-0394X-8140
Dr. FD Unsub Stud Loan Funds	X-10394X-0394X-8140
Dr. FD PLUS Loan Funds	X-10394X-0394X-8140
Cr. FD Student Receivable	X-102032-03941
Cr. FD Unsub Stud Receivable	X-102037-03942
Cr. FD PLUS Receivable	X-102039-03943

When this entry is made, the fund balance account should have a zero balance. The receivable accounts should have either a zero balance, a debit balance, or a credit balance. If the net receivable has a credit balance, the credit can be reclassified using a type 14 reversing journal to liability account 102094, as follows:

Dr. FD XXXX Receivable	X-10203X-0394X
Cr. FD Loan Payable	X-102094

III. RESPONSIBILITIES

Accounting officers are responsible for ensuring that the procedures set forth in this chapter are applied in accounting for William D. Ford Federal Direct Loans.

IV. REFERENCES

Accounting Manual Chapter:

A-115-62 Accounting Procedures for Recording Federal Financial Aid Administrative Cost Allowance

IV. REFERENCES (Cont.)

Ken Strangfeld, Memorandum to Loan Accountants on William D. Ford Federal Direct Loan Program, December 21, 1994.

Historical note: Accounting Manual chapter first published 12/30/96. Revised 3/31/97; analyst--Ken Strangfeld.