

Federal Student Aid

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SUBJECT: William D. Ford Federal Direct Loan Program Reconciliation

In a [Nov. 23, 2021 Electronic Announcement](#) we published general information regarding Title IV aid disbursement reporting, excess cash, and reconciliation requirements. In addition, updated disbursement reporting and data submission timelines for all programs were published in a recent Federal Register Notice ([see Federal Register Volume 86, Number 119 \(Thursday, June 24, 2021\) for the 2021–2022 deadlines](#)).

In this announcement, we provide specific information to assist schools with reconciling the William D. Ford Federal Direct Loan (Direct Loan) Program. The information provided below is for both the financial aid office and business office.

Direct Loan Reconciliation Defined

Direct Loan reconciliation is the process by which Direct Loan funds received and disbursed as recorded on the Department of Education's (the Department's) systems are reviewed and compared with a school's internal records; AND

- Discrepancies are identified and resolved
- Reasons for remaining cash balances are documented

Direct Loan reconciliation is a **mandatory** monthly process, as required under 34 CFR 685.300(b)(5). A school should reconcile all cash (drawdowns and refunds of cash) and disbursement records (actual disbursements and adjustments) with information in the Common Origination and Disbursement (COD) System on an ongoing basis.

There are two types of reconciliation, which can be performed separately or simultaneously during the month, including:

- **Internal Reconciliation**

This is the process where the business and financial aid offices compare the monthly financial aid office roster of scheduled and actual disbursements in each office's system to a monthly business office cash detail report that reflects funds drawn down and funds disbursed for the month. If discrepancies are found, the school must document and resolve them in a timely manner.

- **External Reconciliation**

The school compares its reconciled internal records to the Department's records of funds received and returned, and loans originated and disbursed to students at the school. At a minimum, this reconciliation must be completed at least monthly to ensure that data is correct in all systems and that cash management and disbursement reporting timelines are being met. If you have completed the internal reconciliation first, the school will have fewer discrepancies to resolve when you perform this external reconciliation. The Department offers various tools to assist you with external reconciliation. For more information, see the attachment to this announcement.

Direct Loan schools must also complete a final reconciliation to a zero (\$0) Ending Cash Balance at the end of their processing year. This should occur within a month or two of the school's final disbursements but no later than the Program Year Closeout deadline, which is the last processing day in July of the year following the end of the award year.

Information regarding this final reconciliation and the Program Year Closeout deadline is published in three (3) Electronic Announcements posted to the [FSA Partner Connect - Knowledge Center](#), in February, May, and July prior to the deadline.

Contact Information

For additional information on Direct Loan reconciliation, refer to the attached questions and answers document. If you have questions about this announcement or its attachment, contact the COD School Relations Center at 1-800-848-0978. You may also email CODSupport@ed.gov.

Attachments:

[Direct Loan Program Reconciliation Questions and Answers in PDF Format, 5 Pages, 230KB](#)