



Direct Loans Quality Assurance Policy and Procedure

Effective: 2022.07.01

I. Introduction

Universidad del Sagrado Corazon (“Sagrado” or “University”) provides its students various types of financial aid to pay for their education including student loans from the federal government, from private sources such as a bank or financial institution, or from other organizations.

The United States Department of Education (“USDE”) offers a federal student loan program that is known as the William D. Ford Federal Direct Loan (“Direct Loan”) Program. Under this program, the USDE is the student’s lender. The amount that a student may borrow depends on whether the borrower is an undergraduate student, a graduate or professional student, or the parent of certain undergraduate students.

II. Regulatory Context

Sagrado participates in the William D. Ford Federal Direct Loan Program and is required to implement a quality assurance process to ensure that it is complying with the Direct Loan Program’s requirements and meeting its objectives.

The process established in this Procedure meets the Program’s requirements under 34 CFR 685.300(b)(9):

- Reporting loan records, disbursements, and adjustments to disbursements correctly to the Common Origination and Disbursement (“COD”) System,
- Disbursing and returning loan funds in accordance with regulatory requirements,
- Disbursing the correct loan amount to the correct student,
- Completing monthly reconciliation and Program Year Closeout.

Because the USDE does not mandate the method by which schools meet the quality assurance requirement, Sagrado has the assessments and quality assurance processes in place to ensure that the Direct Loan quality assurance requirement is met taking into consideration the characteristics of Sagrado’s academic policies and programs, and our student population.

III. Scope

This Procedure applies to Direct Loans available to regular undergraduate and graduate students as defined in the University Catalog whose studies lead to a degree or a postbaccalaureate certificate. Sagrado does not offer professional certificates conducive to a degree or credits, as defined by the USDE.

IV. Types of Direct Loans

Sagrado have the following three (3) types of Direct Loans available to eligible students.

1. *Direct Subsidized Loans*. These are loans made to eligible undergraduate students who demonstrate financial need to help cover the costs of higher education at a college or career school.
2. *Direct Unsubsidized Loans*. These are loans made to eligible undergraduate, graduate, and professional students, but eligibility is not based on financial need.
3. *Direct PLUS Loans*. These are loans made to graduate or professional students and parents of dependent undergraduate students to help pay for education expenses not covered by other financial aid. Eligibility is not based on financial need, but a credit check is required. Borrowers who have an adverse credit history must meet additional requirements to qualify.

V. Processing Federal Direct Loans

A. Initiating the Direct Loan Process

1. Students interested in applying for a federal student loan must first complete and submit the Free Application for Federal Student Aid (FAFSA).
2. The Office of Integrated Assistance (*oficina de Asistencia Integrada* – “ASI”, by its Spanish acronym) uses the Institutional Student Information Record (“ISIR”) to determine student eligibility. Sagrado resolves any comment codes on the ISIR prior to extending a financial aid offer to the student. This offer may include federal loans.
3. Before receiving the loan funds, students are required to (a) complete the entrance counseling tool to ensure that the student understands his/her obligation to repay the loan; and (b) sign a *Master Promissory Note*, agreeing to the terms of the loan. The University cannot initiate federal loans or make funds disbursements to a student if any of (a) or (b) missing or if either one is flagged in the University’s student financial aid system (“FAS”) or the Common Origination and Disbursement (“COD”).
4. ASI verifies the students’ aggregate loan limit and reviews students’ accounts regularly to verify any issues in a student’s eligibility.

B. Disbursements

1. ASI verifies the students' enrollment status and course load in the Student Information System ("SIS") to update the period of enrollment data in the FAS.
2. The University uses the FAS to originate federal Direct Loans.
3. The FAS generates a report that is used to authorize disbursements to students and to credit a student's account with the total financial aid granted. This information is exported from the FAS to the SIS creating an accounts receivable.
4. The disbursement report is exported to the COD web site for the disbursement of funds and subsequent receipt by Sagrado. Rejected cases are reviewed and corrected by ASI.
5. Once disbursement reports are accepted and recorded in the COD, the Finance Office draws down the funds using "COD Cash > Net Accepted and Posted Disbursements".
6. ASI sends a letter to the student or parent about the disbursement of the federal loan and the credit to the student's account.
7. No further action is required from the student or parent.

C. Returns of Unearned Title IV Funds to the USDE

When a student receives Title IV federal loan during a payment period in which he/she began attendance, Sagrado must determine the amount of the loan assistance earned by the student as of his/her withdrawal date. The *Return to Title IV Policy* establishes the process for returns of unearned Title IV funds to the USDE.

Sagrado must return any unearned Title IV funds, that it is responsible for, within forty-five (45) days of the official withdrawal date and offer any post-withdrawal disbursement of loan funds within thirty (30) days of that date. Funds will be returned in the order prescribed by the USDE.

The official date of withdrawal shall be deemed to be the date on which the student begins the official withdrawal process as established by Sagrado, which is the date when the student provides official notice to Sagrado of his or her intention to withdraw in writing by completing the withdrawal form in mi.sagrado.edu.

If the withdrawal occurs on or before sixty percent (60%) of the payment period, the percentage earned will be equal to the percentage of the payment period that the student has completed as of the date of withdrawal. If the withdrawal occurs after sixty percent (60%) of the payment period has elapsed, one-hundred percent (100%) of the Title IV fund is considered to be earned.

Sagrado will consider fifty percent (50%) of the payment period as the date of withdrawal if the student ceases attendance to classes without officially notifying his/her withdrawal.

D. Refunds to the Student Account

Sagrado will issue a refund to the student within fourteen (14) days after the credit balance occurred on the student's account.

V. Monthly Reconciliation

1. Every month, the Finance Office generates the funding information report from the COD showing the net accepted and posted disbursement. This is used for the monthly reconciliation that shows the balance between the University's financial system and the COD.
2. The Finance Office completes the monthly reconciliation of direct student loans on or before the 15th business day of the next month after the closing of the accounting cycle.
3. In the event of a student's change in eligibility, ASI notifies the Finance Office to return funds to the cash control account or reduce a subsequent cash withdrawal.

VI. Program Year Closeout

The Finance Office reviews the COD direct loan award totals, retrieves the direct student loan balance confirmation report in the COD, and verifies the ending balance in the University's financial records system. Balances on both reports must agree. Differences between reports require adjustments in the general ledgers.

VII. Measurable Assessment

The University is constantly seeking to improve its processes and procedures. The following are among the activities used by the University to measure compliance.

1. Ensuring all loan records maintain "Accepted" status within the FAS until the end of year closeout.
2. Monitoring the enrollment and eligibility alerts within the SIS and FAS and responding appropriately.
3. Responding in a timely manner to the COD School Monitoring Report and the COD 30-Day Warning Report.
4. Comparing the COD Pending Disbursement Report and the Actual Disbursement Report with the FAS records.
5. Maintaining timely and accurate monthly reconciliation records.
6. Maintaining timely and accurate year-end closeout documentation.

VIII. Evaluation on the Effectiveness in the Processing of Direct Loans

The University uses the reports available in the COD System to assist in its evaluation on the effectiveness of its Direct Loans processes and procedures. These reports include:

- COD School Monitoring Report (produced by the COD System)
- 30-Day Warning Report (produced by the COD System)
- Counseling Report (produced by the COD System)
- Actual Disbursement List (produced by the COD System)
- School Account Statement (SAS) (produced by the COD System).

Some reports are also used for the reconciliation process to ensure that the monthly and year end process is done efficiently.

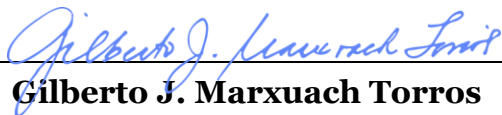
IX. Questions About this Policy and Procedure

Questions regarding the scope and interpretation of this Policy and Procedure should be directed to the Finance Office, at 787.728.1515, ext. 5409.

X Reporting Violations

Violations to this Policy and Procedure should be directed to the office of Compliance, Internal Audit, and Institutional Integrity at cumplimiento@sagrado.edu. Any violations to this Policy and Procedure will be addressed in accordance with the Sagrado's policies and procedures.

Universidad del Sagrado Corazón reserves the right to interpret this Policy and Procedure in its administration, implementation, and enforcement. If there is any ambiguity in any provision of this Policy and Procedure, Sagrado reserves the discretion to interpret it in accordance with the purpose for which it was established, the impact to Sagrado's operations and good faith, unless otherwise provided by law.



Gilberto J. Marxuach Torros

President