

# ISAC Federal Default Fee Invoicing and Remittance

## Overview

The Higher Education Reconciliation Act of 2005 eliminated the *optional* 1 percent insurance premium fee that guaranty agencies were allowed to charge for Federal Family Education Loan Program (FFELP) loans and instead established a Federal default fee equal to 1 percent of the principal amount of the loan. The federal default fee is required to be remitted to the federal government by guaranty agencies.

Per a policy approved in September 2007, The Illinois Student Assistance Commission (ISAC) will pay one-half of the 1% federally-mandated default fee on behalf of borrowers of FFELP (Federal Stafford and PLUS) loans guaranteed by ISAC on or after December 1, 2007.

ISAC-approved lenders are required to remit one-half of the 1% federally-mandated default fee to ISAC, whether that amount is collected from the borrower's loan proceeds or paid on the borrower's behalf by the lender. The procedure below outlines the method for receiving invoices and remitting the lender's portion of the default fee to ISAC.

## Receiving the Default Fee Invoice

- ISAC will e-mail Default Fee Invoices to lenders the first business day of each month. The invoice will be sent to the e-mail address provided by the lender on the Default Fee Data Sheet.
- The e-mail will contain two password-protected (using WinZip Pro) versions of the invoice,
  1. A version that can be read and printed from the Adobe Acrobat software (a .PDF file)
  2. A version in a comma delimited text format from which data can be exported into other platforms.
- To open the files:
  1. Double click on the desired file. The WinZip Pro window will open.
  2. Select "Extract" from the WinZip Pro menu.
  3. Select the desired location for the files to be extracted.
  4. Type in the password provided by ISAC to extract the files.
  5. Find the files in the location selected for extraction.
  6. The files may be viewed using software that has the ability to properly display **.PDF** (Adobe Acrobat) or **.TXT** (text) files.

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## Returning the Completed Invoice to ISAC

Lenders may choose to use either the PDF document or the Common Delimited Text File to return the invoice to ISAC. After determining which electronic format will be used to return the invoice, lenders will need to determine if the full amount of the invoice is being paid, or if adjustments to some payments need to be made.

Below are the instructions for returning the invoice based on the format and whether the invoice is to be paid as stated or if adjustments are to be made.

## **Returning the Default Fee Invoice Using the PDF document**

- If paying the Current Balance Amount:

After reviewing the invoice, if the lender agrees to pay the CURR BAL (Current Balance) amount in the INVOICE SUMMARY section, follow these steps:

1. Fill in the total amount being remitted (this amount must match the CURR BAL amount).
2. Date the invoice on the DATE line.
3. Sign the invoice on the APPROVER SIGNATURE line.
4. Review the INVOICE SUMMARY section for reconciliation purposes.
5. Make an electronic copy of the completed .PDF document and e-mail it to **dfee@isac.org**.

- If paying an Amount Other Than the Current Balance Amount:

After reviewing the invoice, if an amount other than the CURR BAL is to be remitted, the lender must review the INVOICE DETAILS sections and make adjustments on the invoice.

1. For any record listed for which payment of the CURR BAL will be remitted, place a “✓” (checkmark) in the LENDER PAY column.
2. For any record listed for which the payment amount is different than the CURR BAL, indicate the amount being paid on the LENDER PAY line (99999.99 format).
3. After all adjustments have been made, enter the grand total amount to be paid on the TOTAL LENDER PAY line in the INVOICE SUMMARY section of the invoice. This amount must equal the sum of all detail payment amounts.
4. Make an electronic copy of the completed .PDF document and e-mail it to **dfee@isac.org**.

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## Returning the Default Fee Invoice Using the Comma Delimited Text File document\*

- If paying the Current Balance Amount

After reviewing the invoice, if the lender agrees to pay the CURR BAL (Current Balance) amount, follow these steps:

1. Create an additional column at the far right of the Invoice. Precede the new column with a “,” (comma).
2. Indicate the total amount paid for each detail record in the new column.
3. Indicate the grand total amount paid in the trailer record in the new column. This amount must match the amount in the TOTAL CURRENT BALANCE field in the trailer record.
4. Review the invoice for reconciliation purposes.
5. Make an electronic copy of the completed .TXT document and email it to **dfee@isac.org**.

- If paying an amount other than the Current Balance Amount

After reviewing the invoice, if an amount other than the CURR BAL is to be remitted, the lender must review the INVOICE DETAILS sections and make adjustments on the invoice.

1. Create an additional column at the far right of the Invoice. Precede the new column with a “,” (comma).
2. Indicate the total amount paid for each detail record in the new column. Indicate the grand total amount paid in the Trailer Record in the new column.
3. Review the invoice for reconciliation purposes.
4. Make an electronic copy of the completed .TXT document and email it to **dfee@isac.org**.

\* See the 2007 – 2008 ISAC Default Fee Invoice Comma Delimited Text File Specifications for file layout and record descriptions.

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## Options for Remitting the Fees

- **Automated Debit** - For lenders using the automated debit process, the invoice will serve as notification of the pending debit transaction and can be used for reconciliation purposes. Lenders will also be notified when the transaction has taken place.
- **Automated Clearinghouse (ACH)** – Lenders indicating that they will use the ACH process were provided with ISAC’s banking information in an e-mail on December 26, 2007. If your institution does not have the information necessary to complete a payment transaction, please contact Xoe Miranda, Assistant Comptroller, [vmiranda@isac.org](mailto:vmiranda@isac.org).
- Payment is due upon receipt of the invoice.
- Regardless of the remittance option used, the Default Fee Invoice must be returned to ISAC.