PESC Candidate Business Case

Candidate Name: CR:C
Candidate Submitted by: NCHELP ESC Origination Standards Advisory Team
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Acronyms: The following acronyms are used in this document.

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<td>COD</td>
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<td>XML</td>
<td>Extensible Markup Language</td>
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Historical Overview

The U.S. Department of Education’s Office of Federal Student Aid (FSA) created a new system to process financial aid data for several of their legacy systems thereby increasing efficiencies, eliminating redundancy and creating a new standard. This new process uses a single structure to format and transport the data called the Common Record. A new dictionary, the Core Components Data Dictionary, was also created in order to record the data elements used in the Common Record and to standardize the data element names, acceptable values and definitions for use by other financial aid processes. Beginning with the 2005-2006 award years FSA requires all schools to send and receive origination and disbursement data for the Federal Pell Grant Program and the Federal Direct Loan Program to the Common Origination and Disbursement System (COD) using the XML Common Record: COD. Thus, whether a school participates in Direct Lending or FFELP, they will need to process financial aid data using the Common Record. Members of the National Council of Higher Education Loan Programs (NCHelp) and the Postsecondary Electronic Standards Council (PESC) assisted with the development of the Common Record and the Core Components Data Dictionary. This collaborative effort enables the Common Record and Core Components Data Dictionary to bring consistency and standardization to the transmission of student financial aid data.

While schools continue to exchange much of the same Direct Loan and Pell Grant data; the Common Record takes advantage of commonality across programs to maximize the use of common data elements and edits so schools can eliminate the submission of redundant student identifier information. Student and parent recipient data, such as name, social security number, date of birth, and other non-program specific
data will be stored once so that a student/recipient will have one identifier record in COD for all programs. Edits that relate to general school and student eligibility will also be the same across programs. Program specific data, such as Direct Loan disbursement amounts, will continue to have unique program data elements and edits.

**Business Objectives**

FFELP service and software providers were looking to converge with FSA’s XML-based Common Record and data dictionary to capitalize on commonalities across programs and minimize the use of multiple electronic standards. As a result members of NCHELP’s Electronic Standards Committee, in collaboration with the PESC and the Office of Federal Student Aid, developed a new XML-based version of CL named CR:C.

CR:C continues the CL tradition, offering the FFEL community a full-service network which includes standard XML file formats, valid values, business rules, and edits for the exchange of FFELP and alternative loan application, response, disbursement, and loan change data transmission and processing. FFELP trading partners now have the ability to communicate electronically with each other via the most recent standardized electronic format using the same platform as the FSA. The design of a single standard XML-based Common Record to support all financial aid programs, including FFELP, alternative loans, and Direct Lending, provides a consistent and well coordinated alternative to flat files, and provides a simplified process for the submission of financial aid data by schools and their service and software providers.

One of the objectives behind the conceptual design of the XML-based CR:C process is to provide NCHELP participants and partnering schools greater flexibility in record processing. The CR:C process may also serve as a technological foundation for additional NCHELP initiatives, such as an XML version of CAM. XML facilitates the FFEL industry’s movement to real-time processing; however, participants may continue to exchange information in batch files. XML offers the flexibility to design records, known as XML documents for the specific needs of a select audience or community while conforming to an industry standard. It supports validation edits by checking structural integrity and identifying errors. With these objectives in mind, XML was the logical choice for the Common Record format and structure.

Industry partners were permitted to trade using CR:C on or after April 1, 2004. Within the industry a majority of ESC participants are currently in the design or coding phases of CR:C and some organizations plan to begin CR:C processing before the end of 2005.

**Justification/Recommendation**

FFELP and alternative loan service and software providers are committed to expanding the benefits of the Common Record. Through NCHELP’s ESC, which brings together various FFELP and alternative loan service providers along with software developers, convergence has been one of the major goals. The ESC and FSA agreed that convergence as it relates to CL and the Common Record is taking the best of all programs and creating a new standard, not adoption of one standard over another.

FFEL and alternative loan providers should view the Common Record as an opportunity to provide streamlined efficient processes to their school customers and to the school software developers. However, providing this opportunity does not come without a cost. While schools and software developers will realize short and long term efficiencies, many service providers, as in any systems change, will incur significant up front costs. However, these will hopefully be recouped through long term efficiencies. The benefits of CR:C to the FFEL industry participants are ease of programming one format across multiple financial aid
programs to better utilize resources for the continuation of standardization efforts, and to be able to provide further opportunities for automation of processing functions that were often left unautomated in flat file processing.

Industry Collaboration

In late Fall 2001, the NCHELP ESC formed an XML Workgroup to review the potential of developing a version of CL in an XML format. In January 2002 the XML workgroup presented the results of their discussions and a transition strategy to the full ESC. After much deliberation and discussion, the group concurred on a strategy for migration to XML.

The ESC in collaboration with the PESC began by creating a common schema for CL and developing the FFELP portion of the Core Components Data Dictionary utilizing existing Common Record data names whenever possible. No reengineering of business processes was anticipated as part of this development.

Concurrently, some FFEL participants formed a group called the CL Common Record Convergence Group (CCCG) formerly Project Genesis, to look at development of an alternate proposal for convergence. This proposal's key concepts included a change transaction process that mirrored the Direct Lending model and also accelerated the implementation of CR:C for FFEL and alternative loans. In April of 2002, a meeting of CCCG representatives and ESC members was held to discuss how the ESC could move more quickly on the convergence efforts.

In May 2002, the full ESC voted and agreed that by July 1, 2002, details would be provided to ED as to specific data elements that would need to be added to the Common Record layout to accommodate FFELP. At this point in time, the ESC recognized that the industry could not completely reengineer the process in time to meet an April 2003 deadline. Therefore, it was agreed to develop a process that could be mapped to CL flat file formats. ESC planned to build a process that all parties could adopt but also allowed for a long-term strategy.

In June 2002, FSA, FFELP and alternative loan service providers collaborated to refine the data definitions, tags, and block structure of the Common Record version 2.0 for the 2003-2004 award years forwarded to FSA for inclusion in version 2. A one-for-one straight translation (the original goal of the ESC in January 2002) did not take place as it was determined that many of the data elements needed in CL5 could be derived from other elements in the Common Record.

During the July 2002 ESC meeting it was reported that the Project Genesis group had dissolved yet there was a small group, the CL/Common Record Convergence Group (CCC Group), working to develop documentation to serve as a Proof of Concept plus additional details in support of their alternate proposal. The documentation detailed the convergence of business processes between CL and the Common Record. The documentation was delivered to the ESC Reengineering Subcommittee to provide a head start and assist in the reengineering efforts. The CCC Group also agreed to support the ESC XML Re-engineering Subcommittee’s decisions if the Subcommittee determined that the adoption of the CCC Group concepts were not feasible and in the best interest of the schools.

The ESC Reengineering Subcommittee met in August 2002 to review the CCC Group document and in turn created a proposal presented to the full ESC at the September 2002 meeting. A conference call was also held during the meeting with the ESC School Advisory Team to gain further information on designing the reengineered process to meet the needs of the schools. At the conclusion of this meeting, it was decided
to continue to move forward with the development of a re-engineered process for convergence with the Common Record. All agreed on a goal of finalizing completed documentation by December 2002.

At the committee’s next meeting in November, a meeting was held with the committee, FAMS/SIS vendors, and school representatives. This meeting focused on the work of the XML re-engineering Subcommittee and was designed to present and receive validation that the direction for CR:C development from the schools and software vendors.

The ESC Reengineering Subcommittee submitted the map able versions of the Application Send, Response and Disbursement Information files to the PESC XML Forum for assistance in the development of the schemas. Eventually ESC created a reengineered "end result" post-guarantee change process. The development of the CR:C Implementation Guide was fully underway in January 2003 as the ESC Reengineering Subcommittee was eventually folded back into the ESC Origination and Disbursement and Change Transaction Advisory Teams. PESC provided ESC with a draft CR:C schema in March 2003. The O and D and Change subcommittees continued to work with PESC on the few remaining schema issues.

Collaborative work continued with FSA on the timelines for their support of the CR:C process for FFELP and alternative loans. NCHELP's Version 1.0 of the Common Record: CommonLine Implementation Guide was officially issued on July 1, 2003 with some sections in draft form. By September 2004 the ESC Origination and Disbursement and Change Advisory Teams (now referred to as the ESC Origination Standards Advisory Team) successfully finalized all sections of the Implementation Guide. Additionally, the team completed the last scheduled CR:C industry training session in July 2004. This was the fourth training session presented by this team. The Origination Standards Advisory Team continued to focus on version management between the CR:C documentation, schemas and testing tool over the next year.

**Expected Benefits**

**Students**

CR:C will allow the industry to provide data in the most current electronic standard available. This new standard will allow the industry the ability to give students and their family’s accurate and consistent information and the XML technology better lends itself to real-time processing and faster delivery of funds.

**Schools**

The CR:C process and the Common Record XML formats were created by industry organizations to provide a simplified approach and a common format for the electronic exchange of student loan data, allowing schools to use one software provider (FAMS) to communicate with all CR:C participants, and enabling schools to initiate electronic communication with service providers with whom they currently communicate non-electronically or via an earlier version of CL. The standardized format will provide a consistent approach and allow each participating organization to ensure data exchanged following these standards will be accepted. In addition, FAMS systems are moving towards communicating all financial award information with the FSA in XML format. With the implementation of CR:C to manage FFELP and alternative loan volume, schools will be able to exchange data in one format across the board for all processes.

**Service Providers (e.g. lenders, servicers, and guarantors)**
The goal of CR:C is to simplify the student loan process by establishing standard file formats, definitions and processing rules providing a simplified approach for the electronic exchange of student loan data, allowing lenders and servicers the ability to communicate with all CR:C participants and enabling electronic communication between service providers with whom they currently communicate non-electronically or via an earlier version of CL.

**Software Providers**

CR:C allows the software vendors to create products that utilize similar technology in the same format with standard data elements from a Core Components Data Dictionary for FSA financial aid processing and FFELP and alternative loan processing.

**Other**

CR:C consolidates multiple flat files into one general structure - Common Record. CR:C simplifies the application, guarantee, disbursement, and change processes because although CR:C has the same structure for all formats, not all data elements are required for each transmission. CR:C facilitates communication between schools and service providers (guarantors, lenders, and servicers) and FSA through the use of common files and simplified processes. CR:C continues to enable participants to send key loan information electronically using industry standard transmission and encryption methods. CR:C offers flexibility by allowing schools and service providers to select the CL processes they will implement. For example, the financial aid office of a college may choose to use CL for the loan origination process while the bursar's office at the same college maintains its manual disbursement system.

**Impacts**

**Business Processes**

All student loan industry participants must be trained on CR:C from a business and technology perspective as applicable.

**Regulatory/Compliance**

The industry will adhere to the accepted method of external testing with trading partners as defined by NCHELP’s Testing and Certification Advisory Team to certify CR:C compliance. As with CL5 implementation NCHELP requires all participants to test CR:C externally with at least five trading partners to include schools and lenders/servicers. In addition, NCHELP requires all participants to utilize the latest CR:C Testing and Certification Tool for internal testing of hardware and software products prior to declaring compliance and readiness on each document in the new Common Record XML format.

**Technological Impact/Outcome**

The higher education community will move together to the latest XML technology.

The primary technology infrastructure concerns relate to the potential increased bandwidth and storage requirements that come as a result of the CR:C/XML payload. It is possible that organizations can absorb
added demand without any additional cost; however, it will be necessary to conduct a detailed analysis by organization.

**Risk of Non-Action/Alternative Business Options**

Service and software providers in the interest of reducing costs relative to proposed decreased earnings relative to the Reauthorization of the Higher Education Act may decide or be required to create proprietary XML formats for FFEL and alternative loan processing to gain consistencies with FSA financial aid processing.

**Signatures**

Candidate Submitter Signature  
PESC Advisory Board Review Signatures  
PESC Approval Signatures