

*We guarantee it.™*



## *Blanket Certificate of Guarantee*

*Blanket Guarantee improves and simplifies student loan delivery for students, schools, lenders and NSLP without jeopardizing program integrity.*



**NSLP** National Student Loan Program

# Blanket Guarantee Benefits

- enables schools and lenders to more efficiently deliver loan funds to students
- makes same-day delivery of loan funds by lenders and schools a routine event
- allows schools to receive loan funds more quickly from the lender
- preserves loan processing flows for schools
- reduces data transfers among schools, lenders and guarantors
- preserves guarantor verification of school's loan certification
- does not create any new risks for schools
- does not create any new risks for lenders

## Blanket Certificate of Guarantee

NSLP is the first guaranty agency authorized by the Department of Education to issue Blanket Certificates of Guarantee to lenders. Shortly after the Higher Education Act was amended in 1998 to allow guarantors this authority, NSLP began actively developing its Blanket Guarantee process. NSLP believes the Blanket Guarantee process will improve and simplify student loan delivery for students, schools, lenders, and NSLP without jeopardizing program integrity. The following information explains the basic concepts of NSLP's Blanket Certificate of Guarantee.



## What is the Blanket Certificate of Guarantee?

The Blanket Certificate of Guarantee is an agreement between the lender and NSLP which permits the lender to disburse Stafford and PLUS loans before the lender receives a notice of guarantee from NSLP. The lender disburses the loan based on information from the school, then reports the loan to NSLP. Under the Blanket Guarantee process, the loan is guaranteed when it is disbursed by the lender, then subsequently reported to NSLP. The Blanket Guarantee process is similar to the Consolidation Loan Certificate, where the lender disburses the consolidation loan then reports it to NSLP.

## How will schools benefit from Blanket Guarantee?

Schools that work with lenders who have a Blanket Guarantee agreement with NSLP can receive loan funds more quickly from the lender. The school works directly with the lender to obtain loans – making same-day delivery of loan funds possible.

## How will lenders benefit from Blanket Guarantee?

Because lenders don't have to wait for a notice of guarantee from NSLP, they can quickly disburse loans to schools, and make same-day delivery of loan funds a routine event. Lenders work directly with schools to make any pre-disbursement loan adjustments so they can disburse loans without waiting for guarantee corrections from NSLP.

## How does the Blanket Guarantee process work?

Under the Blanket Guarantee process, schools and lenders do not need to wait for a notice of guarantee from NSLP before the loan is disbursed. Schools that currently send loan information to the lender can continue to do so. Schools that currently send loan information to NSLP can continue to do so – NSLP will work with the lender to ensure the loan information is forwarded to the lender. Once the lender receives the school's loan information, the lender disburses the loan based on the schedule provided by the school. The lender reports the loan to NSLP within 12 calendar days of the first disbursement, then NSLP immediately acknowledges receipt of the loan information from the lender.

Schools work directly with lenders to make pre-disbursement loan adjustments. If there are changes to the loan before the first disbursement is made, the school reports them to the lender, who makes the adjustment and then disburses the loan. The lender reports the loan information to NSLP only after making the changes and disbursing the loan.

## How is Blanket Guarantee different than the traditional guarantee process?

Traditionally, the lender waits to disburse the loan until it receives a notice of guarantee following the guarantor's review of the school's loan certification data. The guarantor reviews the loan data primarily to:

- ensure nothing in its database indicates the borrower is ineligible for the loan
- prevent discrepancies in the loan data

Some guarantors perform more than 200 edits before issuing a notice of guarantee – mostly to identify minor data discrepancies. The notice of guarantee and the disbursement of the loan are delayed while the data discrepancies are resolved.

## Does Blanket Guarantee create any new risks for schools or lenders?

**No.** Schools and lenders have the data they need to determine if borrowers are eligible for student loans and how much they can borrow. Schools are effectively screening student loan borrowers using the Department of Education's Central Processing System (CPS) and National Student Loan Data Systems (NSLDS). Schools have access to more comprehensive information about the student – including prior loans and defaults – than a guaranty agency typically does. A lender, too, maintains its own database of student loans, checks the student's prior loans, and confirms there are no defaults before the loan is disbursed.

Schools and lenders have no more risk with the Blanket Guarantee than they have with a traditional guarantee process. A school or lender is only at risk if it chooses to ignore information it has about a borrower's prior loans or defaults or makes loans to borrowers it knows are ineligible.

## Will lenders have to change systems or procedures to accommodate the Blanket Guarantee process?

**Yes,** but the system changes depend on how the lender currently processes loan certification and guarantee information. To avoid disrupting school and lender data flows and formats, NSLP accommodates Blanket Guarantee by using CommonLine® data formats now being used to transmit loan certification and guarantee information. The lender may need to make some changes in the way it receives loan information and the data it provides to NSLP. For example, the lender needs to be able to update its records to include NSLP's guarantee number, which is not assigned until the lender disburses and reports the loan to NSLP. Under the current loan guarantee process, the lender receives this information before the loan is disbursed when NSLP issues the notice of guarantee.

*See NSLP's "Blanket Guarantee Process" flow charts for examples of the Blanket Guarantee process. Because loan processing can vary for each lender, NSLP will work individually with lenders to discuss system requirements for the Blanket Guarantee process.*

## Will schools have to change systems or procedures to accommodate the Blanket Guarantee process?

To avoid disrupting school and lender data flows and formats, NSLP accommodates Blanket Guarantee by using CommonLine® data formats now being used to transmit loan certification and guarantee information. Schools that use CommonLine® won't need to make any system changes. Schools that use ELITE, NSLP's loan processing software, won't need to make any system changes either.

The Blanket Guarantee allows schools to work more closely with lenders, and any changes in procedures will depend on how the school chooses to interact with the lender. Schools that currently send loan information to NSLP can continue to do so – NSLP will work with the lender to ensure the loan information is forwarded to the lender.

Alternatively, schools can send loan information directly to the lender. In either case, the school will receive loan information directly from the lender. Lenders using Blanket Guarantee can now provide additional information about the loan to the school, enabling schools to more closely track the status of the loan.

See NSLP's "Blanket Guarantee Process" flow charts for examples of the Blanket Guarantee process.

### Will NSLP review the loan information when the lender reports it?

Yes. NSLP will continue to review loan information when it is reported by the lender under the Blanket Guarantee process just as NSLP reviews loan certifications it receives for guarantee today—including confirming the school's eligibility, checking the borrower's aggregate loan limits, and determining if the borrower has a prior loan default with NSLP. However, NSLP will notify the lender if it determines the borrower is ineligible for all or part of the loan. NSLP also notifies the lender if there are any data discrepancies to be resolved, and works with the lender to resolve them.

### What does the lender or school do if notified the borrower is ineligible for all or part of the loan?

Because schools and lenders already review a borrower's prior loans and defaults, it is unlikely schools and lenders will encounter problems. However, a lender or school that learns, after the loan is disbursed under the Blanket Guarantee process, that a borrower is ineligible should follow *Common Manual* requirements and federal regulations to request the return of the loan funds from the borrower or contact the guarantor. Lenders and schools that follow these ineligible borrower requirements are not at risk of losing the guarantee on the loan under these circumstances.

### Can a school or lender use the Blanket Guarantee for some loans but not others?

Because it streamlines student loan delivery between the school and lender, the Blanket Guarantee works most effectively when it's used for all the loans made by the school or lender. However, NSLP can accommodate either the Blanket Guarantee process or the traditional guarantee process for schools and lenders.

NSLP encourages Blanket Guarantee lenders to keep schools informed about their use of the Blanket Guarantee. Schools that have concerns about the Blanket Guarantee process should discuss them with their lenders or NSLP. But NSLP is confident that, when schools have all the facts, they will be comfortable with Blanket Guarantee.

### What does the lender need to do to participate in Blanket Guarantee?

The lender must have a lender agreement with NSLP, and then execute a "Blanket Certificate of Guarantee" agreement with NSLP. The Blanket Guarantee agreement requires the lender to report loans disbursed within 12 calendar days of the first disbursement date.

### Who do lenders contact for more information about NSLP's Blanket Certificate of Guarantee?

Lenders interested in obtaining a Blanket Certificate of Guarantee from NSLP should contact:

*NSLP Business Development*  
P.O. Box 82507, Lincoln, Nebraska 68501-2507  
phone 800-735-8778, ext. 6618 fax 402-479-6658  
[www.nslp.org](http://www.nslp.org)

# Blanket Guarantee Process

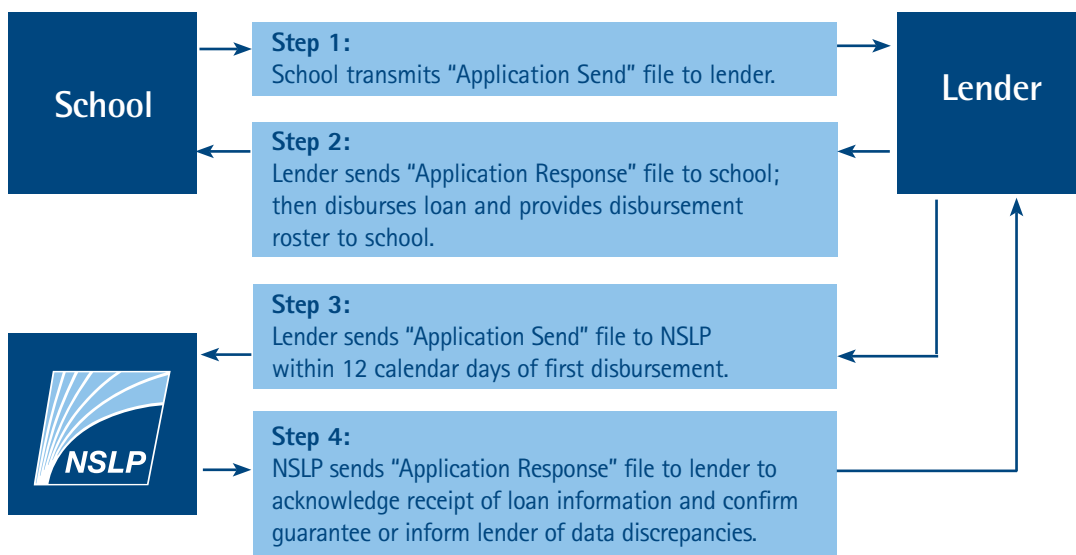
## Example 1 – School to Lender to NSLP

Step 1: School sends loan information to lender.

Step 2: Lender disburses loan based on school's information.

Step 3: Lender reports loan to NSLP within 12 calendar days of first disbursement.

Step 4: NSLP immediately acknowledges receipt of loan information from lender.



To avoid disrupting school and lender data flows and formats, NSLP accommodates Blanket Guarantee by using CommonLine® data formats for transmitting loan certification and guarantee information.

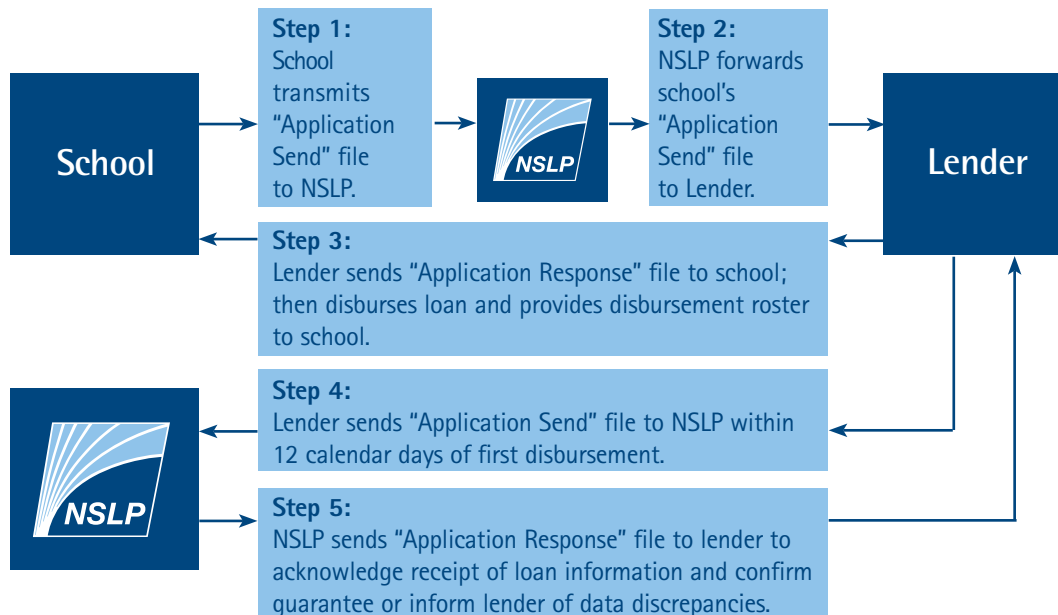
If there are changes to the loan before the lender makes the first disbursement, the school reports them to the lender using a "Change Transaction Send" file or other method used by the school. The lender makes the adjustments and provides a "Change Transaction Response" file to the school. The lender reports changes made before the first disbursement of the loan to NSLP after the loan is disbursed when the lender sends NSLP the "Application Send" file in Step 3.

The lender must be able to update its records to include NSLP's guarantee number, which is provided to the lender in the "Application Response" file from NSLP in Step 4.

# Blanket Guarantee Process

## Example 2 – School to NSLP to Lender

- Step 1: School sends loan information to NSLP.
- Step 2: NSLP forwards loan information to lender.
- Step 3: Lender disburses loan based on school's information.
- Step 4: Lender reports loan to NSLP within 12 calendar days of first disbursement.
- Step 5: NSLP immediately acknowledges receipt of loan information from lender.



To avoid disrupting school and lender data flows and formats, NSLP accommodates Blanket Guarantee by using CommonLine® data formats for transmitting loan certification and guarantee information.

If there are changes to the loan before the lender makes the first disbursement, the school reports them to the lender using a "Change Transaction Send" file or other method used by the school. The lender makes the adjustments and provides a "Change Transaction Response" file to the school. The lender reports changes made before the first disbursement of the loan to NSLP after the loan is disbursed when the lender sends NSLP the "Application Send" file in Step 4.

The lender must be able to update its records to include NSLP's guarantee number, which is provided to the lender in the "Application Response" file from NSLP in Step 5.