

Session #1

Administering Disbursements

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U.S. Department of Education

2019 FSA Training Conference for Financial Aid Professionals

Agenda

- Disbursement Overview
- Early Disbursements
- Late Disbursements
- Post-Withdrawal Disbursements
- Retroactive Disbursements
- Credit Balances
- Disbursing by Payment Period
- Disbursements when Regaining Eligibility
- Returning Funds

Disbursement Overview



Disbursement

- Defined as the date a school credits a student's account at the school or pays a student or parent directly with:
 - Funds received from the Department
 - School funds used in advance of receiving funds from the Department within regulatory time frames
- Disbursement date reported to COD **must** be the actual date of disbursement to the student's account

Notification of Disbursement

- School must notify the student of the amount of funds expected to receive from each FSA program
 - Must be provided prior to disbursement
 - Must include how and when disbursement will occur
- If award contains Direct Loans or Teacher Education Assistance for College and Higher Education (TEACH) Grant, the notification must include:
 - Anticipated Date and Amount of Disbursement
 - Student's/Parent's right to cancel all or portion of loan or TEACH
 - Procedure to cancel all or portion of the loan or TEACH

Authorizations

- The school must obtain authorization from the student before performing any of these activities:
 - Use FSA funds to pay for allowable educationally related charges **other than** tuition, fees, and room and board (if the student contracts with the school)
 - Disburse Federal Work-Study (FWS) wages by Electronic Fund Transfer (EFT) to a bank account designated by the student or parent
 - Credit FWS wages to a student's account to pay any educationally related charges
 - Hold an FSA credit balance

Determining Eligibility Before Disbursement

- Before disbursing FSA funds, you must determine and document that the student remains eligible to receive the type and amount of FSA funds that you expect to disburse
 - Institutional Student Information Record (ISIR)
Determined Eligibility (Citizenship, Drug Related, etc.)
 - School Determined Eligibility (Regular student, SAP, etc.)
- Both you and your Third-Party Servicer must have a process in place to make this determination

Funding Basics

COD

Schools report disbursement amounts for each Title IV program to the Common Origination and Disbursement System (COD), which records the date, amount, and to whom it was disbursed. Amounts disbursed in the COD system increase the institution's authorization to draw down funds in the G5 system.

G5

G5 is the Department of Education's grants management system for a variety of federal grant programs. Institutions request drawdowns of cash through the G5 system for each Title IV program.

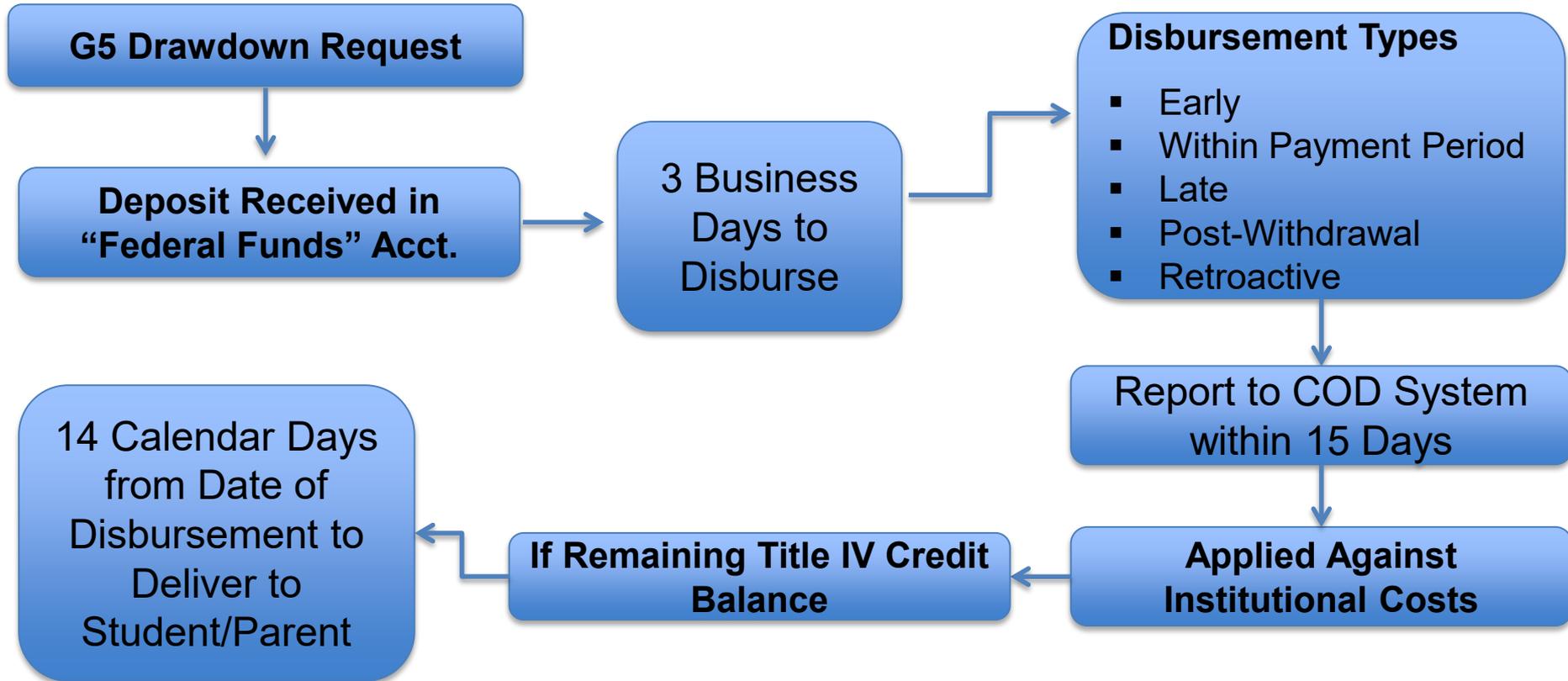
Advance Payment

The **Advance** payment method permits institutions to draw down Title IV funds prior to disbursing funds to eligible students and parents.

Process

- School reports anticipated disbursements to COD
- School draws down funds from G5 system
- School disburses Title IV aid within 3 days of drawdown and pays credit balances to students within 14 days of balance occurring

Disbursement Process Overview (Advance)



Heightened Cash Monitoring 1 (HCM1)

Under **HCM1**, an institution must first make disbursements and pay credit balances to students. Only then may the institution drawdown Title IV funds from G5.

Process

- School disburses Title IV aid to student account and pays credit balance to student within 14 days of balance occurring
- School reports disbursements to COD
- School draws down funds from G5

Heightened Cash Monitoring 2 (HCM2) and Reimbursement

Under **HCM2** or **Reimbursement**, the institution first disburses funds to students and pays credit balances using institutional funds, then submits a request for reimbursement of those funds to the Department.

In its request, the institution must submit all requested documentation to the Department showing that each student included in its request for funds was eligible for, and received, those funds. The Department approves or declines the request based on those materials.

Disbursement and Funding Process

Federal Pell Grant Funds

School Financial Aid System
Reports
Pell “Actual” Disbursements
No Earlier than 7 Days Prior
Or
No Later than 15 days After



COD Reports
Accepted
Record to G5



G5 Generates Pell Grant
funds in the amount of
Actual Disbursements

Direct Loan Funds

School Financial Aid System
Reports
DL “Actual” Disbursements
No Earlier than 7 Days Prior
Or
No Later than 15 Days After



COD Accepted Record
Substantiates
G5 Drawdown

Restrictions on Direct Loan Disbursements

- **30 Day Delay-** a first-time, first-year borrower cannot receive a Direct Loan disbursement until 30 days after the payment period start date
- **Single Term Loan-** when a Direct Loan is made for one payment period, the loan must be disbursed in two substantially equal installments, and the second installment may not be disbursed until the student has completed half of the payment period
 - Exception: cohort default rate is less than 15% for the three most recent fiscal years

Disbursements in Modules

- A student who is enrolled in a module within a payment period is enrolled for the entire payment period
 - The loan period includes the entire payment period
 - The cost of attendance excludes periods of non-attendance
 - Disbursements cannot be scheduled during periods on non-attendance

Disbursements in Modules

- A school can make a single disbursement based on the enrollment status for the entire term
 - Student must begin attendance for all credits used to establish enrollment status or Pell recalculation required
 - Change in enrollment status to less than half-time results in cancellation of subsequent loan disbursements
- A school can schedule multiple disbursements throughout the payment period not to exceed the permitted amount

Types of Disbursements

Normal Disbursements:

- Disbursements for a payment period made during that payment period while the student is eligible

Early Disbursements:

- Disbursements for a payment period made to an eligible student before that student is scheduled to begin attendance in that payment period

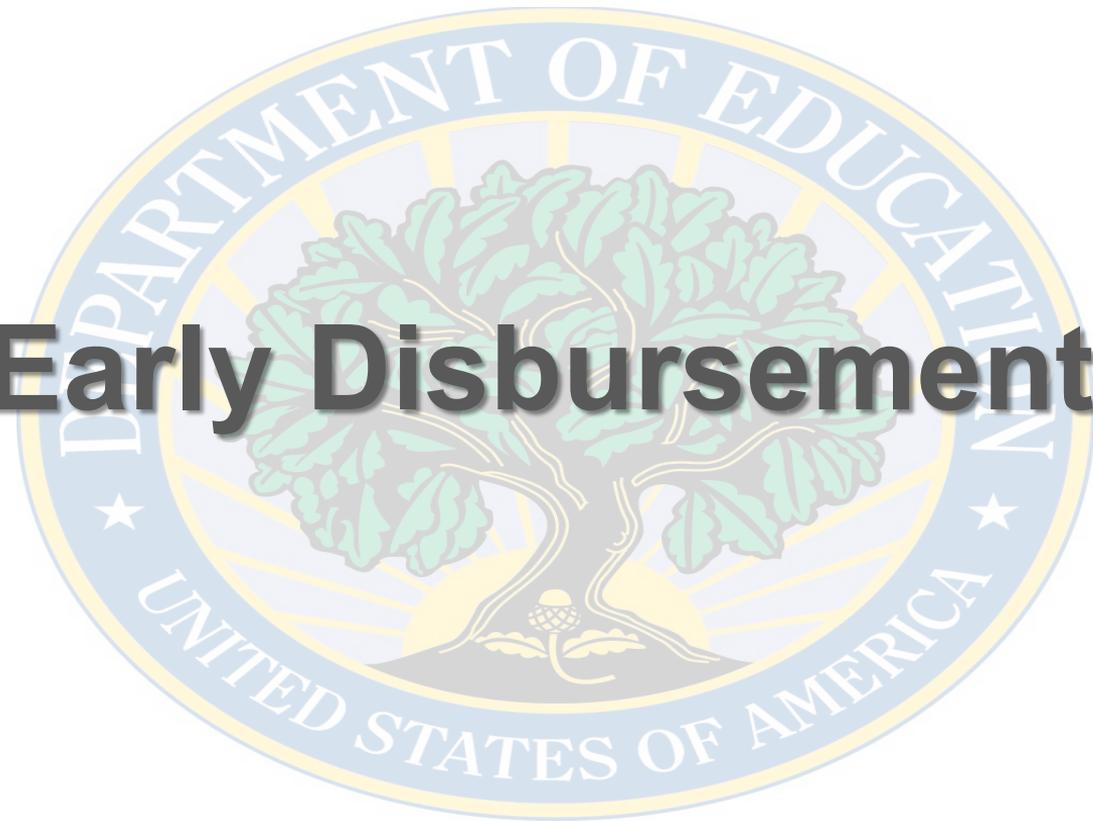
Late Disbursements:

- Disbursements for a payment period made after the student ceases to be eligible (e.g. withdrawal)

Retroactive Disbursements:

- Disbursements for a payment period made after the payment period ends, but before the student ceases to be eligible

Early Disbursements



Early Disbursements

The earliest an institution may disburse funds is:

For credit-hour programs in terms that are substantially equal -

- 10 days before the first day of class of a payment period
- Module environment: 10 days before the student's class start

For programs that are non-term or credit-hour non-standard terms which are not substantially equal, the later of -

- 10 days before the first day of class of a payment period; or
- The date the student completed the previous payment period for which Title IV funds were received

Early Disbursements and Failure to Begin Attendance

If student does not begin attendance in ANY classes:

- All Pell Grant, FSEOG, Iraq-Afghanistan Service Grant, and TEACH Grant funds must be returned
- Direct Loan funds credited to the student's account must be returned
- For DL funds disbursed directly to the student:
 - The institution may choose to return the funds itself; or
 - The DL servicer must be notified so that a 30-day demand letter can be sent to the student

Student Fails to Begin Attendance

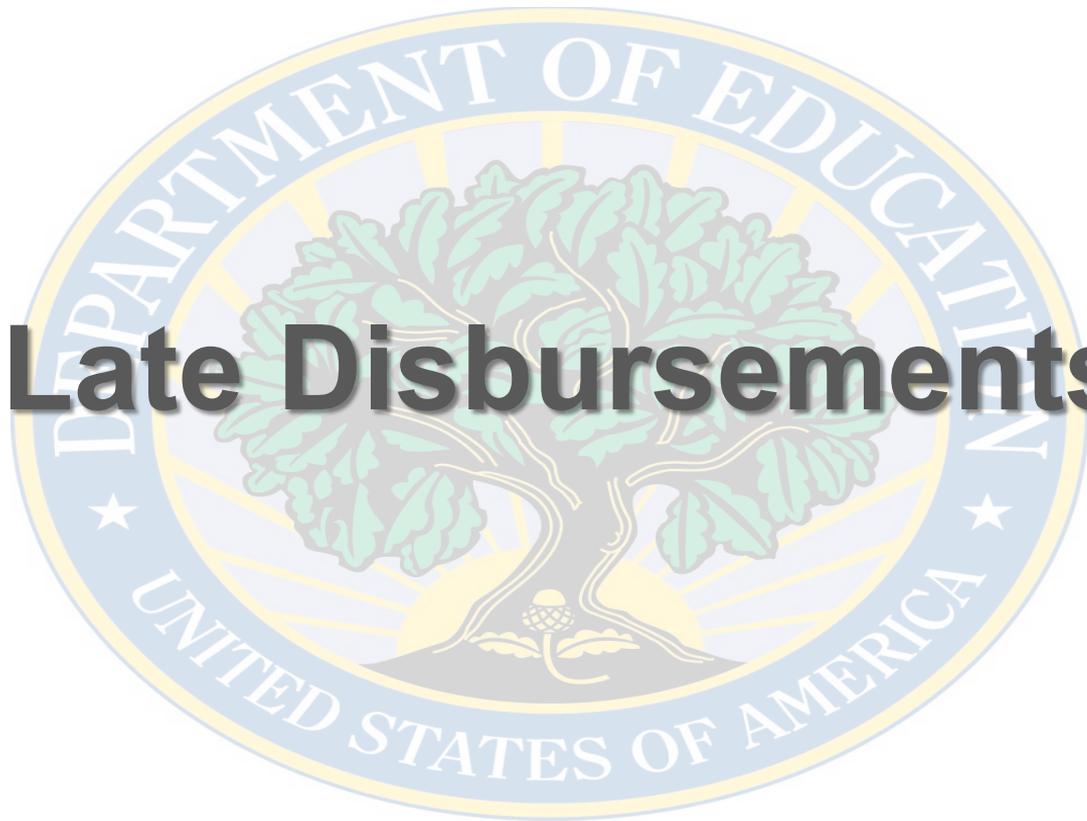
- If the school disburses Pell, IASG, and/or TEACH and the student **begins some but not all classes**:
 - School must recalculate the awards based on the classes the student attended
 - Student is responsible to return the ineligible portion of funds disbursed. The ineligible portion of funds is considered a student overpayment
 - The school can correct it by adjusting future disbursements, or, if that is not possible, require the student to return the overpayment

Begins Attendance Less than Half-Time

An institution that disburses Direct Loan funds up to 10 days prior to enrollment start date must ensure student is scheduled to attend at least half-time prior to disbursement.

- If student begins attendance as less-than-half-time (starts a class), the disbursement is eligible
 - Subsequent disbursements within term cannot be made unless student reestablishes half-time status
 - Repaid in accordance with terms/conditions of the Master Promissory Note (MPN) UNLESS required to return loan funds under Return of Title IV (R2T4) if student withdraws

Late Disbursements

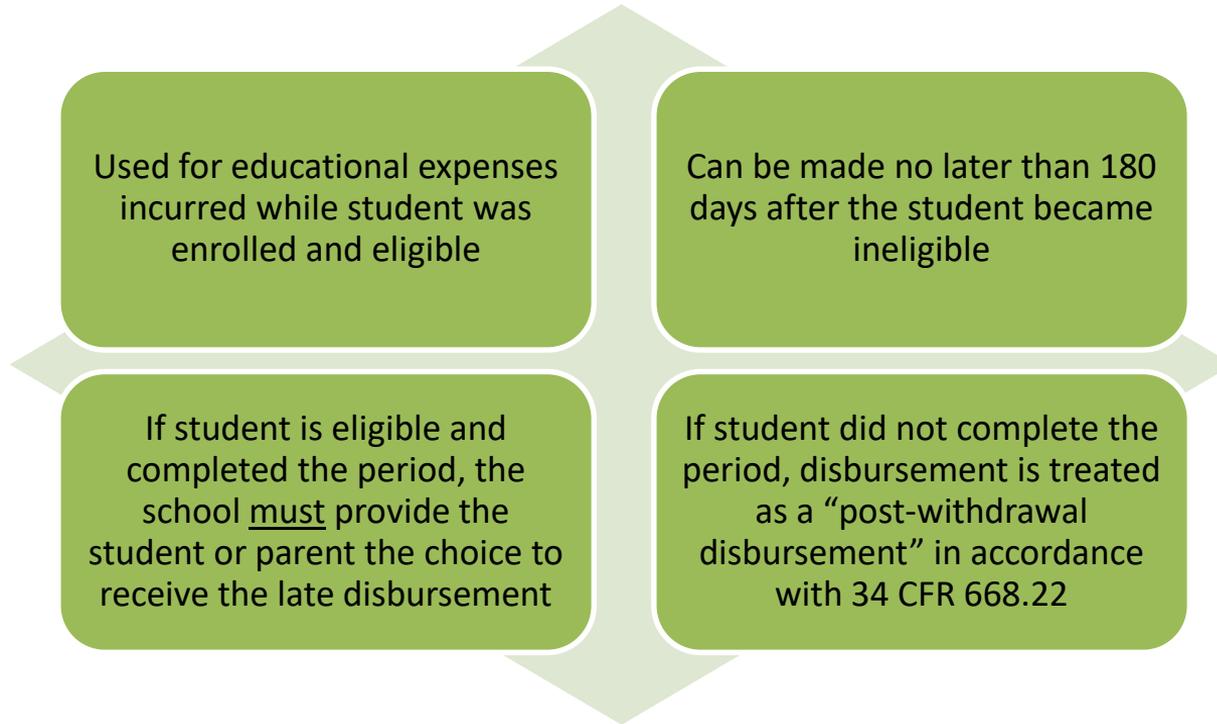


What is a Late Disbursement

- Generally, an otherwise eligible student becomes ineligible to receive federal student aid funds on the date the student:
 - for Direct Loans, is no longer enrolled at least half-time for the period for which the loan was intended
 - for FSA Grants, is no longer enrolled at the school for the award year

However, if conditions are met, these students must be considered for a disbursement after the date they became ineligible. These are called “late disbursements.”

Late Disbursements



Conditions for Late Disbursements

- **All Late Disbursements:** ED processed a SAR/ISIR with an official Expected Family Contribution (EFC) before the student became ineligible
- **Direct Loans/TEACH:** Must have also originated the record within school's financial aid system before the student became ineligible
- **FSEOG:** Must have also made the award before the student became ineligible

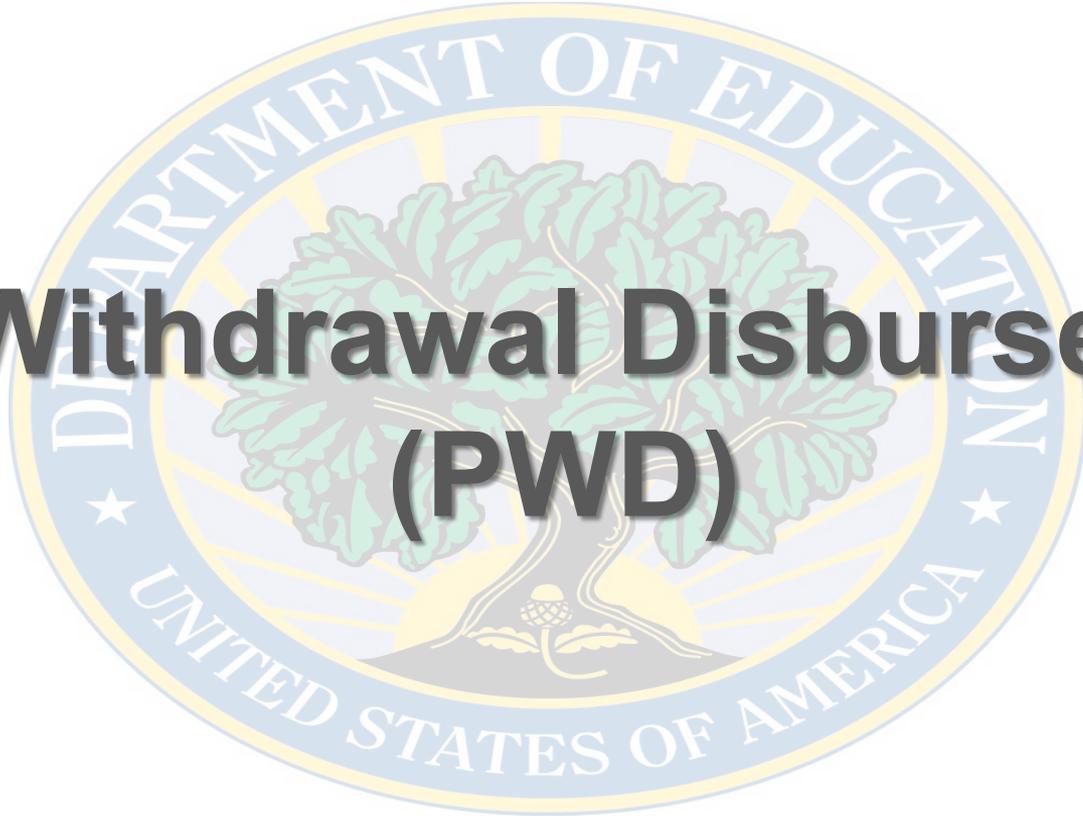
May (not Must) Disburse on Direct Loans

- If a student did not withdraw, but ceased to be enrolled at least half-time prior to disbursement, a school MAY make a late disbursement of Direct Loan funds
 - Provided the school previously confirmed the student was enrolled at least half-time at the start of the term
- If a school chooses to make a late disbursement to a student who ceases to be enrolled as at least half-time
 - Late disbursement cannot exceed the educational costs incurred for the period of instruction during which the student was enrolled at least half-time

Late Disbursement Limitations

- A school is prohibited from making:
 - A late second or subsequent disbursement of Direct Loan funds unless he/she graduated or completed the loan period
 - A late disbursement of Direct Loan funds to a first-year, first-time borrower who withdraws before the 30th day of the program, unless school's default rate waiver requirement is met
 - A late disbursement of Title IV funds to a student for whom the school did not have a valid SAR/ISIR by the deadline established by the Department
 - Also, a school cannot make a late disbursement later than 180 days after the date the student becomes ineligible

Post-Withdrawal Disbursements (PWD)



Post-Withdrawal Disbursement

Post-Withdrawal disbursements are a type of late disbursement with eligible amounts determined by R2T4 rules

- When the federal student aid earned is greater than the federal student aid disbursed, the school must offer a disbursement of the remaining earned aid that can be disbursed

STEP 4: Title IV Aid to be Disbursed or Returned			
▶	<i>If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).</i>		
▶	<i>If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).</i>		
▶	<i>If the amounts in Box I and Box E are equal, STOP. No further action is necessary.</i>		
J. Post-withdrawal disbursement			
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.			
<input type="text" value="3000"/> Box I	—	<input type="text" value="2000"/> Box E	= J. \$ <input type="text" value="1000 ."/>
Stop here , and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).			
<i>Step 4 continued ▶</i>			

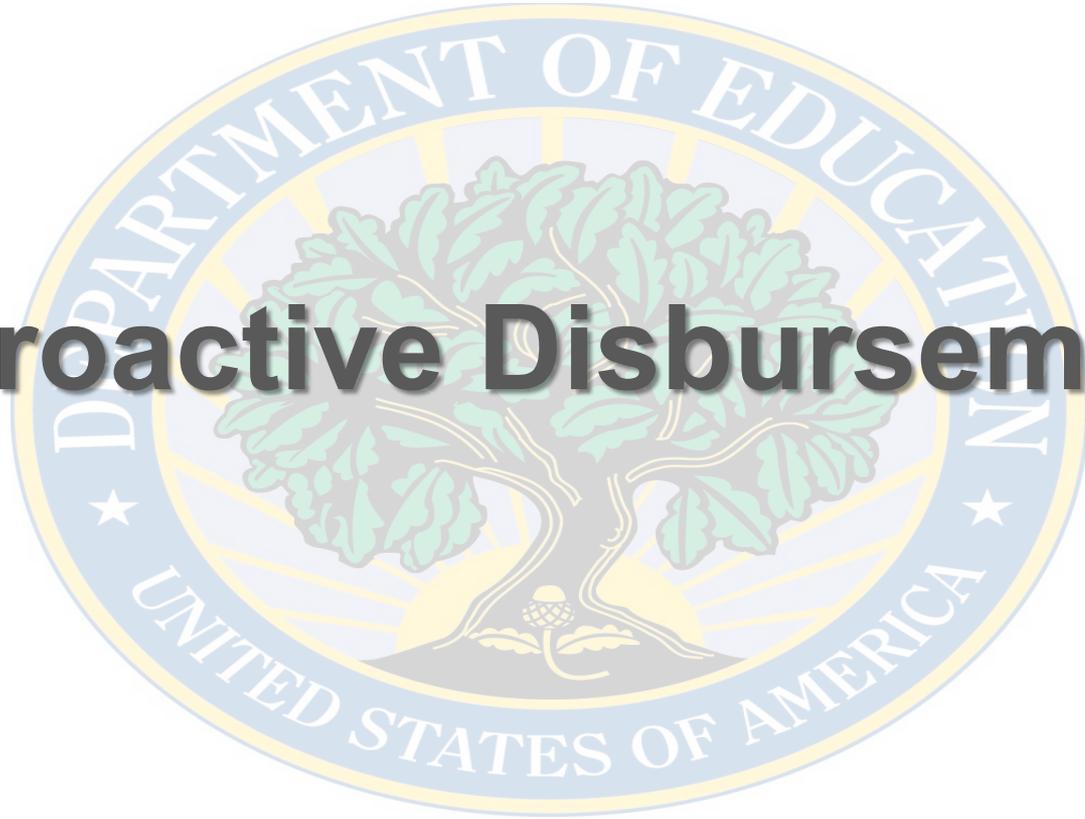
PWD of Grant Funds

- School must provide written notification within 30 days of date of determination of withdrawal
- No student confirmation required
- Disbursed directly to student - as soon as possible, but no later than 45 calendar days after date of determination
- Disbursed as credit to account – within 180 days after date of determination

PWD of Loan Funds

- School must provide written notification within 30 days of date of determination of withdrawal
- Must receive confirmation from the student or parent borrower prior to disbursement
- If confirmation received after the deadline, the school may or may not disburse
 - If not disbursed, school must notify the borrower in writing of the outcome
- Must be made as soon as possible, but no later than 180 days after date of determination

Retroactive Disbursements



Retroactive Disbursements

Sometimes a school can't make a disbursement to an enrolled student during a payment period. This could happen for a variety of reasons:

Student's ISIR was not available until a subsequent payment period

ISIR reject resolution required

Administrative delay by the institution

Verification not yet completed

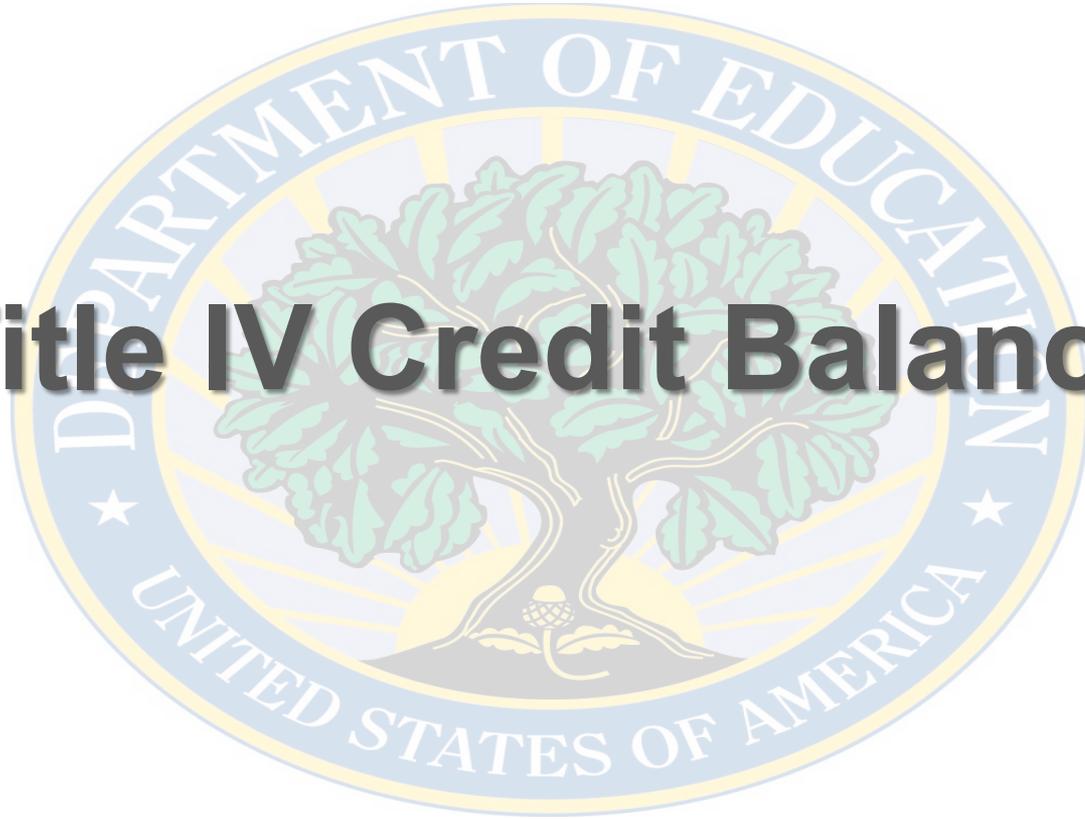
Conflicting information resolution

If a school was unable to make a disbursement to an enrolled student for a completed payment period in the current award year (for Title IV grants) or loan period (for Direct Loans), the school may pay the student for the completed period. This is called a “retroactive disbursement.”

Completed Coursework

- A school making a retroactive/late disbursement of Pell Grant funds must base the calculation on the enrollment status according to work already completed
 - This includes earned Fs
 - Does not include dropped courses
- A school making a retroactive/late disbursement of Direct Loan funds must base the calculation of the enrollment status according to work already completed
 - In addition to the above requirements for Pell, completed coursework must be at least half-time to disburse

Title IV Credit Balance



Crediting a Student's Account

- An institution may credit a student's ledger account with Title IV funds to pay for **allowable charges** associated with the current payment period
- Allowable charges include:
 - Tuition, fees, and institutionally-provided room and board
 - Books, supplies, and other educationally-related goods and services provided by the institution for which the institution has obtained authorization from the student or parent (if for a Parent PLUS loan)

Prior-Year Charges

- Allowable charges also include “prior-year charges”
- A school can only credit up to \$200 in prior-year charges
- For purposes of determining what a “prior-year” charge is, the current year is:
 - For a student or parent who receives only a Direct Loan, the current loan period;
 - For a student who does not receive a Direct Loan, but receives funds under another Title IV program, the current award year; or
 - For a student who receives both types of aid, either the current loan period or the current award year (at the school’s discretion)

Title IV Credit Balance Definition

A Title IV credit balance occurs whenever the amount of Title IV funds credited to a student's account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period.

Title IV Credit Balance 34 CFR 668.164 (e)

Title IV funds credited exceed total allowable charges assessed by the institution

Institutional Charges	= \$ 3,000
Credits to account	= \$ 6,172
Pell	\$1,900
Direct Loans	\$3,272
<i>Scholarship</i>	\$1,000
Title IV Credit Balance	= \$ 2,172

Title IV Credit Balance: Definition (cont.)

If no authorization to hold funds, school must pay credit balance to student or parent no later than:

- 14 calendar days after balance occurs if it occurs after first day of classes of payment period; or
- 14 calendar days after first day of classes if it occurs on or before the first day of classes of payment period

Note: Schools are not required to pay credit balances below \$1.00

Holding Title IV Credit Balances

- Student or parent may voluntarily authorize school to hold credit balance
- School must
 - Identify amount of funds held for each student and/or parent in a subsidiary ledger account
 - Maintain cash equal to credit balances held
- School may retain interest earned on funds

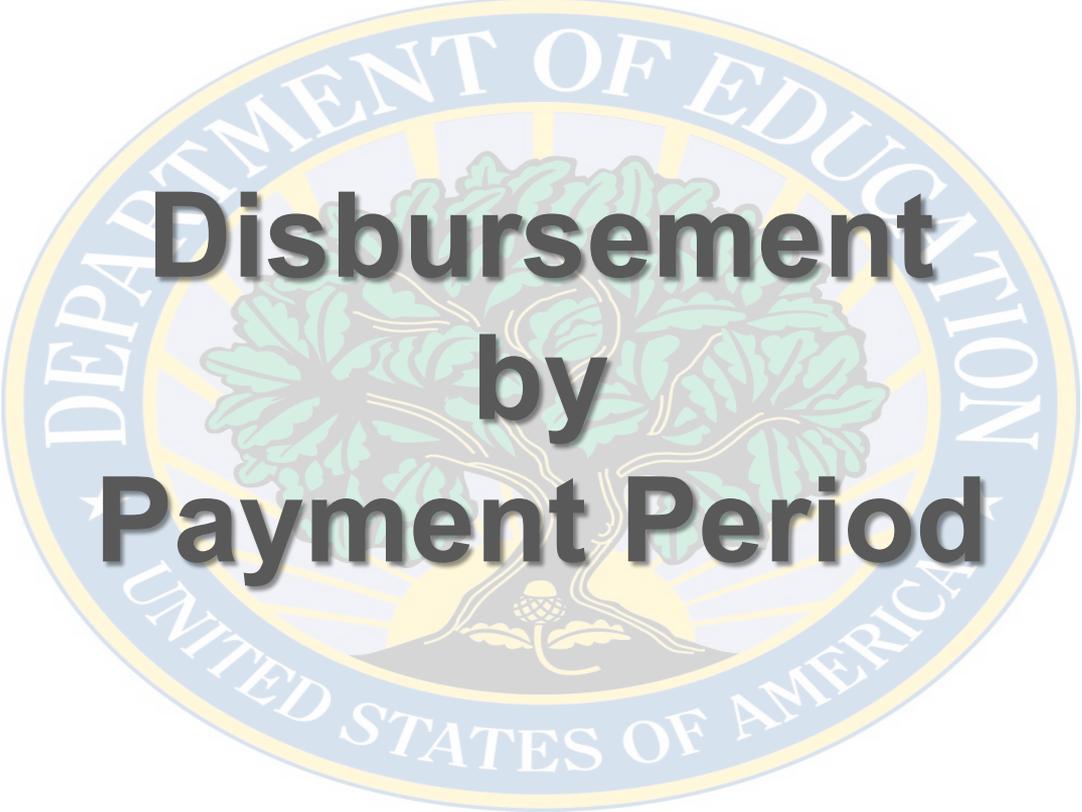
Paying Credit Balance: Check

- Considered paid on date
 - School mails check or initiates EFT
 - Notifies student within 14-day time frame that funds are available for immediate pick-up and provides specific location
 - Can hold for 21 days from notification
 - If student doesn't pick up within 21 days from notification, must immediately mail or EFT, or return to ED

Holding Title IV Credit Balances

- School must release any remaining Title IV credit balance
 - Loan funds by end of the loan period and
 - Other FSA program funds by end of last payment period in award year for which they were awarded

Note: May not go beyond these deadlines even with student or parent authorization!



Disbursement by Payment Period

Disbursement by Payment Period

- Except for Federal Work-Study, Title IV disbursements are made on a payment period basis
- Schools may make prior year, late, or retroactive disbursements during a payment period as long as the student was enrolled and eligible during the prior payment period for which the disbursement was intended

Proration by Payment Period

If a school assesses institutional charges for longer than a payment period, it must prorate the amount of allowable charges for which the institution is permitted to credit the student's account without an explicit authorization. The school must do this in one of two ways:

If the payment periods for which the charge is assessed are substantially equal, by:

- Dividing the total institutional charges by the number of payment periods for which the charges are assessed

If the payment periods for which the charge is assessed are not substantially equal, by:

- Dividing the number of credit or clock hours in the current payment period by the total number of credit or clock hours in the period for which the charge is assessed, and multiplying that result by the amount of the charge

Proration by Payment Period (cont.)

Example: A school charges \$4,000 in Fall for the whole academic year, and that charge is divided in half between the two terms (because the two terms are substantially equal in length). The student then receives a \$2,500 Pell Grant disbursement for the Fall term. The school is required to provide the student with a \$500 credit balance in Fall. This is because there are only \$2,000 in prorated allowable charges for the Fall term, and the Title IV disbursement exceeds that amount by \$500.

Tuition and fee charge: \$4,000 for the Fall and Winter terms

Fall term: Prorated charge = \$2,000
Pell Grant = \$2,500. Credit balance = \$500

Winter term: Prorated charge = \$2,000

Proration by Payment Period – Books and Supplies

- If books and supplies are considered “institutional charges,” they must be considered part of tuition and fees, and charges must also be prorated if intended for longer than a payment period
- Books and supplies are institutional charges if a student does not have a real and reasonable opportunity to purchase the materials elsewhere
- No real and reasonable opportunity if:
 - Materials are not available from a relatively convenient unaffiliated source; and/or
 - Materials are included in enrollment agreement

Books and Supplies

Inclusion in Tuition and Fees Allowed if:

School has arrangement with book publisher or other entity

Books and supplies available to students for prices below competitive market rates

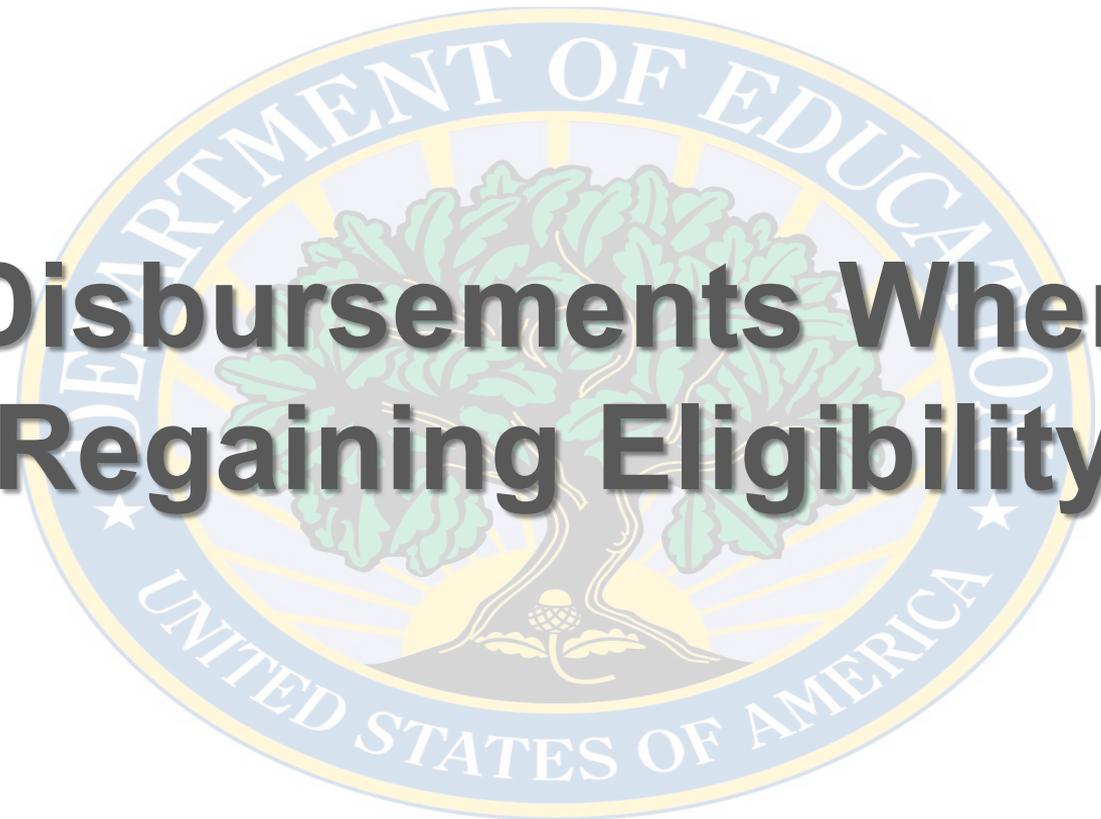
Provides a way for students to obtain the books and supplies by the seventh day of the payment period, **and**

Has a policy permitting students to opt out

... also allowed if:

The books and supplies are not available elsewhere or accessible by students from sources other than those provided or authorized by the school, **OR**

The school documents a compelling health or safety reason

The seal of the U.S. Department of Education is centered in the background. It features a large tree with a globe as its trunk, set against a sunburst. The text "DEPARTMENT OF EDUCATION" is at the top and "UNITED STATES OF AMERICA" is at the bottom, with two stars on either side.

Disbursements When Regaining Eligibility

Regaining Eligibility

Generally, when a student regains eligibility, a school can award Federal Pell Grant, TEACH, and Campus-Based aid for the current payment period and Direct Loans for the period of enrollment

Regaining Eligibility

Default or Overpayment

- Federal Pell, TEACH, and Campus-Based Aid (CB): Eligible beginning with the payment period during which the default or overpayment was resolved
- Direct Loans: Eligible for the entire period of enrollment (usually an academic year) during which the default or overpayment was resolved

Regaining Eligibility

Drug Conviction

- Federal Pell, TEACH, and CB: Eligible beginning with the payment period during which the ineligibility expired or was resolved
- Direct Loans: Eligible for the entire period of enrollment (usually an academic year) during which the ineligibility expired or was resolved

Regaining Eligibility

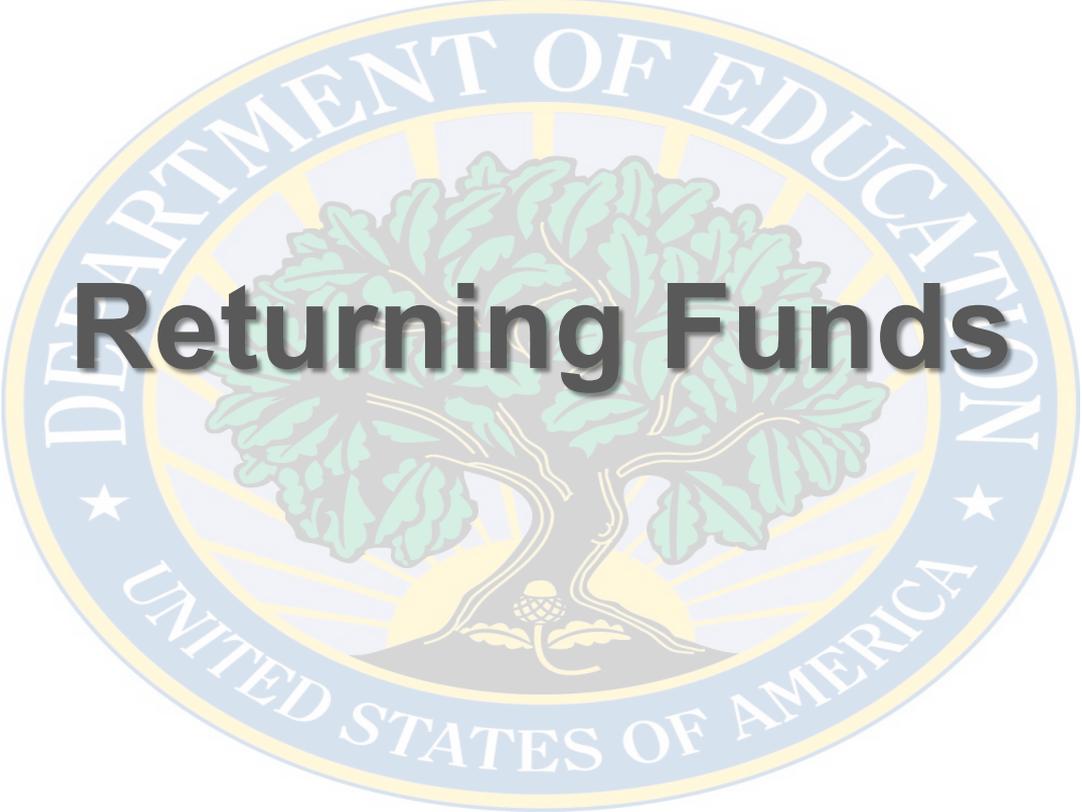
Satisfactory Academic Progress

- Federal Pell, TEACH, and CB: Eligible beginning with the payment period during which the student met status requirements
- Direct Loans: Eligible beginning with the payment period during which the student met status requirement

Regaining Eligibility

Citizenship Status, Selective Service, & Valid Social Security Number

- Federal Pell, TEACH, & CB: Eligible for the **entire award year** in which the proper conditions are met
- Direct Loans: Eligible for the entire period of enrollment (usually an academic year) in which the proper conditions are met

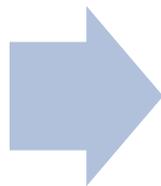


Returning Funds

Returning Title IV Funds

A school must return to the Secretary any Title IV funds, except FWS program funds, that it attempts but is unable to disburse directly to a student or parent.

If an EFT is rejected, or a check to a student or parent is returned, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the EFT was rejected or the check returned.



If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.

Returning Funds

- When funds are considered to have been returned:
 - Deposited or transferred into a “federal funds” account or
 - Initiate and electronic funds transfer (EFT) to the Department
- Downward adjustment of disbursement records
 - Return of Pell or Direct Loan funds must be offset by downward adjustments in the student’s COD records

Returning Funds

Returning Direct Loan Funds

- If a school receives a borrower's request to return funds
 - Must be returned through G5 if it is within 120 days of disbursement
 - Must direct student to the loan servicer if it is more than 120 days since disbursement
- If a school has to return funds due to a regulatory or statutory requirement:
 - Must be returned through G5
 - Even if more than 120 days

Overpayments

An overpayment occurs when a student receives Title IV funds in excess of eligibility

- If due to school error, the school must repay entire amount
- If due to student error, the student must repay amounts of \$25 or more

Overpayment—School Error

- Unresolved overawards
- Interim disbursements or failure to complete verification
- Miscalculated COA
- Payment in excess of loan limits
- Application errors or misreporting
- Required recalculations not performed
- R2T4 calculations

Correcting Federal Pell Grant Overpayments

- Reduce subsequent disbursements during award year
- School repays amount for which it is responsible, and/or may repay for the student
- Student repays amount for which he or she is responsible, or makes satisfactory arrangements to repay

Correcting Direct Loan Overpayments

- If loan is not fully disbursed, adjust next disbursement and update COD
- If loan is fully disbursed when overpayment is discovered, no action required
 - Student will repay according to terms of the promissory note

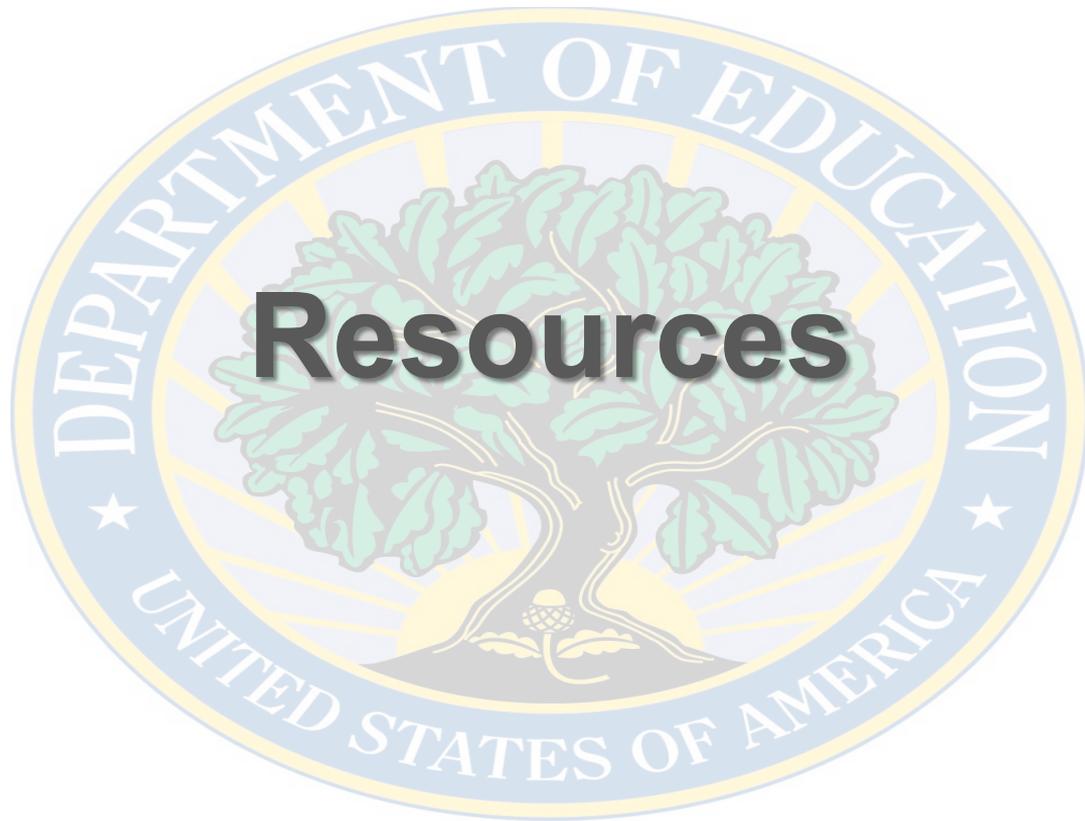
Overpayment—Student Error

- School must notify student in writing requesting repayment
 - Inform student that failure to repay or make satisfactory arrangements to repay will result in loss of eligibility for Title IV aid
 - School must consider claims by student that school made error

Returning Excess Interest

May 19, 2017 Cash Management Electronic Announcement

1. Excess Title IV interest (exceeding \$500) returned to HHS's Payment Management System in accordance with HHS guidance at pms.psc.gov/grant_recipients/returningfunds.html
2. Explanation stating that the refund is for excess interest
3. "U.S. Department of Education-Federal Student Aid" as the name of the awarding agency
4. The institution's DUNS number in the addendum record or other correspondence.



Resources

Federal Student Aid Handbook

- Volume 4, Chapter 1 Requesting FSA Funds
- Volume 4, Chapter 2 Disbursing FSA Funds
- Volume 5, Chapter 2 Post-Withdrawal Disbursements

Federal Regulations – 34 CFR

- 668.165(a) Notifications
- 668.165(b) Authorizations
- 668.164(j) Early Disbursements
- 668.164(m) 30-Day Delay for DL Borrowers

Resources (cont.)

Federal Regulations – 34 CFR

668.164(j)	Late Disbursements
668.164(k)	Retroactive Disbursements (General)
690.76(b)	Retroactive Disbursements (Pell)
685.303(d)(4)	Retroactive Disbursements (DL)
690.79	Overpayments

Contact Information

Contact us with follow-up questions about this session:

FAA policy questions: AskAFed@ed.gov

FAA operational questions: CODSupport@ed.gov

Questions and Answers

Q&As