

Session #FS4

Administering Disbursements for Foreign Schools

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2019 FSA Foreign Schools Training

Agenda

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

Disbursement Overview



Funding Basics

- G5, the Department of Education's payment system, is specific for each program and for each award year
 - Funding is not student specific
- Timelines and deadlines for reporting disbursements to Common Origination and Disbursement (COD)
 - Actual disbursements may be reported up to seven days prior to disbursement date and must be reported no later than 15 days after the disbursement date

Program Funding

Direct Loan Funds

School Financial Aid System (FAS)
Reports
Direct Loan (DL) "Actual"
Disbursements
No Earlier than Seven Days Prior
Or
No Later than 15 days After

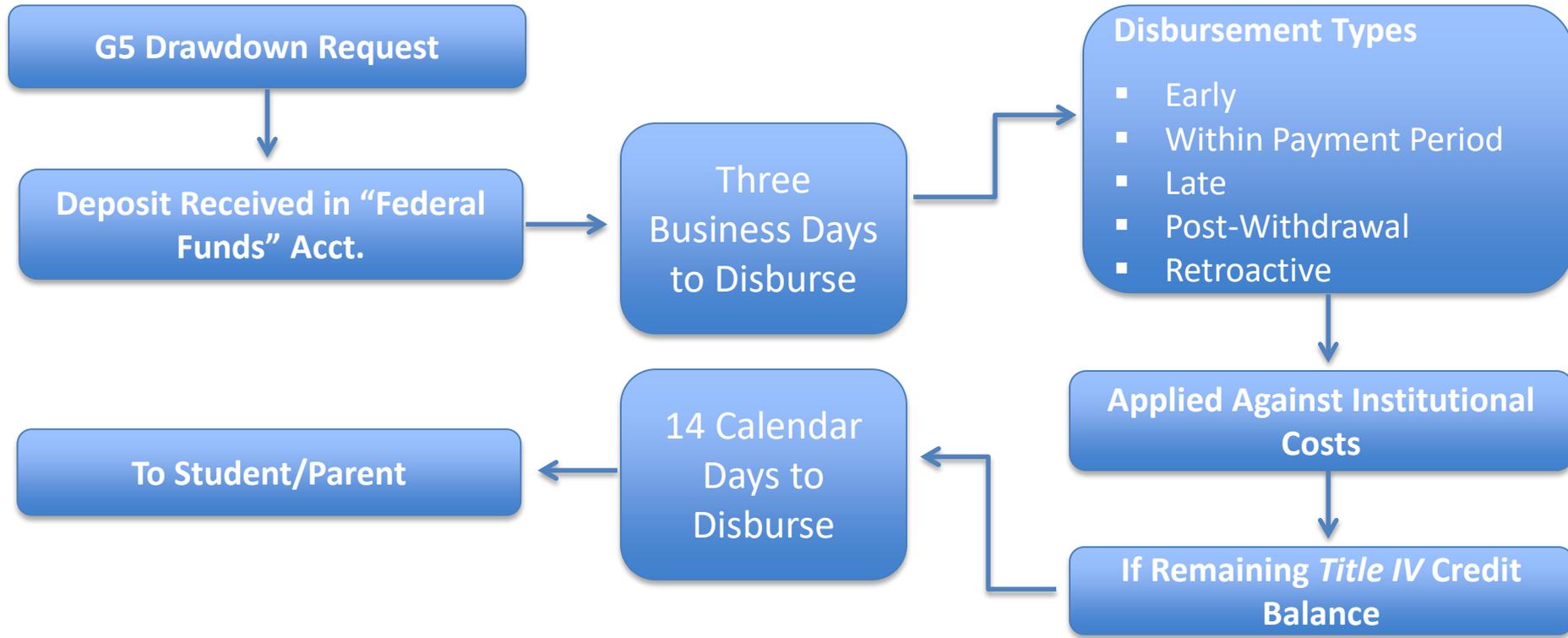


COD Reports
Accepted
Record to G5



G5 Generates Direct
Loan funds in the
amount of Actual
Disbursements

Disbursement Overview



Requesting Funds from G5

- Schools must not request funds that exceed their **immediate need** for those funds
 - Funds received from G5 must be disbursed to students within three business days of receipt
- Excess Cash
 - Any amount of *Title IV* funds not disbursed to students by the end of the third **business** day after receipt

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 be received from each FSA program
 - Must be provided prior to disbursement
 - Must include how and when disbursement will occur
- If award contains Direct Loans, the notification must include:
 - Anticipated Date and Amount of Disbursement
 - Student's/Parent's right to cancel all or portion of loan
 - Procedure to cancel all or portion of the loan

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)
 - Hold an FSA credit balance

Determining Eligibility Before Disbursement

- Before disbursing federal student aid 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, Satisfactory Academic Progress (SAP), etc.)
- Both you and your Third-Party Servicer must have a process in place to make this determination

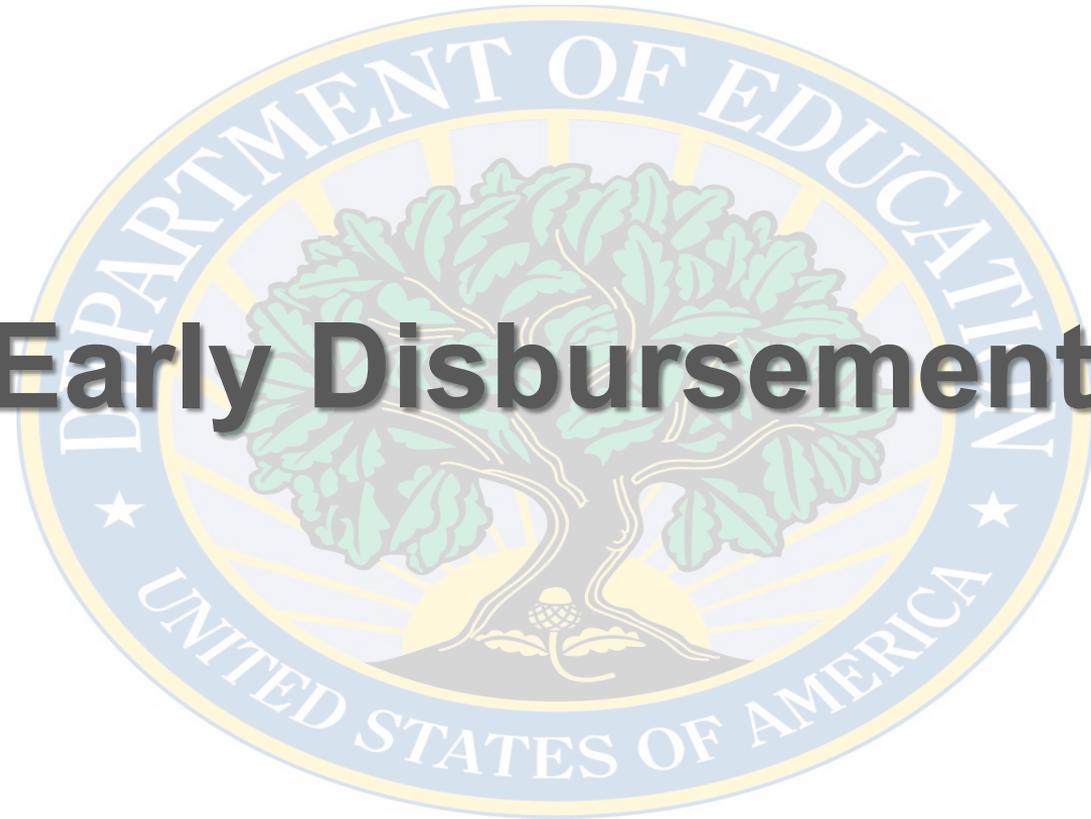
30 Day Delay for Direct Loan Borrowers

- A student who is a first-time, first-year borrower cannot receive a Direct Loan disbursement until 30 days after the payment period start date
 - Exception: A school with a cohort default rate of less than 15% for the three most recent fiscal years

Single Payment Period Disbursements

- When a Direct Loan is made for one payment period, the loan must be disbursed in two installments, and the second installment may not be disbursed until the student has completed half of the payment period
 - Exception: A school with a cohort default rate of less than 15% for the three most recent fiscal years

Early Disbursements



Early Disbursements

The earliest a school may disburse *Title IV* funds:

- Credit-Hour Programs in Terms Substantially Equal
 - 10 days before the first day of class of a payment period
 - Module environment: 10 days before class start
- Programs that are Non-Term Credit-Hour, and Credit-Hour Non-Standard Terms Not Substantially Equal, the later of:
 - 10 days before the first day of class of a payment period
 - The date the student completed the previous payment period for which *Title IV* funds were received

Student Fails to Begin Attendance

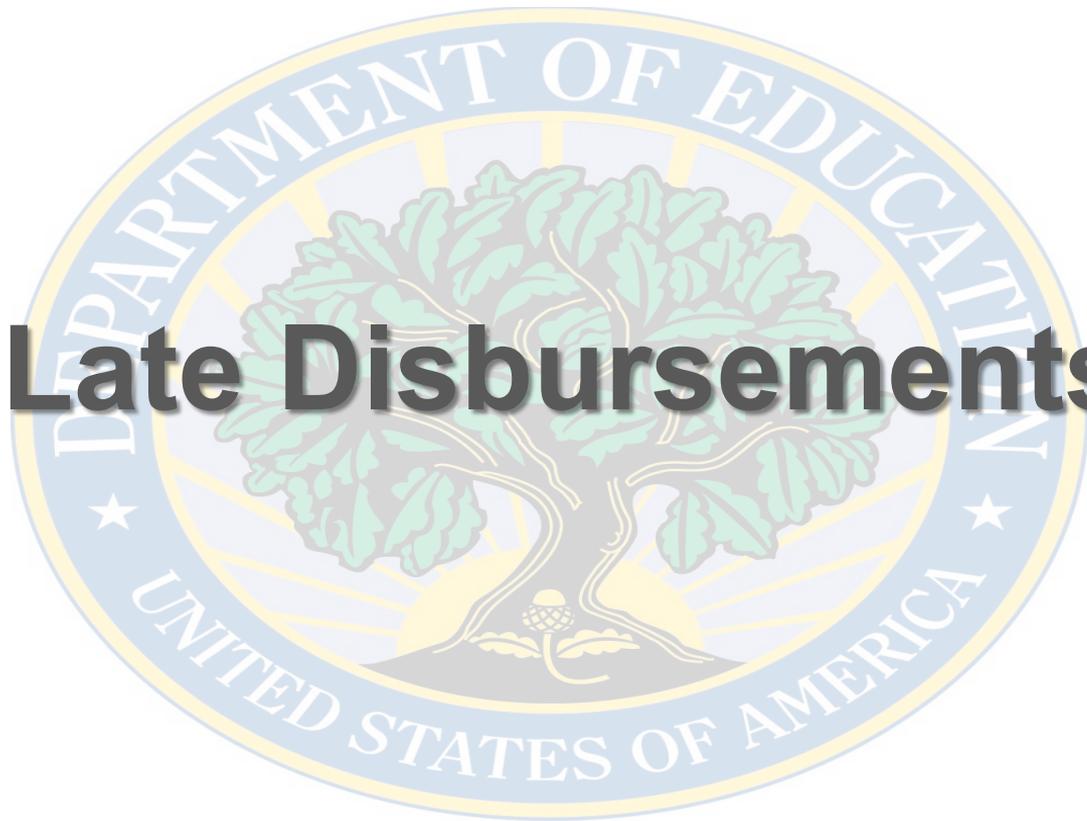
- If student does not begin attendance, the school must return any Direct Loan funds credited to the student's account
 - For any remaining loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan funds that are outstanding, so that the Department can issue a 30-day demand letter to the student

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 FSA 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

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

Needed Conditions for Late Disbursements

#1 Condition for **All** Late Disbursements: ED processed a SAR/ISIR with an official Expected Family Contribution (EFC) before the student became ineligible

Direct Loans: Must have also originated the record before the student became ineligible

Timing - Late Disbursements

- Used for educational expenses incurred while student was enrolled and eligible
- Must be made no later than 180 days after the student became ineligible
- ***If student is eligible, school must attempt to make late disbursement***

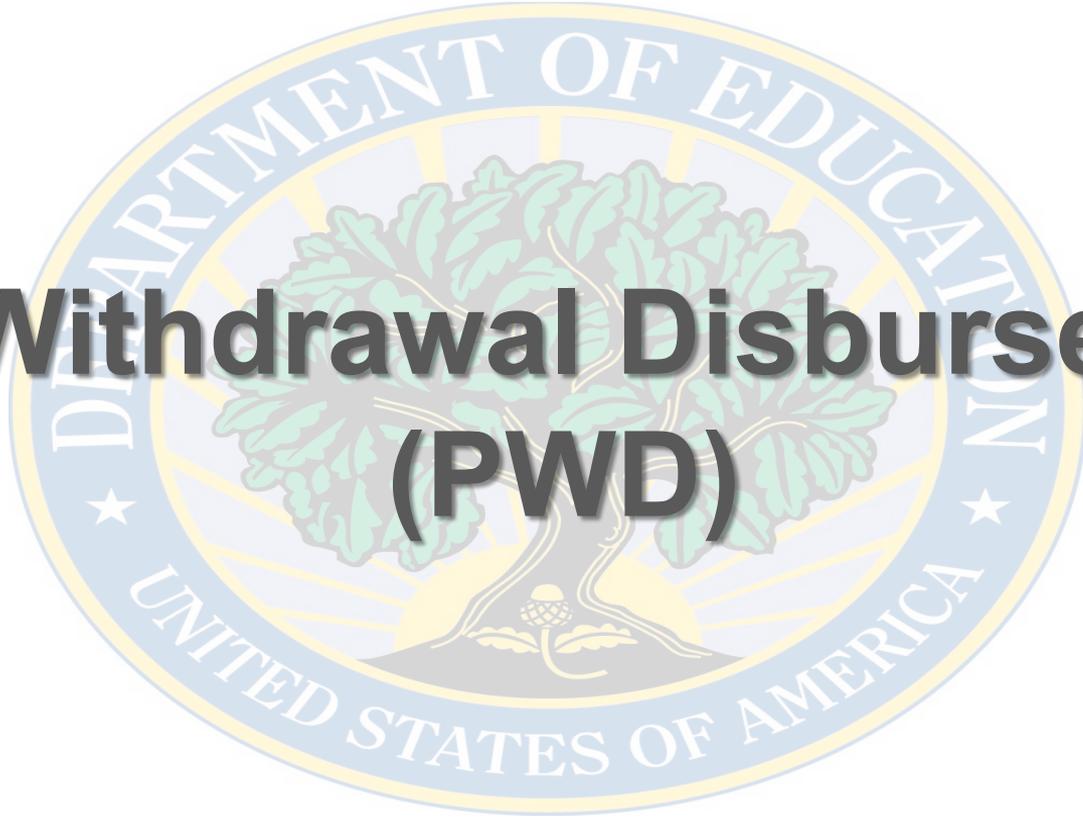
May (not Must) Disburse on Direct Loans

- 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 she/he 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

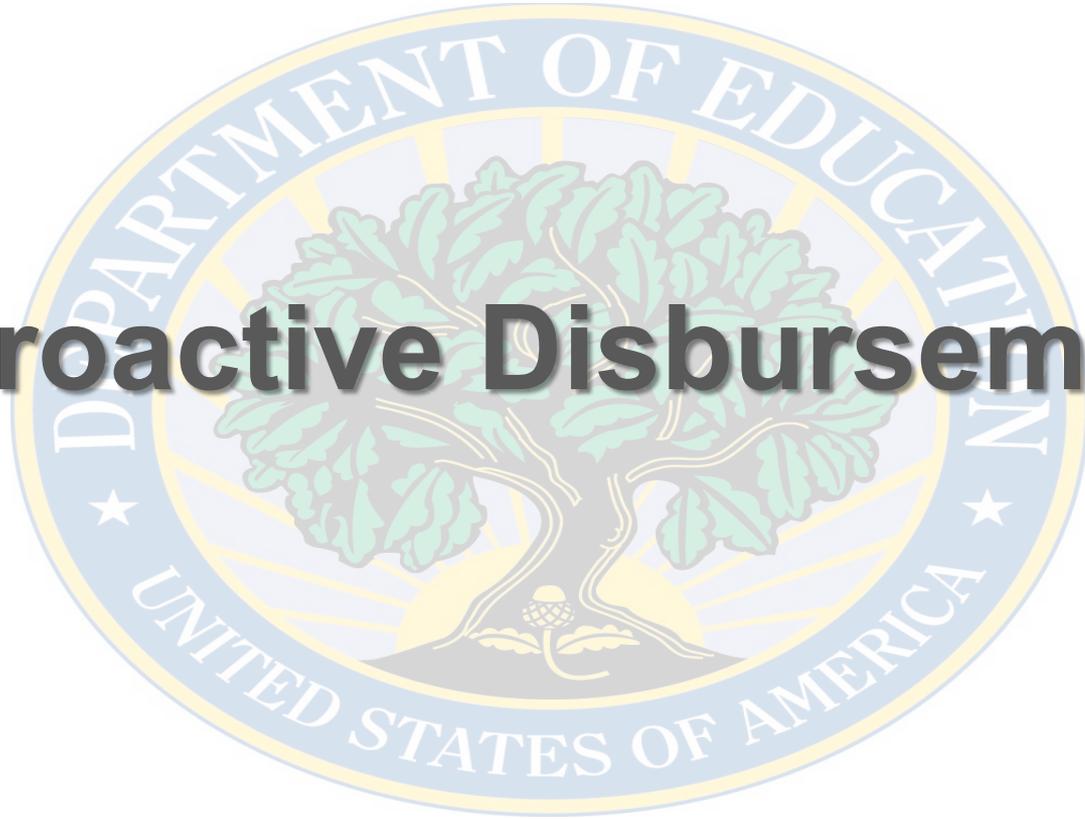
- When the federal student aid earned is greater than the federal student aid disbursed, the school must offer a disbursement of the remaining earned aid that can be disbursed

| 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 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

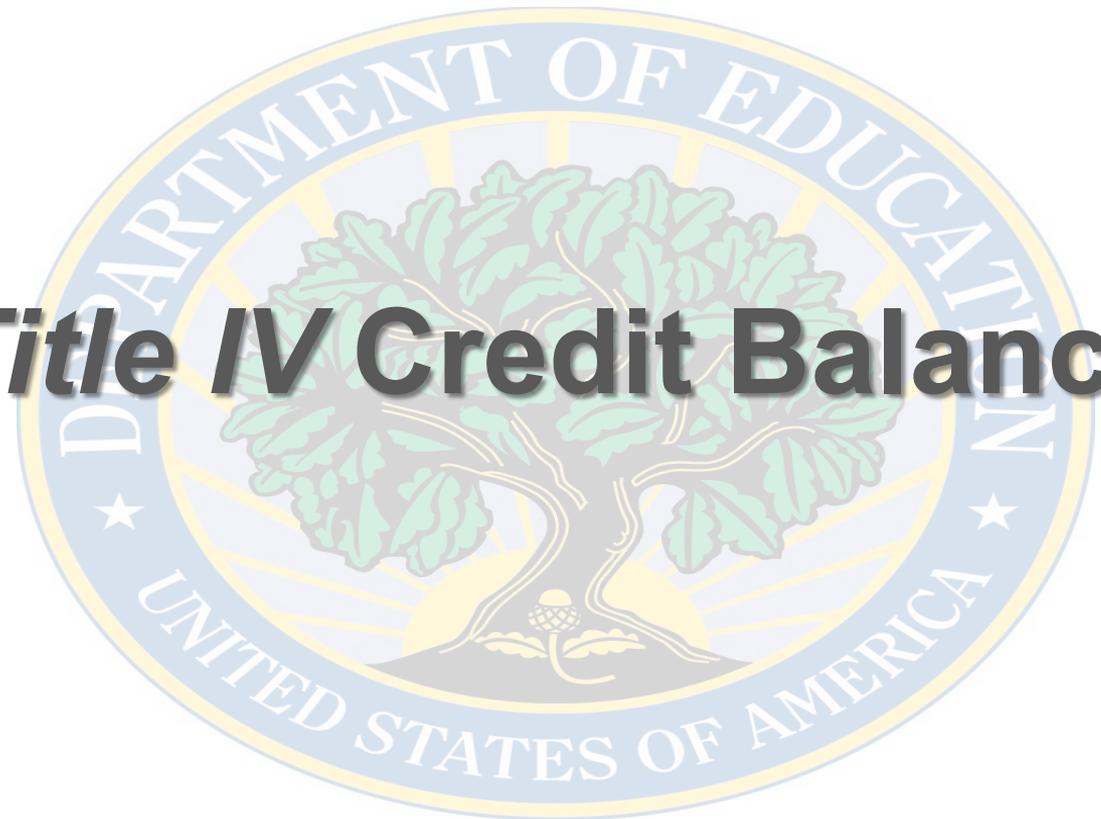
- If a school did not make a disbursement to an enrolled student for a payment period completed, the school may pay the student for all payment periods in the current loan period for which the student is eligible

Examples of Retroactive Disbursements

- The student's ISIR was not available until a subsequent payment period
 - *Late Free Application for Federal Student Aid (FAFSA®) file*
 - *Reject Resolution Required*
- An administrative delay that pushed a disbursement date beyond the payment period
- *Conflicting Information Resolution*

Retroactive Disbursements

- Retroactive disbursement of Direct Loan must base the calculation on the enrollment status according to work already completed
 - Per guidance, this includes Fs
 - As the language suggests, does not include dropped courses
 - Must be at least half-time to disburse

The seal of the U.S. Department of Education is centered in the background. It features a large green tree with a thick trunk and many leaves, set against a light blue background with yellow sun rays. The tree is enclosed in a circular border with the text "DEPARTMENT OF EDUCATION" at the top and "UNITED STATES OF AMERICA" at the bottom, separated by two stars.

Title IV Credit Balance

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 = \$ 6,500

Sub DL \$3,500

Unsub DL \$2,000

Scholarship \$1,000

***Title IV* Credit Balance = \$ 2,500**

Paying *Title IV* Credit Balances

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

Paying Credit Balance: Check

- Considered paid on date
 - School mails check
 - 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 Electronic Fund Transfer (EFT), or return to ED

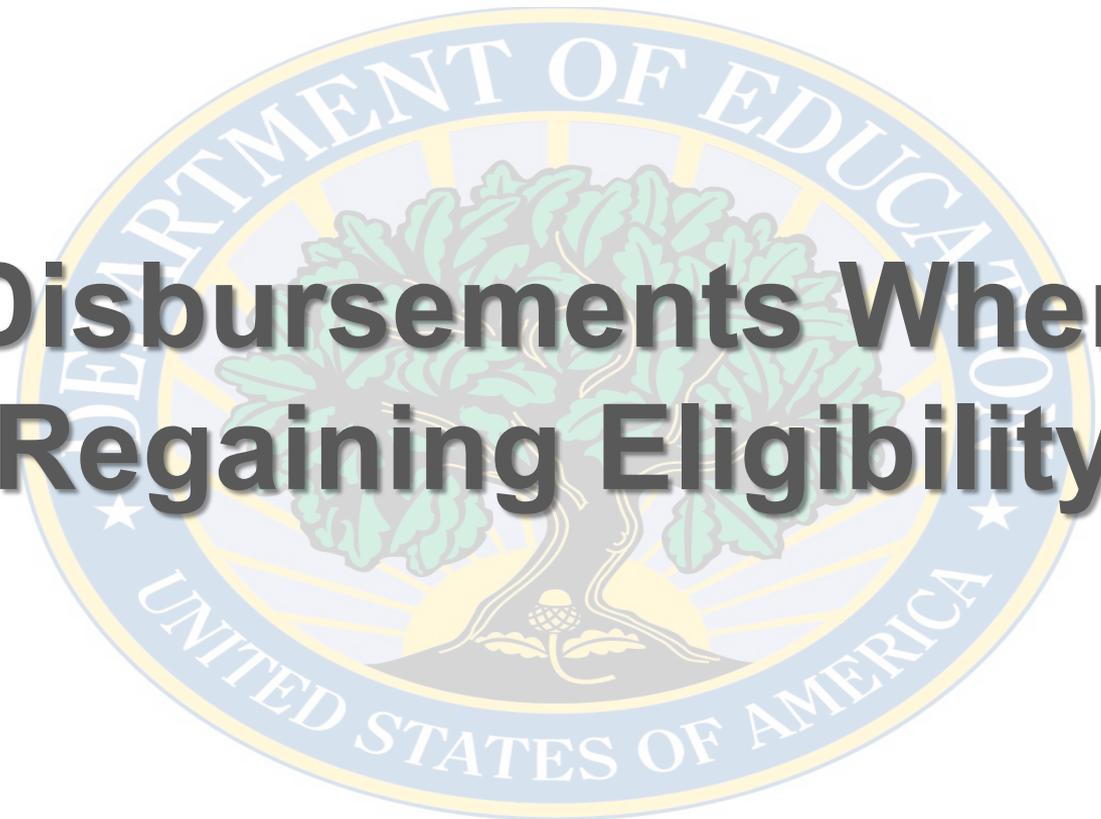
Holding *Title IV* Credit Balances

- 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

Holding *Title IV* Credit Balances

- School must release any remaining *Title IV* credit balance
 - Direct Loan funds by end of the loan period

Note: May not go beyond this deadline even with student or parent authorization!

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Disbursements When Regaining Eligibility

Regaining Eligibility

Generally, when a student regains eligibility, a school can award Direct Loans for the period of enrollment

Regaining Eligibility

Default or Overpayment

- 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

- 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

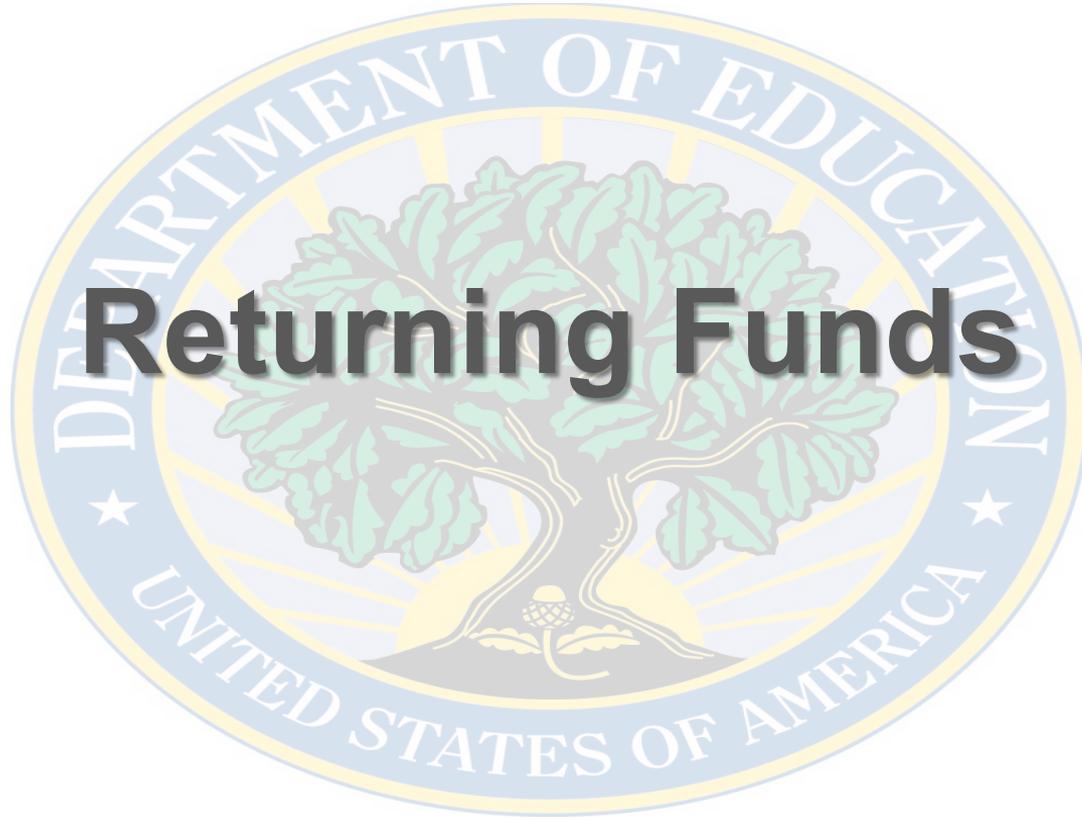
- Direct Loans: Eligible beginning with the payment period during which the student met status requirement

Regaining Eligibility

Citizenship Status, Selective Service, & Valid Social Security Number

- Direct Loans: Eligible for the entire period of enrollment (usually an academic year) in which the proper conditions are met

Returning Funds



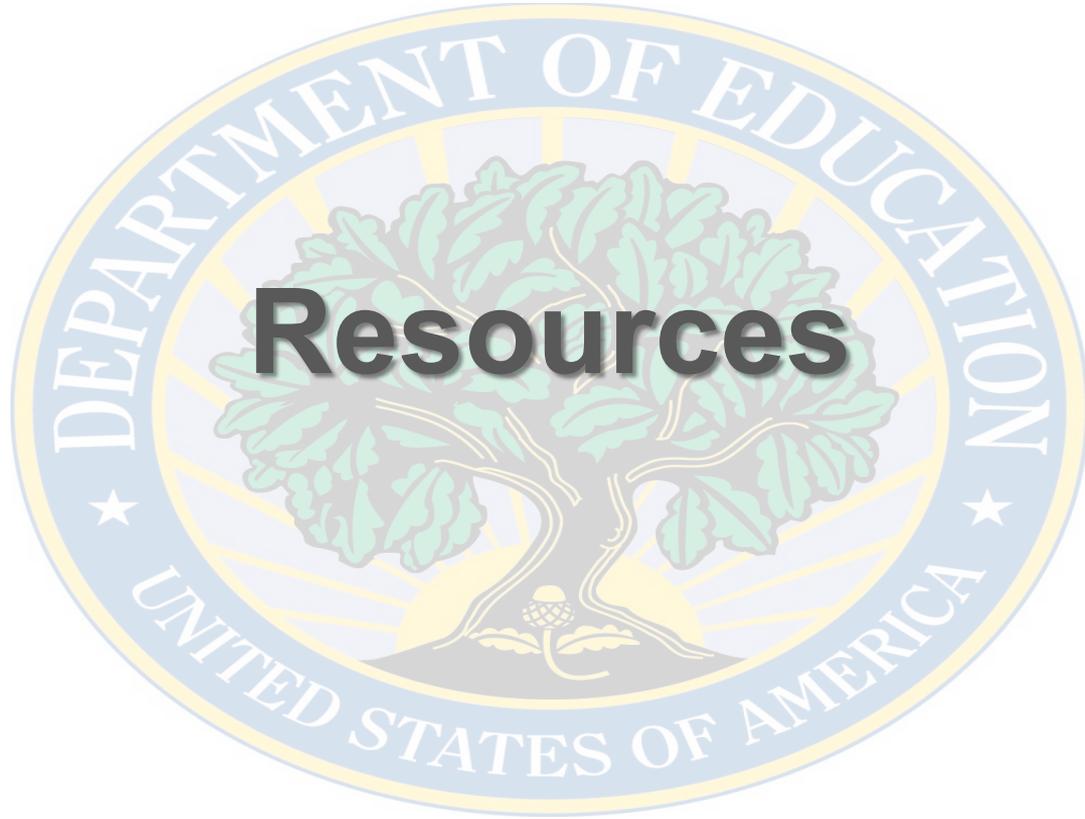
Returning Funds

- When funds are considered to have been returned:
 - Deposited or transferred into the original depository account for disbursement toward another eligible student or
 - Initiate a fund transfer to the Department in US dollars
 - Electronic Wire Transfer (Non-US Banks)
 - Electronic Fund Transfer (US Banks)
- Downward adjustment of disbursement records
 - Return of 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 elapsed since disbursement
- If a school must return funds due to a regulatory or statutory requirement:
 - Must be returned through G5
 - Even if more than 120 days



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) |
| 685.303(d)(4) | Retroactive Disbursements (DL) |

Contact Information

Contact us with follow-up questions about this session:

FAA policy questions: AskAFed@ed.gov

FAA operational questions: CODSupport@ed.gov

CONTACTS

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Questions and Answers