

# SESSION FOREIGN SCHOOLS #2

Cash Management and Disbursements for Foreign Schools

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*U.S. Department of Education*

*2020 Virtual FSA Training Conference for Financial Aid Professionals*

# AGENDA

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- Accounting Requirements
- Student Disbursements
- Funding Process
- William D. Ford Federal Direct Loan (Direct Loan) Program Reconciliation

# ACCOUNTING REQUIREMENTS

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# STANDARD OF CONDUCT

- A school acts as a fiduciary of Title IV funds
  - A fiduciary is subject to the highest standards of care and diligence in administering the programs and accounting for the funds received
  - Schools must act with the competency and integrity to qualify as a fiduciary
- Also applies to a Third-Party Servicer

# SEPARATION OF DUTIES

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- Schools must divide the functions of authorizing payments and disbursing or delivering funds
  - Organizationally independent
  - Not members of same family
- Schools must have an adequate system of checks and balances within its system of internal controls
- See 34 C.F.R. § 668.16(c)

# USE OF FUNDS

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- A participating school is a trustee of federal funds
  - Schools may not use Title IV funds for anything other than their intended purposes
  - Schools may not use Title IV funds as collateral for any purpose
- Funding is specific for each program and for each award year
  - Funding is not student specific

# ACCOUNTING AND RECORDKEEPING

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- Schools must maintain, on a current basis
  - Financial records that reflect all program transactions
  - General ledger control accounts and related subsidiary accounts identify all program transactions and separate those transactions from all other transactions
    - Program subsidiary ledgers
    - Credit balance ledgers
- See 34 C.F.R. § 668.24(b)



# DIRECT LOAN LEDGER EXAMPLE

Federal Direct Loan Ledger  
 2020-21 Award Year

<u>Transaction</u>	<u>Date</u>	<u>Student Payment/Refund</u>	<u>U.S. Treasury Draw/Refund</u>	<u>Balance</u>
U.S. Treasury Receipt	Oct. 14, 2020		\$8,412.00	\$8,412.00
Student A Subsidized Disb 1	Oct. 15, 2020	\$1,732.00		\$6,680.00
Student A Unsubsidized Disb 1	Oct. 15, 2020	\$990.00		\$5,690.00
Student B Subsidized Disb 1	Oct. 15, 2020	\$2,721.00		\$2,969.00
Student B Unsubsidized Disb 1	Oct. 15, 2020	\$2,969.00		\$0.00
Student X PLUS refund	Nov. 10, 2020	(\$5,200.00)		(\$5,200.00)
U.S. Treasury Refund	Nov. 13, 2020		(\$5,200.00)	\$0.00



# STUDENT DISBURSEMENTS

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# TITLE IV DISBURSEMENTS

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- Defined as the date that the institution credits a student's account at the school or pays the student directly with –
  - Funds received from the Department
  - Institutional funds used in advance of receiving funds from the Department

# STUDENT DISBURSEMENT EXAMPLE

## Student Account Record

Student: Santa Claus

<u>Date</u>	<u>Transaction</u>	<u>Reference</u>	<u>Charge/Debit</u>	<u>Payment/Credit</u>	<u>Balance</u>
1 Oct. 2020	Autumn 2020 Tuition		£ 5,000.00		£ 5,000.00
15 Oct. 2020	Subsidized DL Disb 1	DL 20-21		£ 2,058.68	£ 2,941.32
15 Oct. 2020	Unsubsidized DL Disb 2	DL 20-21		£ 749.03	£ 2,192.29

# DISBURSEMENT REPORTING TO COD

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- The Common Origination and Disbursement (COD) system **must** reflect the actual date of disbursement to the student account
  - Report as early as seven days before actual (true) date of disbursement
  - Report no later than 15 days of crediting the student's account
  - Interest begins to accrue on the actual disbursement date reported by the school
- **If funds were not disbursed to the student account on the original date reported to COD, the COD record must be updated to reflect the actual date the funds were posted to the student's account**
- A valid Direct Loan Master Promissory Note (MPN) for the academic year must be on file with COD before submission of actual disbursement records

# DIRECT LOAN BOOKING

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- A loan is considered “booked” when COD has accepted the origination record, MPN, and the first actual disbursement
- A booked loan is a debt owed by the borrower
- Booked loans are transmitted to a federal loan servicer for maintenance and collection
  - After booking, the servicer notifies the borrower of the disbursement, loan terms and conditions, and servicer contact information
  - Subsequent disbursements are assigned to the same servicer
  - Servicer will communicate with the borrower when it receives information about subsequent disbursements

# REQUIRED NOTICES

What	Who Is Notified	When	Required Elements
Type and amount of FSA funds student will receive	Student	Prior to disbursement	Type and amount of FSA funds available; How and when funds will be disbursed; If Direct Loan funds, amount of subsidized and unsubsidized
Credit of any loan funds to student's account <b><i>if affirmative confirmation obtained*</i></b>	Student (or parent, if Parent PLUS loan)	Within 30 days of disbursement (either before or after the disbursement)	Date and amount of disbursement Right of borrower to cancel all or portion of loan Procedures and deadlines for borrower to cancel the loan
Credit of any loan funds to student's account <b><i>if affirmative confirmation is <u>NOT</u> obtained</i></b>	Student (or parent, if Parent PLUS loan)	No earlier than 30 days before, and no later than 7 days after disbursement	Date and amount of disbursement Right of borrower to cancel all or portion of loan Procedures and deadlines for borrower to cancel the loan

# REQUIRED AUTHORIZATIONS

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- Use of stored value card or similar instrument for issuing a Title IV credit balance
- Use FSA funds to pay for allowable charges other than tuition, fees, and room and board (if the student contracts with the school)
  - Includes books and supplies
- Holding Title IV credit balances
- Disbursing Title IV funds by EFT to a bank account designated by the student or parent
- See 34 C.F.R. § 668.165(b)

# ALLOWABLE CHARGES

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- May only credit student's account for allowable charges
  - Current charges for tuition, fees and room and board if contracted with the school
  - Current charges for educational activities if student and/or parent provides written authorization
    - Includes books, supplies and other equipment



# PRIOR-YEAR CHARGES

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- Title IV funds can be used to pay minor prior year charges only up to \$200
- For Direct Loan recipients, the “year” is the loan period
- Student/Parent cannot provide authorization to pay for more than \$200 in prior year charges

# TITLE IV CREDIT BALANCE

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

<b>Institutional Charges</b>	<b>= \$ 3,000</b>
<b>Credits to account</b>	<b>= \$ 5,701</b>
Subsidized DL	\$1,732
Unsubsidized DL	\$2,969
<i>Scholarship</i>	<i>\$1,000</i>
<b>Title IV Credit Balance</b>	<b>= \$ 1,701</b>

# PAYING TITLE IV CREDIT BALANCES

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- School must pay credit balance to student/parent no later than –
  - 14 calendar days after credit 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
- Payments via check are considered paid on the date –
  - School mails the check
  - Notifies student within 14-day timeframe that the check is available for pick-up and provides specific location
    - Can hold for 21 days from notification
    - If not picked up, must mail, initiate electronic funds transfer (EFT) or return to the Department

# PAYING TITLE IV CREDIT BALANCES

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- Schools are prohibited from charging students a fee for delivering FSA funds
- If a school delivers FSA funds by crediting funds to a school-issued debit card, students cannot be charged a fee for making withdrawals of FSA funds from the card
- If students/parents are required to open a bank account, or the school opens a bank account for the student, student/parent consent is required
- Student must not incur any cost in making cash withdrawals from convenient bank branch or ATM

# HOLDING TITLE IV CREDIT BALANCES

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- Student or parent may voluntarily authorize school to hold credit balance
  - Exception: Schools receiving Title IV funds under a heightened cash monitoring or reimbursement payment method may not retain Title IV credit balances
- School must –
  - Identify amount of funds held for each student/parent in subsidiary ledger account
  - Maintain cash equal to credit balances held
- School may retain interest earned on retained funds
- School must release any remaining Title IV credit balance funds by the end of the loan period
  - **May not go beyond this deadline even with student or parent authorization**

# EARLY DISBURSEMENTS

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- Term-based credit hour program
  - 10 calendar days before the first day of classes of the term
- Non-term credit hour and clock hour programs
  - Later of –
    - 10 calendar days before the first day of classes of the payment period, OR
    - The date the student completed the previous payment period
    - This means that if your graduate programs are non-term for Title IV purposes, you cannot make the second disbursement of loan funds until the student successfully completes the first payment period

# LATE DISBURSEMENTS

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- For Direct Loan recipients, a disbursement made after the student is no longer enrolled at least half-time
  - The loan must be originated prior to the date the student loses eligibility
  - May not originate a new loan or increase an existing loan amount if student is not enrolled at least half-time
- 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 offer the late disbursement to the borrower and release the funds if timely authorized by the borrower

# LATE DISBURSEMENT ELIGIBILITY

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- First-time, first-year borrowers must have completed 30 days of the program unless the institution is exempt from the delayed disbursement requirement under 34 C.F.R. § 685.303(b)(5)
- For a second or subsequent disbursement, student graduated or completed the period for which the loan was intended
- The Department processed a SAR/ISIR with an official Expected Family Contribution (EFC) before the student became ineligible
- The school must have a valid SAR/ISIR by the deadline established by the Department in order to make the late disbursement



# POST-WITHDRAWAL DISBURSEMENT

Post-Withdrawal disbursements are a type of late disbursement with eligible amounts determined by Return to Title IV (R2T4) rules.

If certain conditions are met, the school must offer the post-withdrawal disbursement.

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, <b>STOP</b>. No further action is necessary.</i>		
<b>J. Post-withdrawal disbursement</b>			
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	= <b>J. \$</b> <input type="text" value="1000"/>
<b>Stop here</b> , and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).			
<i>Step 4 continued ▶</i>			

# LOAN POST-WITHDRAWAL DISBURSEMENT

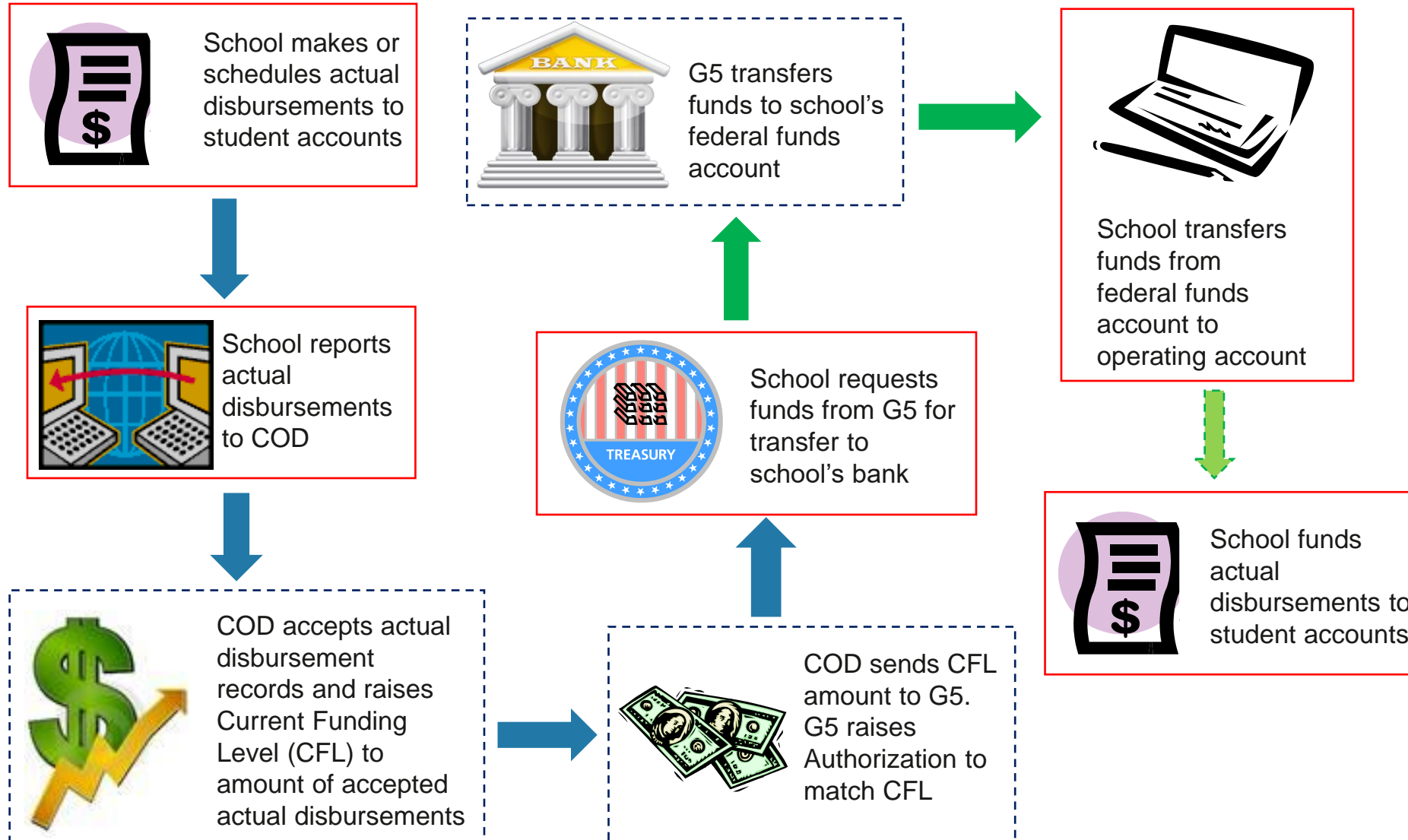
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- School must provide written notification within 30 days of date of determination of withdrawal
- Must receive confirmation from the student or parent borrower prior to disbursement
- If confirmation received after the deadline, the school may or 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

# FUNDING PROCESS



# FUNDING PROCESS



# DIRECT LOAN CURRENT FUNDING LEVEL

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- Foreign schools operate on a “records first” basis to establish or increase Current Funding Level (CFL)
  - This is called the Current Funding Level in COD and the authorization in G5
- Schools submit actual disbursement records to COD
  - Actual disbursements are those where the Disbursement Release Indicator (DRI) is marked “True”
- COD sends data for accepted actual disbursements to G5 to create or increase authorization
- G5 makes funds available in the amount of accepted disbursements

# G5 AUTHORIZATION PROCESS

<b>If active disbursements are in COD Action Queue by...</b>	<b>Generally funds will be ready for drawdown in G5 by...</b>
10:00 a.m. (ET) on a business day	2:00 p.m. (ET) on the same business day
10:00 p.m. (ET) on a business day	7:30 a.m. (ET) on the next business day
Funds for disbursement sent to G5 on a non-business day will be available on the next business day.	

# G5 FUNDING PROCESS

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- Schools request funds from G5 and the timing of receipt of funds is based on the location of the school's bank account
- Foreign Bank Account
  - Deposit by close of business of the third business day following the funds request
- U.S. Bank Account
  - Deposit by close of business of the second business day following the funds request
- Business day
  - If funds are requested prior to 1:00 p.m. Eastern US Time, the day of the request is the first business day
  - If funds are requested after 1:00 p.m. Eastern US Time, the day after the request is the first business day

# MANAGING FEDERAL FUNDS

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- 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



# RETURNING FUNDS

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- Direct Loan funds are school and award-year specific, not student specific
- Funds not disbursed to a student, or returned from a student's institutional account, may be disbursed to another eligible student within the regulatory timeframes
  - Be sure to report downward adjustment to COD for student not receiving funds
- Returned funds that cannot be disbursed to another eligible student must be returned to the Department
  - This is referred to as a refund in both G5 and COD

# RETURNING TITLE IV FUNDS

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- The Department considers a school to have returned FSA funds when the school has –
  - Deposited or transferred the funds into its federal funds account for disbursement to another student
  - Initiated an electronic funds transfer to the Department in US dollars

**Remember! Once funds are deposited into the school's federal funds account, the money must be returned to the Department or disbursed to another eligible student within the three-business day excess cash timeframe.**

# METHODS FOR RETURNING FUNDS

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- U.S. bank account
  - Use G5 e-Refunds process
    - First time user must designate a U.S. bank account from which the funds will be returned
    - Can be your federal funds account
- Foreign bank account
  - Wire refunds to G5
  - See “Funding Process Overview” on Foreign Schools Information page for details
    - <https://ifap.ed.gov/sites/default/files/attachments/2019-12/FSDLProcFundingProcOverview.pdf>

# DIRECT LOAN RECONCILIATION

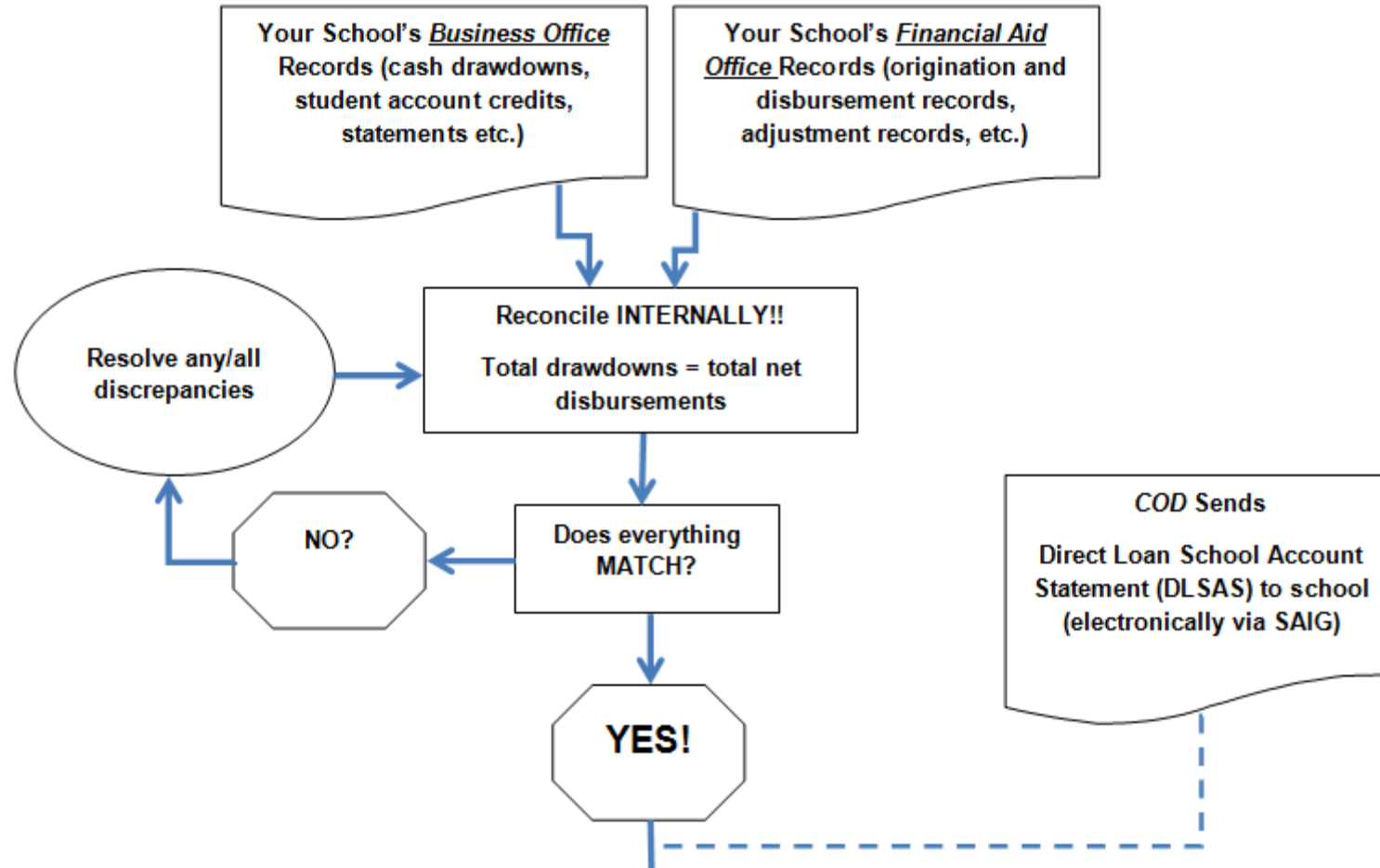
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# DIRECT LOAN RECONCILIATION

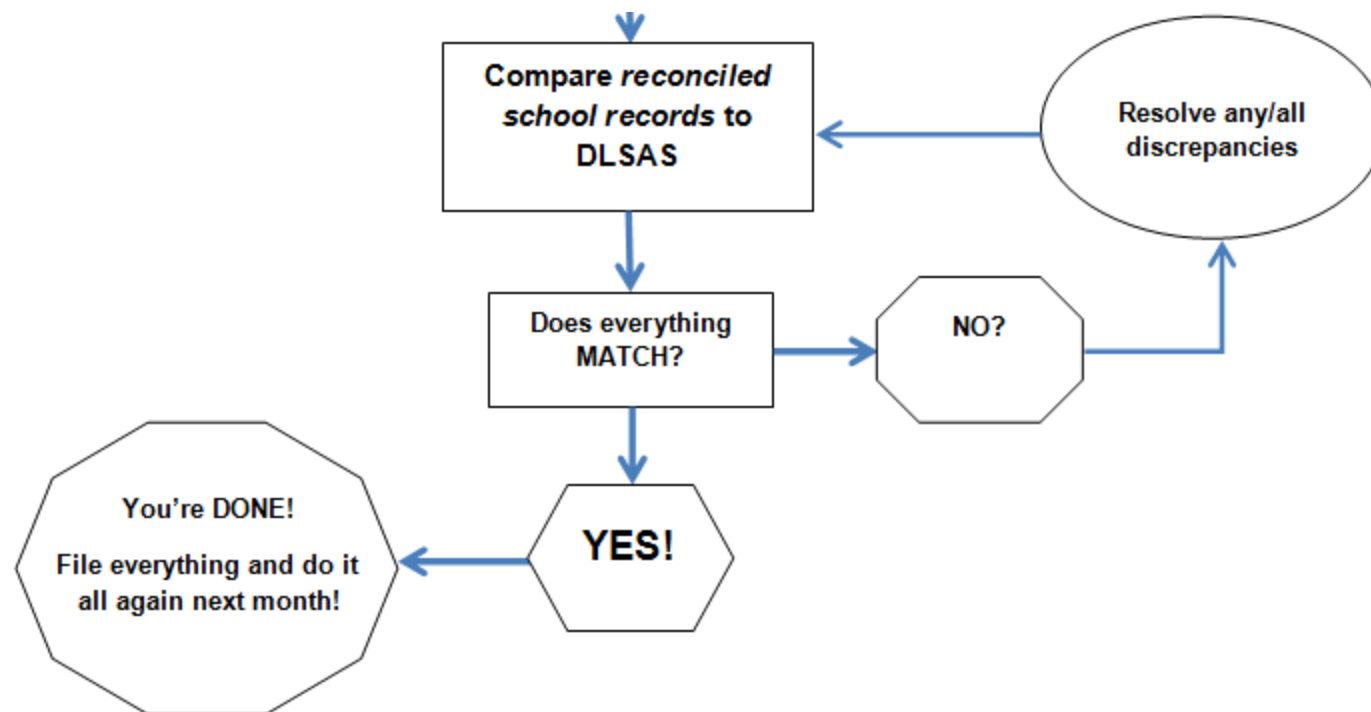
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- Review
  - Title IV funds received from G5
  - Actual disbursement records accepted by COD
  - School Account Statement (SAS)
  - School internal accounting records (actual disbursements posted to student accounts)
- Direct Loan funds are required to be reconciled monthly

# RECONCILIATION PROCESS



# RECONCILIATION PROCESS (CONTINUED)



# RECONCILIATION COMPLETION

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- Reconciliation is complete when –
  - All discrepancies have been identified and resolved
  - Timing issues are tracked for reconciliation in next month's SAS
  - All monthly reconciliation efforts have been documented
  - Reasons for any Ending Cash Balance have been identified



# PROGRAM YEAR CLOSEOUT

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- Should begin as soon as final disbursements are made
- One final month of reconciliation
- Must resolve any remaining ending cash balance
- Final deadline: Last business day of July of the calendar year following the end of the award year
  - Deadline for 2019-2020 Award Year is July 31, 2021

# REGULATORY REFERENCES

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- 34 C.F.R. § 668.16(c), Standards of Administrative Capability
- 34 C.F.R. § 668.24(b), Record Retention, Fiscal Records
- 34 C.F.R. § 668.82, Standard of Conduct
- 34 C.F.R. § 668 Subpart K (668.161 to 668.166), Cash Management
- 34 C.F.R. § 685.300(b)(5), Requirement to reconcile Direct Loan program funds monthly

# CONTACTS

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School Eligibility and Oversight Service Group General Number: 202-377-3173 or email: [CaseTeams@ed.gov](mailto:CaseTeams@ed.gov)

Or call/email the appropriate School Participation Division below for information and guidance on audit resolution, financial analysis, program reviews, school and program eligibility/recertification, and school closure information.

## New York/Boston School Participation Division

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