


Administering Disbursements

Bruce Honer, FSA Trainer | October 2017
U.S. Department of Education
NAFAA Fall Conference

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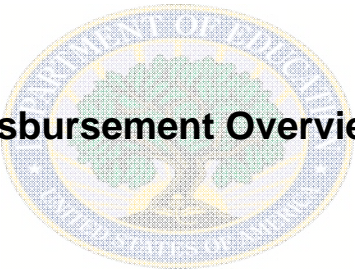
Agenda

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



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Disbursement Overview




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Funding Basics

- G5 Funding is specific for each program and for each award year
 - Funding is not student specific
- Timelines and deadlines for reporting disbursements to COD
 - Actual disbursements may be reported up to 7 days prior to disbursement date and must be reported no later than 15 days after the disbursement date


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Program Funding

Pell Funds

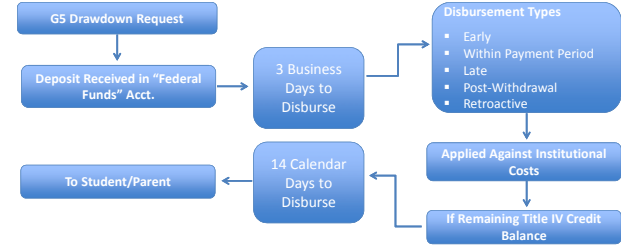



Direct Loan Funds



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Disbursement Overview



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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

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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 timeframes
- Disbursement date reported to COD **must** be the actual date of disbursement to the student's account

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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 TEACH 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

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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)
 - Credit FWS wages to a student's account to pay any educationally related charges
 - Disburse FWS wages by EFT to a bank account designated by the student or parent
 - Hold an FSA credit balance

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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
 - ISIR Determined Eligibility (Citizenship, Drug Related, etc.)
 - School Determined Eligibility (Regular student, SAP, etc.)
- Both you and your 3rd Party Servicer must have a process in place to make this determination

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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 most recent fiscal years
 - Exception: A school with the most recent cohort default rate of less than 5% that is originating loans to cover the cost of attendance in a study abroad program

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Single Payment Period Disbursements

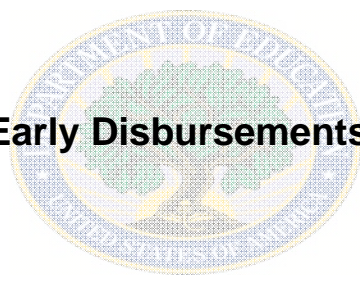
- When a Direct Loan is made for one payment period, the loan must be disbursed in two installments, and the second installment may not be disbursed until the student has reached the calendar mid-point of the term or after half the hours and half the weeks of instructional time in the payment period depending upon the program type
- Exception: A school with a cohort default rate of less than 15% for the most recent fiscal years
- Exception: A school with the most recent cohort default rate of less than 5% that is originating loans to cover the cost of attendance in a study abroad program

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Disbursements in Modules

- A school can make one disbursement based on the enrollment status for the entire term
- Student must begin attendance in 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

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Early Disbursements

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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 Clock-Hour, Non-Term Credit Hour, and Credit Hour in Terms NSE, 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

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Student Fails to Begin Attendance

- If school disburses Pell, IASG, TEACH, and FSEOG and the student fails to begin attendance:
 - School must return the funds even if they were disbursed directly to the student
- 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 student's actual enrollment status
 - Student is responsible to return the ineligible portion of funds disbursed

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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

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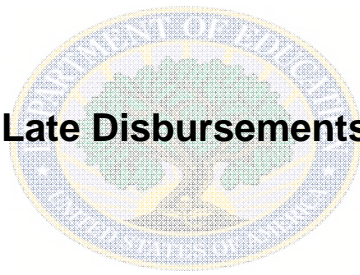
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Begins Attendance Less than Half-Time

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 ½ time status
- Repaid in accordance with terms/conditions of Prote UNLESS required to return loan funds under R2T4 if student withdraws

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Late Disbursements

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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
 - for the FSA Grant, or Perkins Loan, 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."

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Needed Conditions for Late Disbursements

#1 Condition for **All** Late Disbursements: ED processed a SAR/ISIR with an official 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/Perkins: Must have also made the award before the student became ineligible

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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

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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

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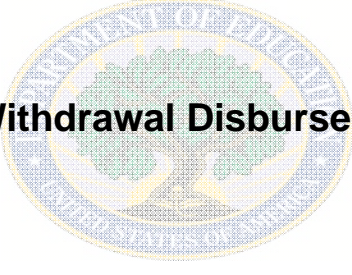
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Late Disbursement Limitations

- A school is prohibited from making:
 - A late second or subsequent disbursement of Direct Loan funds unless s/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

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Post-Withdrawal Disbursements



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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

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, STOP. No further action is necessary.

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.

3000 - 2000 = J, \$ 1000


Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet). (Step 4 continued)

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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



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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 borrow in writing of the outcome
- Must be made as soon as possible, but no later than 180 days after date of determination

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Retroactive Disbursements


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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 award year or loan period for which the student is eligible



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Examples of Retroactive Disbursements

- The student's ISIR was not available until a subsequent payment period
 - Late FAFSA file
 - Reject Resolution Required
- An administrative delay that pushed a disbursement date beyond the payment period
- Verification Delay
- Conflicting Information Resolution



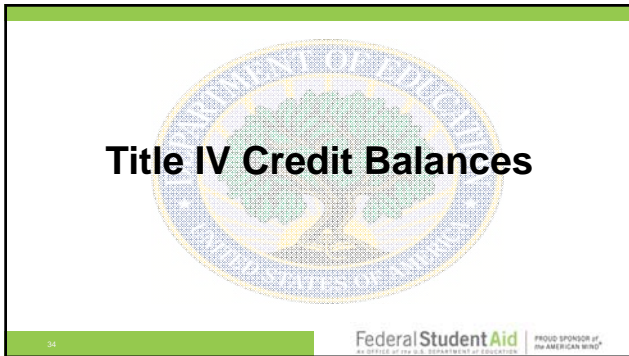
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Retroactive Disbursements

- A school making a retroactive disbursement of Pell Grant funds must base the calculation on the enrollment status according to work already completed
 - Per guidance received, this includes earned Fs
 - As the language suggests, does not include dropped courses
- Retroactive disbursement of Direct Loan must base the calculation on the enrollment status according to work already completed
 - Must be at least half-time to disburse

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Title IV Credit Balances

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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.



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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
Scholarship	\$1,000
Title IV Credit Balance	= \$ 2,172


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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



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Paying Credit Balance: Check

- Considered paid on date
 - School mails check
 - Notifies student within 14 day timeframe 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

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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/ parent in a subsidiary ledger account
 - Maintain cash equal to credit balances held
- School may retain interest earned on funds

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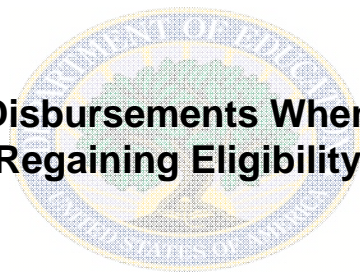
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Holding Title IV Credit Balances

- 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!

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Disbursements When Regaining Eligibility

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Regaining Eligibility

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




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Regaining Eligibility

Default or Overpayment


- Pell, TEACH & 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

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Regaining Eligibility

Drug Conviction


- Pell, TEACH & 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

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Regaining Eligibility

Satisfactory Academic Progress

- Pell, TEACH & 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*

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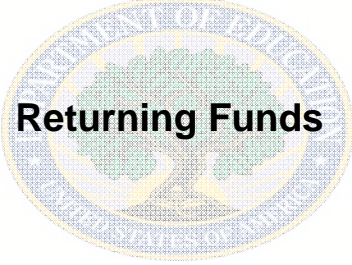
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Regaining Eligibility

Citizenship Status, Selective Service, & Valid Social Security #

- 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

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Returning Funds

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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

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Returning Funds

Returning Direct Loan Funds


- If a school receives a borrower’s request to return funds
 - Must be returned through G5 if within 120 days of disbursement
 - Must direct student to the loan servicer if more than 120 days elapsed 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

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Overpayments

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

- If due to school error—school repays entire amount
- If due to student error—student repays amounts of \$25 or more



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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

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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



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Correcting 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/she is responsible, or makes satisfactory arrangements to repay

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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

Please note that if the overpayment is due to school error, the Department may require the school to return funds

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Resources

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Resources

Federal Student Aid Handbook

- Volume 4, Chapter 1 Requesting FSA Funds
- Volume 4, Chapter 2 Disbursing FSA Funds
- Volume 4, Chapter 3 Overpayments
- Volume 4, Chapter 4 Returning 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

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Resources (cont.)

Federal Regulations – 34 CFR

- 668.164(m) 30-Day Delay for DL Borrowers
- 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


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Department of Education Contacts

Research and Customer Care Center
800.433.7327
fsa.customer.support@ed.gov



Reach FSA
855.FSA.4FAA -- 1 number to reach 10 contact centers!


eZ-Audit	Campus Based Call Center
COD	School Eligibility Service Group
CPS/SAIG	Foreign Schools Participation Division
NSLDS	Research and Customer Care Center
G5	Netnet Total & Permanent Disability Team

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Contact Information

Contact me with follow-up questions about this session:

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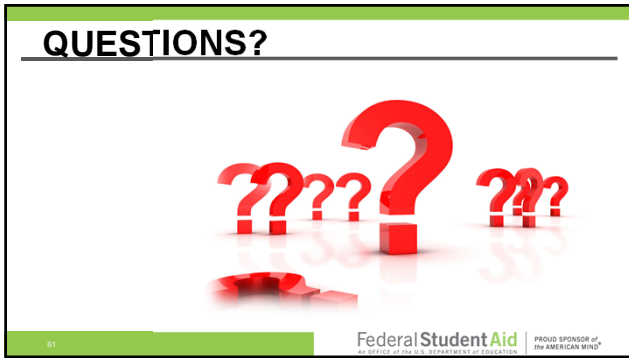
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- Go to: <http://s.zoomerang.com/s/BruceHoner>
- Evaluation form is specific to Bruce Honer
- This feedback tool will provide a means to educate and inform areas for improvement and support an effective process for "listening" to our customers
- Additional feedback about training can be directed to joann.borel@ed.gov; 936-201-3298

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