

Overpayments and Overawards

CHAPTER 1

In this chapter we will discuss a student's and a school's responsibility for resolving overawards and overpayments. This chapter does not cover returning funds when a student withdraws.

Please see chapter 2 for a discussion of those returns.

OVERAWARDS

An overaward exists when a student's aid package exceeds his or her need. While your school must always take care not to overaward a student when packaging his or her aid, circumstances may change after you have packaged the student's aid that result in an overaward. (Please see Volume 3 for a discussion of avoiding overawards during the packaging process.) For instance, the student may receive a scholarship or grant from an outside organization. When an overaward situation arises, you may be required to adjust the Federal Student Aid (FSA) in the student's package in order to eliminate the overaward.

Overawards only become overpayments if the school cannot correct them. In an overpayment situation, some or all of the funds that make up the overaward have been disbursed to the student.

An overaward exists whenever:

- a school awards aid either to a student who is ineligible for a specific program or to a student who is ineligible for any FSA program assistance;
- a student's award in an individual program exceeds the regulatory maximum, e.g., the annual or aggregate loan limits, the annual limit on Federal Supplementary Educational Opportunity Grant (FSEOG) awards or a Pell award based on the wrong payment schedule/enrollment status;
- a student's aid package exceeds his or her need (including when the student's Expected Family Contribution (EFC) is revised upward after initial packaging);
- a student's award exceeds his or her Cost of Attendance; and
- a student is receiving a Pell, or Iraq and Afghanistan Service Grant at multiple schools for the same period.

In general, unless a school is liable, a student is liable for any overpayment made to him or her.

When there are conflicting regulations

When a student's aid package includes assistance from multiple programs and those programs have different overpayment regulations/requirements, a school must **apply the most stringent/restrictive requirements**.



Overpayments

FSA debts 34 CFR 668.35(e), & (g)
Pell Grants 34 CFR 690.79
DL 34 CFR 685.303(e)

Recovery of funds

Verification 34 CFR 668.61
Ineligible student 34 CFR 668.139

Overpayments and eligibility

HEA Sec. 484(a)(3)
34 CFR 668.22(h), 668.32(g)(4), 668.35(c)&(e)

Overpayment due to interim disbursement

34 CFR 668.61(a)

Recovery of overpayments

34 CFR 668.139

Timeframe for returning funds

34 CFR 668.21(a)(2)(ii)(A)

Timeframe for disbursing funds

34 CFR 668.166(a)(1)

WHEN A STUDENT FAILS TO BEGIN ATTENDANCE

A student is considered not to have begun attendance if a school is unable to document the student's attendance in any class.

Returning funds for students who do not register or fail to begin attendance

34 CFR 668.21

34 CFR 668.167

34 CFR 674.16(f)(1)&(2)

34 CFR 676.16(d)(1)&(2)

34 CFR 685.303(b)(3).

34 CFR 690.78(b)(1)&(2)

If your school disburses Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins or FSEOG funds, but the student never begins attending classes, you must return the disbursed funds to the respective programs even if those funds were disbursed directly to the student. If the student begins attending some but not all of his or her classes, you will have to recalculate the student's Pell or Iraq and Afghanistan Service Grant award based on the student's actual enrollment status—see Volume 3, chapter 3.

If a school disburses Direct Loan funds but the student does not begin attendance, the school must return all Direct Loan funds that were credited to the student's account at the institution for the payment period or period of enrollment. In addition, a school must return the amount of any payments made directly by or on behalf of the student to the school for the payment period or period of enrollment, up to the total amount of the loan funds disbursed.

In addition, a school must return any Direct Loan funds that it disbursed directly to a student if the school knew prior to disbursing the funds directly to the student that the student would not begin attendance. (For example, if a student notified the school that he or she would not be attending or if the school expelled the student prior to directly disbursing the funds.)

Recalculating Pell eligibility when a student fails to begin attendance in all classes

34 CFR 690.80(b)(ii)

For any remaining loan funds disbursed directly to a student, the school must notify the Department of the loan funds that are outstanding, so that the Department can issue a 30-day demand letter to the student.

A school may not ignore information available to any office at the school indicating that a student failed to begin attendance.

When a student withdraws after starting classes but before a school's census date

A student begins earning FSA funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation described in Volume 5, chapter 2.

All schools must return¹ funds disbursed to a student who failed to begin attendance as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance.

1. For Pell, Perkins, TEACH Grant, IAS Grant or FSEOG funds, a school may satisfy this requirement either by redepositing the funds in its federal funds account and disbursing them within three days to another eligible student, or by returning them to the appropriate FSA program using the **refund function in G5**.

At a school that is not required to take attendance but that has a census date on which it reports its enrollment levels to a state, local jurisdiction or outside agency, it would be reasonable to expect the school to return funds as soon as possible, but no later than 30 days following the census date.

A school that draws down FSA grant or Direct Loan funds under the advanced payment method must disburse those funds no later than three business days following the date the school receives them. If after a school draws down FSA grant or Direct Loan funds, but before the school disburses them, the school discovers that it cannot disburse all the funds because one of the students for whom the funds were intended has not begun classes, the school must return those funds within the three-day period except as described under *Excess Cash* in *Volume 4*.

After the start of classes, FSA funds should not be disbursed without schools confirming that recipients have begun attendance.



When funds are considered to have been returned for a student who fails to begin attendance

The Department considers a school to have returned FSA funds timely if the school—

1. deposits or transfers the funds into its federal funds account no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance;
2. initiates an electronic funds transfer (EFT) no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance; or
3. issues a check no later than 30 days after the date that the school becomes aware that a student will not or has not begun attendance. An institution does not satisfy this requirement if –
 - the school's records show that the check was issued more than 30 days after the date that the school becomes aware that the student will not or has not begun attendance; or
 - the date on the cancelled check shows that the bank used by the Department endorsed that check more than 45 days after the date that the school becomes aware that the student will not or has not begun attendance.

Returning undisbursed funds for students who do not register or fail to begin attendance

34 CFR 668.166(a)
34 CFR 668.167(b)(1)&(2)

Pell Grants

A Pell Grant is determined by using the Pell Payment Schedule appropriate for the student's enrollment status, as well as the correct EFC and Cost of Attendance. A correctly determined Pell Grant is never adjusted to take into account other forms of aid. Therefore, if a student's aid package exceeds his or her need, you must attempt to eliminate the overaward by reducing other aid your school controls. A Pell Grant awarded to an ineligible student is an overaward as is a grant based on an enrollment status greater than that for which the student is enrolled.

If an IAS Grant recipient becomes Pell eligible

If an IAS Grant recipient becomes eligible for a Pell during award year, then the school must treat the Pell as Estimated Financial Assistance, and may need to adjust the student's aid package.

Schools should have a process to identify IAS Grant recipients who on ISIRS reporting subsequent transactions become Pell eligible during the year.

COA may not be exceeded

34 CFR 686.21(c)
FR / Vol. 73, No. 121 / June 23, 2008 /
page 35483
34 CFR 668.35 (g)(4)(i) & (ii)

TEACH may replace EFC

34 CFR 686.21(d)

TEACH Grant maximums

34 CFR 686.21(c)

Reminders



1. If a school chooses not to use the TEACH Grant to finance the EFC, then all of the TEACH Grant is considered EFA for the other FSA programs.
2. Beginning with any unsubsidized loans, the school should first reduce a student's level of borrowing. Once a student's loans have been reduced, or if the student has no loans, it may be necessary for the school to reduce the student's TEACH Grant or other aid.
3. If the school fails to follow required procedures, it must repay any FSA overpayment. If the school followed the required procedures and the FSA overpayment is \$25.00 or more, the student must repay the overpayment.

Iraq and Afghanistan Service Grants

The following situations are considered Iraq and Afghanistan Service Grant overawards and must be corrected:

- an award made to an ineligible student;
- an award based on a Pell Grant Payment Schedule for an enrollment status greater than that for which the student is enrolled; and
- an award that by itself exceeds a student's cost of attendance.

Iraq and Afghanistan Service Grants, like Pell Grants, are not adjusted to take into account other forms of aid. So, if a student's aid package includes an Iraq and Afghanistan Service Grant and the aid package exceeds his or her need or cost of attendance, but the Iraq and Afghanistan Service Grant was determined correctly and by itself does not exceed the student's need, you must reduce other aid in your effort to eliminate the overaward.

TEACH Grants

When a student has no need-based aid

If you discover a situation where a student is not receiving any need-based financial assistance and the TEACH Grant in combination and other non-need-based EFA exceeds the student's cost of attendance, the TEACH Grant must be reduced.

When a student is receiving need-based aid

If a student's EFC, plus the student's TEACH Grant and estimated financial assistance exceeds a student's cost of attendance, the school should first apply the TEACH Grant to replace the EFC. (**Remember, any TEACH Grant above the EFC is considered financial assistance for the other FSA programs.**) If the EFC, plus any remaining TEACH Grant, plus any other EFA still exceeds the student's cost of attendance, the student is in an overaward status, and the school must resolve it.

Before reducing a student's need-based aid, the school should re-evaluate the student's cost of attendance to determine whether the student has increased costs that were not anticipated when the school initially awarded aid to the student. If the student's costs have increased,

and if the total package does not exceed the revised COA, the school is not required to take further action. If a school determines that the student's package still exceeds the student's COA, the school must resolve the overpayment.

TEACH Grant Overpayments – Examples

Example 1

When a student is not receiving need-based aid

Rule: The Teach Grant, in combination with other non-need-based EFA, may not exceed COA, and any EFC is ignored.

COA	\$9,000.00	TEACH Grant	\$4,000.00
EFC (ignore)	1,000.00	Other non-need-based EFA	<u>6,000.00</u>
		Total EFA	\$10,000.00

A student receives a \$6,000 non-need-based scholarship after beginning class and after his TEACH Grant has been posted to his account. The student is not receiving any need-based EFA, and therefore the EFC is ignored. The TEACH Grant plus the other non-need-based EFA exceeds the COA by \$1,000 (\$10,000 – \$9,000). The \$1,000 is a TEACH Grant overpayment the school must resolve.

Example 2

When a student is receiving need-based aid

Rule: The student's EFC plus the Teach Grant in combination with any other EFA may not exceed COA. However, the TEACH Grant may be used to replace the EFC. If a school elects this option, the amount by which the TEACH Grant exceeds the EFC is considered EFA for FSA purposes.

COA	\$10,000.00	TEACH Grant	\$4,000.00
EFC (must be considered)	<u>1,000.00</u>	Need-based EFA	<u>7,000.00</u>
Need	\$9,000.00	Total EFA	\$11,000.00

A student receives a \$6,000 need-based scholarship after beginning class and after his TEACH Grant has been posted to his account. The student is receiving need-based EFA. Therefore, the EFC must be considered. The total of the EFC (\$1,000), the TEACH Grant (\$4,000), and other EFA (\$7,000), exceeds the COA by \$2,000 (\$12,000 – \$10,000). The \$2,000 is an overpayment the school must resolve.

If the school elects to use \$1,000 of the TEACH Grant to *replace* the EFC, the overpayment that must be resolved by the school will be reduced to \$1,000 (from \$2,000).

Campus-Based programs

Campus-Based overawards

34 CFR 673.5(d)

Campus-Based overaward tolerance

There is a \$300 overaward tolerance/threshold for the Campus-Based programs. The \$300 threshold is allowed only if an overaward occurs after Campus-Based aid has been packaged. The threshold does not allow a school to deliberately award Campus-Based aid that, in combination with other, exceeds the student's financial need.

If a school learns that a student received financial assistance that was not included in calculating the student's eligibility for aid from the Campus-Based programs and that assistance resulted in the student's total financial assistance exceeding his or her financial need by more than \$300, the school must take steps to resolve the overpayment.

Before reducing the student's Campus-Based aid, the school should re-evaluate the student's need to determine whether he or she has increased need that was not anticipated when the school initially awarded aid to the student. If the student's need has increased and if the total financial assistance does not exceed the revised need by more than \$300, the school is not required to take further action.

If the school recalculates the student's need and determines that the student's need has not increased, or that his or her need has increased but that the total financial assistance still exceeds his or her need by more than \$300, the amount that exceeds the student's need by more than \$300 is an overpayment. The school must eliminate the amount of the overpayment that exceeds the \$300 threshold.

FWS Program

Because a student can't be required to repay wages earned, you can only adjust FWS by reducing the hours a student can work in the future and thus the student's future earning. You can continue to employ the student, but the student can't be paid from FWS funds. If you've already adjusted all other federal aid and institutional aid, and there's still an overaward, you must reimburse the FWS program from your school's funds. You cannot require the student to repay wages earned.

FSEOG Overpayments

For purposes of FSEOG overpayments, when a school awards FSEOG using the individual recipient or aggregate matching share methods, the FSEOG overpayment amount includes only the federal share. When a school uses the fund-specific method of matching, there is no distinction between federal and other funds. As a result, 100% of the funds disbursed are considered part of the overpayment.

Stafford Loans

If you discover that a student has been overawarded, and if your school has already received and disbursed Stafford or PLUS loan funds, you have a number of options:

- If the package includes an unsubsidized Stafford, a PLUS Loan or a nonfederal loan and the aid package doesn't already apply these loans to finance the EFC, and the school so chooses, the aid package can be adjusted so that all or some part of these loans replaces the EFC, thus reducing or eliminating the overaward.
- The second or subsequent disbursement of a Stafford Loan can be canceled or reduced.
- If the aforementioned adjustments have been made and an overaward still exists for a Direct Loan borrower, you must withhold and promptly return to ED any funds that have not yet been disbursed to the borrower.

If the student is determined to be ineligible for the entire loan disbursement and the overaward cannot be reduced or eliminated, you must return all of the loan proceeds. Note that Direct Loan overawards must be repaid before adjusting or cancelling Campus-Based funds.

- If a student becomes ineligible for only a part of a Direct Loan, you can reduce the loan to eliminate the amount for which the student is ineligible.

If the overaward situation occurs after Direct Loan funds have been fully disbursed, you do not need to adjust it. However, you might have to adjust the aid package to prevent an overaward of Campus-Based funds.

Although a school isn't required to return Stafford Loan funds that were disbursed to the borrower (either directly or by applying them to the student account) before the overaward situation occurred, the law doesn't prevent your school from returning funds that were applied to the student account if you choose to do so. A borrower who receives a direct payment of loan funds is not required to repay an overawarded amount, unless the overaward was caused by his or her misreporting or withholding information.

Overaward tolerance for Stafford Loans

In general, there is no tolerance when determining an overaward in the Direct Loan program. However, if a student's financial aid package contains a Direct Loan and an FWS award, a \$300 tolerance can be applied to eliminate the overaward.

If an overpayment occurs for a student who has a Direct Loan and Campus-Based awards, unless the Direct loan has been fully disbursed, the Direct loan must be reduced before the Campus-Based awards are adjusted or canceled.

Overaward and unsubsidized loan example

Hector's EFC is 4,000. His cost of attendance is \$12,000. He is supposed to receive a subsidized Stafford Loan of \$5,000 and an unsubsidized Stafford Loan of \$3,000, which completely meets his need. Before he receives his first loan disbursement, Guerrero University also gives him a \$2,000 scholarship. If Hector's entire loan amount of \$8,000 had been subsidized, Guerrero would have to send some of the loan back. But because part of the loan amount is unsubsidized, Guerrero simply considers that \$2,000 of the unsubsidized loan that applied to Hector's financial need is now being used to replace part of his EFC.

A resolved overaward may become an overpayment



If a school has resolved an overpayment by reducing scheduled future disbursements for a second or subsequent payment period and the student ceases attendance before the end of the current payment period, that portion of the student's award that was an overpayment must be repaid outside of the requirements of 34 CFR 668.22.

If the school is responsible for repaying the overpayment, the school must repay the overpayment **before** completing any required Return calculation as described in chapter 2 of this volume.

If the student is responsible for repaying the overpayment, and the student withdrew after the 60 percent point in the payment period or period of attendance, as applicable, the school should try to collect the overpayment from the student, and if it is unable to do so, should refer the student to ED's Debt Resolution Services.

If the student is responsible for repaying the overpayment, and the student withdrew before the 60 percent point in the payment period or period of attendance, as applicable, the school should not take any action until it has completed the required Return calculation.

However, when performing the Return calculation, the school should not include the amount of the overpayment for which the student is responsible as *Aid that was or could have been disbursed* (See chapter 2.). Then, when the school has completed the Return calculation, it should document the amount of the overpayment and, as applicable, reduce any post-withdrawal disbursement or increase any amount the student must return by the amount of the overpayment owed by the student.

TREATMENT OF OVERPAYMENTS

Overpayments for which the school is responsible

Please also see the discussion later in this chapter under “Overpayments for which the student is responsible.”

Your school is liable for any amount of a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan or FSEOG overpayment (including amounts under \$25) that occurred because your school failed to follow the requirements in 34 CFR parts 668, 673, 674, 676, 690 or 691 as applicable. If your school makes a Perkins Loan or FSEOG overpayment in any amount for which it is liable, you must immediately restore (to your Perkins loan fund or FSEOG account, as applicable) an amount equal to the overpayment plus any administrative cost allowance claimed on the overpayment. When returning Pell Grant, Iraq and Afghanistan Service Grant and TEACH Grant overpayments, you must make a downward adjustment to the student’s award in COD, and either return the funds through G5, or disburse them to another eligible student. For a description of overpayments for which students are responsible, see the discussion later in this chapter.

A school may attempt to collect funds it has returned from a student. However, this is not an FSA debt, because an overpayment for which a school is responsible can never become an FSA debt for a student. Therefore an overpayment for which a school is responsible can never result in a student’s losing FSA eligibility and should never be reported to NSLDS or referred to ED for collection.

If an overpayment is the result of an interim disbursement (see the *Application and Verification Guide*), and the student does not repay it, the school must repay the overpayment from the school’s funds. The school must repay the overpayment within 60 days following the student’s last day of attendance or by the last day of the award year, whichever comes first. Because the interim disbursement was made at the school’s discretion, the school is ultimately responsible for repaying it. Moreover, because the student does not owe an FSA overpayment, the student should not be reported to NSLDS or referred to ED for collection.

Examples of overpayments due to school error

Allen received a Pell at Sarven Technical Institute. Although Sarven had the correct EFC on Allen’s ISIR, the school looked at the wrong chart and used a different EFC in the Pell calculation. So, Allen received too much money. Because the overpayment is due to a school error, Sarven is liable for the overpayment.

Owen received an outside scholarship to attend Guerrero University. The bursar’s office was notified of the scholarship so that it would apply the payments properly, but didn’t notify the financial aid office. Owen received a Perkins Loan, but the financial aid office didn’t take the scholarship into account when awarding the loan because it didn’t know about the scholarship. When the financial aid office later found out about the scholarship, it discovered that Owen received too much aid and had a \$600 Perkins overpayment. Because the school had information about the scholarship (even though the financial aid office didn’t), the overpayment is due to a school error.

A student may not receive Federal Pell Grant or Iraq and Afghanistan Service Grant funds for concurrent enrollment at more than one institution (nor both at the same institution). The COD system will identify students who have been reported as Pell Grant recipients by multiple institutions as potential overawards (POP files). The schools that awarded the student Pell Grant funds for the period must coordinate their response so that the student is receiving Pell Grant funds for attendance at only one school during the period. If after 30 days the schools have not resolved the overpayment, the COD system will reduce both schools' authorization for this student to zero, and the issue will have to be addressed with ED's involvement.

Note: COD will not automatically notify schools if a student is receiving an Iraq and Afghanistan Service Grant at multiple institutions. Rather, the Department will monitor Iraq and Afghanistan Service Grants, and inform schools of students who are over or incorrectly awarded.

Examples of overpayments due to student error

When Chavo applied, he didn't have his tax returns, so he estimated his income and said that he wasn't going to file a tax return. After he received his aid from Sarven Technical Institute in June, he told the FAA that he'd underestimated his income, and had to file a tax return. When Chavo submitted the corrections, his EFC increased, and Sarven determined that he'd received a Pell overpayment. Sarven canceled his second Pell disbursement, but he still owed \$100. Sarven allowed Chavo to make an agreement to repay \$25 a month for four months so that he'd still be eligible for other aid for the rest of the year.

Meurig has to report financial information about his father on the application although he's living with his stepfather. On the 2008-2009 application, he didn't report any assets for his father, and Brust Conservatory used the information from that application to award FSA aid. However, his 2009-2010 application is selected for verification, and during the verification process Brust discovers that Meurig's father has a business that should have been reported as an asset. Brust asks for tax information for the previous year and determines that Meurig should also have reported the business as an asset on the 2008-2009 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2008-2009 award year. Because he's already received all his aid for the year, he has to either pay the overpayment or negotiate a satisfactory repayment agreement.

Overpayments for which the student is responsible

In some instances, a student rather than the school is responsible for repaying the overpayment.

If a student has received more Pell or Iraq and Afghanistan Service Grant funds than the student was eligible to receive because the student's eligibility for a Pell or Iraq and Afghanistan Service Grant decreased, you can try to eliminate the Pell or Iraq and Afghanistan Service Grant overpayment by adjusting later disbursements for the award year. **You may not reduce a student's correctly awarded and disbursed Pell or Iraq and Afghanistan Service Grant to address overpayments in other programs.**

For TEACH Grant, FSEOG and Perkins overpayments, you can adjust subsequent disbursements.

If that is not possible, you must promptly attempt to recover the overpayment by notifying the student (by paper or electronically) and requesting full payment. The notice must state that if the student fails to repay the overpayment or to make satisfactory arrangements for repayment, he or she will be ineligible for FSA funds until the overpayment is resolved.

If the student claims that your school made a mistake in determining the overpayment, you must consider any information he or she provides and judge whether the objection is warranted.

If, after notification to the student and consideration of possible objections, an overpayment remains, and the student has not repaid or made satisfactory arrangements to repay the overpayment, you must take further action.

For TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant and Pell Grant funds, you must refer the overpayment to the Department with the required information (see *Referring overpayment cases to Borrower Service's* later in this chapter), and you must report to NSLDS the unresolved overpayment. After that, you are not required to make any further attempt to collect the TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant or Pell Grant overpayment.

For Perkins Loans, you are not required to refer overpayments to Debt Resolution Services, but you must report them to NSLDS, because the student is required to repay the overpayment to your school's revolving loan fund.

A student is not liable for an overpayment when the original amount of the overpayment is less than \$25. A student is liable for an overpayment of less than \$25 when that \$25 is a remaining balance. That is, when the overpayment amount was originally \$25 or more, but is now less than \$25 because the student has made payments.



Tip

A student is also liable for overpayments of less than \$25 when that amount is the result of applying the \$300 Campus-Based overaward threshold/tolerance. For example, if a school discovers that after a student's Campus-Based aid was disbursed, the student received additional aid that resulted in the aid the student received exceeding his or her need by \$314, the \$314 is an overaward. When the school applies the \$300 overaward tolerance, the student only has a Campus-Based overpayment of \$14. The student is responsible for repaying the \$14 because the initial amount of the overpayment (before the \$300 tolerance was applied) was \$314 (which is in excess of the less than \$25 *de minimus* amount).

Your school may decide to pay a student's obligation by returning to the appropriate FSA program account the amount overpaid to the student. Once your school makes the appropriate return, the student will no longer owe an FSA debt, but rather a debt to your school that you can collect according to your procedures. The student's eligibility for FSA funds is restored as long as the student meets other FSA eligibility criteria.

A student who receives an overpayment of an FSA program loan, or an FSA program grant, may reestablish eligibility for FSA program assistance by repaying the excess amount, or by making arrangements satisfactory to the holder of the overpayment debt to pay the excess amount.

Though HERA increased the *de minimus* threshold for overpayments due to withdrawal, the *de minimus* amount for all other overpayments remains less than \$25.

Exceptions to student liability

There are some exceptions to holding a student liable for a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan or FSEOG overpayment.

Generally a student is liable for any Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or Perkins overpayment he or she receives unless the school is liable for it. However, as noted previously, the student is not liable for the overpayment if it is less than \$25 and is not a remaining balance or, in the case of a Perkins Loan or FSEOG, is the result of the application of the \$300 overaward threshold.

Such overpayments do not affect the student's FSA eligibility. Therefore, your school need not –

- attempt recovery of such overpayments,
- report such overpayments to NSLDS, or
- refer such overpayments to the Department for collection.

Overpayments created by inadvertent overborrowing

Another kind of overpayment occurs when a student inadvertently has received FSA loan funds in excess of annual **or** aggregate loan limits and is no longer eligible for FSA funds. A student who is not in default on an FSA program loan, but who has inadvertently obtained FSA program loan funds in an amount that exceeds the annual or aggregate loan limits is ineligible for any further FSA program assistance until the student (1) repays in full the excess loan amount; or (2) makes arrangements, satisfactory to the holder of the loan, to repay that excess loan amount.

Satisfactory repayment arrangements are determined by the Department, but may involve having the borrower sign an agreement acknowledging the debt and affirming the borrower's intention to repay the excess amount as part of the normal repayment process.

If a student has inadvertently exceeded the subsidized annual or aggregate loan limit, it may be possible in some cases to eliminate the excess subsidized amount by changing it to an unsubsidized loan.

If a student has consolidated the loan(s) that exceeded the annual or aggregate loan limit, he or she is considered to have made satisfactory arrangements to repay the debt, and no additional action on the part of the student is required. This is true regardless of the type of loan (FFEL or Direct) consolidated and no matter the type of consolidated loan the student obtained. Note that a student who lost eligibility because he or she exceeded the undergraduate aggregate maximum loan limit does not automatically regain eligibility if he or she advances to the graduate level. Rather, the student must resolve the previous overpayment in order to regain eligibility for FSA funds.

Once you have documented that the inadvertent overborrowing has been resolved (through repayment in full, making satisfactory arrangements to repay the debt, replacement of an excess subsidized loan with an unsubsidized loan, or consolidation of the excess loan amount), you may award additional FSA funds to the student. Keep in mind, however, that the student may have no remaining loan eligibility, or may be eligible only for unsubsidized loans.

Because you're responsible for knowing about the student's prior FSA loans before disbursing additional loan funds to the student, inadvertent overborrowing shouldn't occur often. Excess borrowing might occur if a school is unaware of loans a student received at another school. This might happen if the student received the loans under a different name or SSN. (See Volume 1, chapter 3 for a description of how the NSLDS post-screening and transfer monitoring processes can help prevent these kinds of overpayments.)

Satisfactory repayment arrangements

We require a borrower who does not repay the excess loan amount in full to make satisfactory repayment arrangements in order to ensure that the borrower acknowledges a debt in excess of the regulatory maximum.

For defaulted loans, the law and regulations specify what a satisfactory repayment agreement is. For students who have exceeded loan limits or owe an overpayment of an FSA grant, the law and regulations do not specify what makes a repayment agreement satisfactory. ED or the school determines whether the repayment arrangement is satisfactory.

Resolving an overpayment

Through the process of a borrower replacing an excess subsidized loan with an unsubsidized loan, or consolidating the excess loan amount, the borrower has either eliminated the overpayment or reaffirmed his or her debt and intent to repay the funds. Therefore, the borrower is eligible to receive additional FSA aid.

RETURNING FUNDS

Returning funds by depositing them in a federal funds account

Returning funds by depositing them

34 CFR 668.173(b)

For funds obtained from the Department, a school meets the Return requirement if it deposits or transfers the funds into its federal account no later than 45 days after the school determined that a student withdrew or received an overpayment the school was responsible for returning.

If a school has not drawn down federal funds or has made disbursements that exceed the amount the school has drawn, the school does not need to deposit funds in its federal account. Of course, the school's accounting records must show that school funds were used to credit the student's account.

Return of Title IV funds when a school does not maintain a separate federal bank account

The Department considers a school that maintains FSA funds and general operating funds in the same bank account (commingles) to satisfy the requirement that it return unearned funds on a timely basis if:

- the school maintains subsidiary ledgers for each type of funds commingled in that account that clearly show how and when those funds were used and reconciled to its general ledger,
- the subsidiary ledger for each FSA program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of FSA program funds received and disbursed by the school, and
- the school updates the relevant subsidiary ledger accounts in its general ledger no later than 30 days after it determines that the student withdrew.

More specifically, the return of an unearned funds transaction should be recorded as a debit to an FSA program fund subsidiary ledger account and a credit to the school's operating fund subsidiary ledger account. The date of the return is the date this transaction is posted to the school's general ledger.

When funds are considered to have been returned

The Department considers a school to have returned FSA funds when the school has—

- deposited or transferred the funds into its federal funds account;
- initiated an electronic funds transfer (EFT) to the Department; or
- issued a check. A school has not satisfied this requirement until the bank used by the Department has endorsed and cancelled that check (processed them for deposit).

We strongly recommended returning all FSA funds (including DL funds) electronically, because this method is faster and more secure than manual/paper processing, and less likely to result in errors.

Note that refunds of cash greater than \$100,000 **must** be returned electronically via G5. For additional information on returning funds via G5, refer to the G5 Website or call the G5 hotline at 888/336-8930 for assistance.

Returning funds to the Department

Using the electronic refund function in G5 is the preferred method whenever a school must return FSA Grant funds because this method is faster and more secure than manual/paper processing, and less likely to result in errors. Note that re-funds of cash greater than \$100,000 must be returned electronically via G5.

For additional information on returning funds via G5, refer to the G5 Website or call the G5 hotline at 888/336-8930 for assistance (M–F 8 a.m. to 6 p.m. ET).

Only in **exceptional circumstances** (and **never for a current FSA Grant**) should a school return funds from a Return calculation by sending a check instead of using the electronic refund function in G5.

If **circumstances** require that you return FSA funds by check, you must –

1. make the check payable to the U.S. Department of Education;
2. use a separate check for each award year;
3. note the school's D-U-N-S number and the appropriate Program Award Number (Pell Grant Award Number) on the check; and
4. include a memorandum that specifies the name and Social Security number for each student for whom funds are being returned and how much is being returned for each student.

The G5 lockbox address for FSA (except for Direct Loan) funds is:

**U.S. Department of Education
P.O. Box 979053
St. Louis, Missouri 63197-9000**

(See the discussion under *Returning Direct Loan Funds* later in this chapter for additional information.)

Returning funds after 240 days

In all cases, a school will have to request permission to make a change to the FISAP after December 15 following the close of the award year.

Amending a FISAP after the close of an award year of after a school has submitted a final FISAP for an award year.

To amend its FISAP, a school logs in to eCB for the appropriate FISAP year and selects the appropriate Campus-Based program from the menu on the left. After the school has made the appropriate changes, updated the totals, and saved the data, the school selects the “Submit” link on the left. The phrase “Change Request” then appears below “Submit.” The school must select “Change Request” in order to move to the next prompt. After the school selects “Change Request” the system will prompt the school to explain what changes the school is making and why. The school then must provide:

- the FISAP – part, section number, and line number(s) on which the changes were made;
- the amount of the change; and
- a description of the conditions that require the revision (e.g. to comply with the requirements of 34 CFR 668.22).

After providing all of the required information, the school clicks the “Submit Button” and then affirms that it wants to “Continue to Submit.”

The Campus-Based staff will evaluate the school’s submission. If a school’s request is denied, the Campus Based staff will inform the school why its request was denied. If the school’s request is approved, the Campus-Based staff will notify the school by sending an email to the individual on record as the school’s financial aid director (in Field 19) that the school’s FISAP has been unlocked and that school has five days to submit the revised working copy as the final copy.

For assistance with amending a previous year’s FISAP, schools should call the Campus-Based Call Center at **877-801-7168**.

If FSA Grant and TEACH Grant funds must be returned after 240 days, a school must:

- enter the student’s revised Pell Grant award in COD; and
- return the funds to the Department through G5, if applicable.

Note that for Pell funds from a prior award year, a school may not use the funds for an eligible student in the current year.

If FSEOG funds must be returned after 240 days, a school must:

- enter the student’s revised FSEOG award both in the individual student’s account and the school’s FSEOG ledger;
- either return the funds to the Department through G5, OR carry them forward to the next award year; and
- make the appropriate change to the FISAP (See sidebar).

If Perkins Loan funds from a prior award year must be returned after 240 days, a school must:

- reimburse its Perkins Loan fund;
- report those funds as income in Part III, Section A of the FISAP (See sidebar); and
- reduce the student’s Perkins Loan balance and make an accounting entry to tie that reduction to the journal entry for the aforementioned reimbursement of its Perkins Loan fund.

The school should not make any changes to the student’s Perkins promissory note.

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school’s FWS account. If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

Returning funds on FFEL loans purchased/serviced by the Department

From August, 2008, through September, 2010, the Department purchased Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. The Department has contracted with five organizations to provide loan services on these purchased FFEL loans.

If a school is required to return any portion of a FFEL Program loan that has been purchased by the Department, the money would be returned to the appropriate federal servicer using the specific electronic process preferred by that loan's servicer.

To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds. Additional contact information for the loan servicers is available on IFAP under the "Help" menu ("Contact Information" / "Service Centers for Schools," / "Loan Servicing Centers for Schools."

Information required when returning loan funds to a servicer by check

If you cannot use the electronic process preferred by the loan's servicer and must return the funds with a paper check, together with your check for the funds you are returning, you must include, **on school letterhead**, the following information:

1. The borrower's name,
2. The borrower's social security number,
3. The loan's unique CommonLine ID,
4. The type of loan (subsidized, unsubsidized, PLUS, etc.),
5. The period for which the loan was certified,
6. The scheduled & actual date of the disbursement,
7. The amount of the disbursement,
8. The amount being returned,
9. The reason the funds are being returned (cancellation, overpayment, withdrawal or failed to begin class),
10. The school OPEID and
11. The name and phone number of the school official returning the funds.
12. **You must also include a completed Direct Loan Refund of Cash form (available at the end of this chapter).**

Recording student payments and reductions in the Direct Loan Program

If through its Return calculation a school determines that a student has received an overpayment of Direct Loan funds, the school should reduce the student's award/disbursements by making a downward adjustment in COD.

Schools can report current year adjustments for awards/disbursements either through their loan processing software or by using the COD website at:

<https://cod.ed.gov>

Returning DL Funds by Check

(These instructions do not apply to returning funds from an audit or program review.)

Only in **exceptional circumstances** should Direct Loan Funds be returned by check. If circumstances do require that you return Direct Loan funds by check, you must—

1. make the check payable to the U.S. Department of Education;
2. use a separate check for each award year;
3. note the school's D-U-N-S number, Direct Loan school code and award year on each check; and
4. provide the information included on the *Direct Loans Return of Cash* (found at the end of this chapter with each check);
5. include a memorandum that specifies the name and social security number for each student for whom funds are being returned and how much is being returned for each student.

The address for returning Direct Loan funds by check is:

**U.S. Department of Education
Attention Direct Loans
Refunds of Cash
P.O. Box 9001
Niagara Falls, New York 14302**

The address for returning Direct Loan funds by check overnight requiring signature is:

**U.S. Department of Education
Attention Direct Loans
Refunds of Cash
2429 Military Road, Suite 200
Niagara Falls, New York 14304**

Phone number for tracking the status of your return:

716-284-2225

For questions about returning Direct Loan funds via a paper check, contact the COD School Relations Center at 800/848-0978.

Returning Direct Loan funds

If a school is required to return DL funds to comply with a regulatory or statutory requirement – even if more than 120 days have elapsed since the disbursement date – the school must return DL funds through G5. The school returns DL funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

Recording student payments and reductions in the Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant programs

For reductions and payments to awards, schools should record reductions and payments by entering a replacement value in the COD system. **The replacement value will be the original value less only the amount the school has returned** (the sum of: (a) that amount the school is responsible for returning + (b) any portion of the grant overpayment that otherwise would be the responsibility of the student, but which the school has chosen to return for the student + (c) any portion of the grant overpayment the school has collected from the student.). **Do not reduce the award/disbursement by the amount the student must return (unless the student has made a payment to the school).**

If a school receives a payment for a current-year overpayment that has not been referred to Debt Resolution Services, the school should NOT send the payment to Debt Resolution Services. Instead, after you have reduced the student's disbursement in COD, return the unearned funds as follows:

- If your school has made repayment arrangements with a student and received a payment on a current-year overpayment, the school should deposit the funds in its Pell, Iraq and Afghanistan Service Grant, or TEACH Grant account and make the appropriate entry in the COD system.

- If a student makes a payment on any previous year's Pell, Iraq and Afghanistan Service Grant, ACG, National SMART or TEACH Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

If through its Return calculation a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its *federal funds account*, and award the funds to other needy students.

If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the Electronic Refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

REPORTING OVERPAYMENTS TO NSLDS

You must report overpayments or changes to previously submitted information to NSLDS within 30 days of the date you learn of the overpayment or change.

If a grant overpayment is the result of the student's withdrawal and a return to Title IV calculation, you must contact the student within 30 days of determining that the student withdrew (see chapter 2).

You only report unresolved overpayments if they're due to student error; don't report overpayments that are a result of school error. Instead, as discussed previously, you must use school funds to repay the overpayment.

You must use the NSLDS Professional Access Website to report overpayments. To do so, your school must have Internet access, and your Primary Destination Point Administrator (PDPA) must have signed up at least one user for Overpayment updates for NSLDS online services at <https://fsawebenroll.ed.gov>.

Once the overpayment is reported to NSLDS, the student's future output documents will show that she has an overpayment (see "NSLDS Match"). The Financial Aid History section of the SAR and ISIR will have information on the overpayment, including whether the student has made satisfactory repayment arrangements.

Reporting overpayments to NSLDS

DCL GEN-98-14, July 1998

All new Perkins, Pell Grant, IAS Grant, ACG, National SMART Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which an NSLDS data element has changed must be reported.

Perkins and other data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available at:

ifap.ed.gov/ifap/byYear.jsp?type=nslds&set=archive

Schools must resolve student concerns

If a student claims that a school's overpayment determination is erroneous, the school must consider any information the student provides and determine whether the objection is warranted before referring the case to Collections.

REFERRING OVERPAYMENTS***Referring overpayments to Debt Resolution Services***

If you have tried but not succeeded in collecting a Pell Grant, Iraq and Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant or FSEOG overpayment for which the student is liable, you must refer the overpayment to FSA's Debt Resolution Services. To be referred, the **initial amount** of the overpayment must be at least \$25.

Note: For an FSEOG overpayment, when a school uses the individual recipient or aggregate matching methods, the overpayment includes only the federal share. When the school uses the fund-specific method of matching, the overpayment includes both the federal and nonfederal shares. See *Volume 6 – Campus-Based Programs* for more information.

You would still refer a student debt of less than \$25 to Debt Resolution Services when the amount due is a remaining balance or when the amount is the result of the application of the Campus-Based overaward threshold/tolerance. You must make this referral in addition to reporting the overpayment to NSLDS. If your school elects not to refer an overpayment to Debt Resolution Services, then your school is liable for the overpayment. In that case, the school must repay the overpayment from its own funds.

To refer student overpayments for collection, schools should use a format similar to the one found at the end of this chapter and send the form to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.



In order to avoid creating a double record for a single overpayment, the school must populate its Overpayment Referral Form: Dates of Disbursement, with the exact same dates the school used when it created the NSLDS record. In addition, a school must ensure that it enters the year the disbursement was made in the award year field, .

In addition, when you refer the overpayment, you should update the overpayment information previously reported to NSLDS by changing the "Source" field from SCH-SCHOOL to TRF-TRANSFER. Once Debt Resolution Services has accepted a referred student overpayment, Debt Resolution Services will transmit the information to NSLDS and "ED Region" will replace "School" as the appropriate contact source for information about the overpayment.



On its Overpayment Referral, schools must provide their school's Pell Identification Number. Schools should NOT enter their Routing Identifier.

School responsibility after referral

Once you have referred the account to Debt Resolution Services, you have no further responsibility in the collection of the debt unless the student contacts your school to make a payment or Debt Resolution Services sends the referral back because it is incomplete. If Debt Resolution Services sends the referral back to you because it is incomplete, you'll need to supply additional information and resend the referral. If the student tells you that he or she wishes to make a payment, you may accept it on behalf of the Department and forward it to Debt Resolution Services.



You must return to ED any funds accepted from a student who owes an overpayment. Before forwarding the check to Debt Resolution Services, make sure the student's name and SSN are on the check. If the check covers more than one student, list each student's name and SSN and each payment amount. Send the check to:

National Payment Center
P.O. Box 105028
Atlanta, Georgia 30348-5028

If you want a payment to be applied to a specific overpayment (by program and award year) you must include a memorandum on school letterhead. The memorandum must include the award year and program award number of the award you want credited, and your DUNS number.



If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact Debt Resolution Services by calling:

1-800-621-3115

After October 1, 2011, a student will be able to contact us by going to: www.myeddebt.com; selecting the *Borrower* tab, *Contact Us*, and *Secure email*.

Accepting payments on referred current-year overpayments

If a student wants to make a payment on an overpayment from the current award year, and that payment will pay that overpayment in full, follow the procedures described in chapter 2 under "Accepting payments on referred overpayments."

Payment in full

Anytime a school receives a payment (including the application of an FSA credit balance) that will repay an overpayment in full, the school must also update its original submission to NSLDS by changing the entry on the "Overpayment Update Screen" for the Indicator Field to "Repaid."

Accepting payments on referred overpayments

A school may continue to accept payment on an FSA grant overpayment after the overpayment has been referred to the Department. A school that accepts a check made out to the Department on an overpayment that has been referred to Borrower Service's must –

1. note the student's name and SSN on the check;
2. indicate that the payment is for an overpayment of an FSA grant; and
3. forward the payment to Debt Resolution Services at:

**National Payment Center
P.O. Box 105028
Atlanta, Georgia 30348-5028**

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to Debt Resolution Services, the school should write its own check to the Department and attach a letter indicating that the check is for an FSA grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student's name, social security number, and amount paid.

If a school receives a payment for an overpayment **previously referred to** Debt Resolution Services and if –

- the overpayment was made in the current award year, and
- the payment will retire the student's debt in full,

the institution must:

1. deposit the payment in its appropriate institutionally maintained federal funds account;
2. for Federal Pell Grant overpayments, make the appropriate entry in the student's record on the COD system (either on COD or via common record) and
3. send a letter or fax to Debt Resolution Services identifying the student and indicating that the student's overpayment has been completely repaid. This will allow the Department to properly update its records in both the Debt Resolution Services system and NSLDS.

The fax number for this purpose and school use only is –

(903) 454-5398

Note: This process cannot be performed via email.

In the fax or letter, a school must include the:

1. award year of the overpayment (current award year only);
2. student's social security number;
3. student's last name, first name and middle initial;
4. student's date of birth;
5. type of overpayment — Federal Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, ACG, National SMART Grant or TEACH Grant; and
6. the disbursement date the institution used to create the overpayment record in NSLDS.

For information on handling student payments after you have referred an overpayment to Debt Resolution Services, see the discussion under *Accepting payments on referred overpayments* later in this chapter.

Responsibilities of Debt Resolution Services

Upon receipt of an overpayment referral, the Department will determine if enough information has been provided to start collection activity; any referral lacking information will be returned to your school to be completed.

Debt Resolution Services will then try via letters and telephone to establish a repayment schedule or to secure payment in full. Debt Resolution Services will also update the NSLDS information that you've already reported to show that the Department now holds the overpayment. Any future SARs or ISIRs for the student will show that he or she owes an overpayment and will direct the student to contact Debt Resolution Services instead of the school. Finally, Debt Resolution Services also communicates Pell Grant overpayment referrals to the COD system. COD will then alert a school of a student's Pell overpayment status if the student submits a FAFSA in the future. A student's and Iraq and Afghanistan Service overpayment status will be tracked and reported manually.



Direct Loan Refunds of Cash

1. Enter the information below. Missing information may prevent your check (or checks) from being processed correctly.

School Name: _____ Direct Loan Code or OPE ID: _____

Name/Title: _____ Telephone #: _____

E-mail Address: _____ Servicer (if applicable): _____

Check Date: _____ Check #: _____ Amount: _____

2. Check (✓) the award year for which you are returning Direct Loan Refunds of Cash. If you are returning funds for more than one award year, you must enclose a separate transmittal sheet and a separate check for each award year.

2011/2012	_____
2010/2011	_____
2009/2010	_____
2008/2009	_____
OTHER (specify year)	_____

3. Sign and date below.

Contact's Signature: _____ Date: _____

4. Mail completed transmittal sheet(s) and Direct Loan Refunds of Cash check(s) to:

Regular Mail/No Signature Required	Overnight Address/Requiring Signature
U.S. Department of Education Attention: Direct Loan Refunds of Cash P.O. Box 9001 Niagara Falls, NY 14302	U.S. Department of Education Attention: Direct Loan Refunds of Cash 2429 Military Rd, Suite 200 Niagara Falls, NY 14304 (Phone number for tracking form only: 716/284-2225)

Information Required when Referring Student Overpayments to Debt Resolution Services

Student Information

Name (Last, First, MI): _____ Address: _____

Telephone Number: _____

Social Security Number: _____ Date of Birth: _____

If the overpayment includes an Academic Competitiveness, National Smart Grant, or TEACH Grant, enter the Award Identifier (ID) used when the award was created in COD.

ACG Award ID: _____ National Smart Grant Award ID: _____

TEACH Award ID: _____

Parent/Spouse Information

Name (Last, First, MI): _____ Address: _____

Telephone Number: _____

School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: _____ Attending School's Pell ID Number: _____

If your school does not have a Pell ID, Enter your OPE ID: _____

Name of Contact: _____ Telephone Number: _____

Disbursements and Repayments

	Pell Grant	ACG or National Smart Grant (Specify)	Iraq Afghanistan Service Grant	FSEOG ¹	TEACH Grant
Award year in which overpayment was disbursed:	_____	_____	_____	_____	_____
Total grant disbursed:	_____	_____	_____	_____	_____
Dates of disbursement: (Must match NSLDS overpayment record)	_____	_____	_____	_____	_____
Overpayment amount owed by student *	_____	_____	_____	_____	_____
Total grant repaid by student to school, if any:	_____	_____	_____	_____	_____
Date of last payment to school, if any:	_____	_____	_____	_____ ¹	_____

¹ If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

* If the overpayment is the result of a withdrawal, provide the date of the withdrawal / /

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

SEND INFORMATION TO ➡ Student Loan Processing Center-Overpayments

P.O. Box 4157

(903) 454-5398



FAX

Greenville, Texas 75403

