

Returning FSA Funds



Here we provide instructions for returning FSA funds for reasons other than the return of funds required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment. For information about those returns, see Volume 5.

RETURNING FUNDS

There are a number of reasons why a school may have to return funds to the Department, including

- ◆ the return of FSA funds required when a school must correct an overaward or an overpayment, and the return of funds required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment (see *Volume 5* for the latter type of returns);
- ◆ having FSA funds with no expectation they can be disbursed to other eligible students within three days (excess cash);
- ◆ owing the Department for expenditures disallowed during a program review or audit; and
- ◆ having earned interest in excess of \$500 on its federal funds (other than in its Perkins account). As noted in *Chapter 1*, schools must remit any interest over \$500.

Use G5 to return funds

The Department discontinued paper check processing of Direct Loan refunds of cash on January 1, 2015, so schools must return funds electronically using G5 except in unusual circumstances. If a school is required to refund cash as part of a liability assessed in an audit or program review, it must follow the instructions provided by the issuing office. For help with G5, go to <https://www.g5.gov> or call the G5 help desk at 888-336-8930 or 202-401-6238 Monday through Friday, 8:00 a.m. to 6:00 p.m., EST. You can also email edcaps.user@ed.gov.

Returning funds by depositing them in a school account

Returning funds in a timely manner is one of the factors examined by the Department in evaluating a school's financial responsibility. In addition to the general requirement for schools to return funds, the Department sets specific time frames for students who do not begin attendance and those who begin attendance but cease attendance before

completing the period for which they have received Title IV funds. One way for schools to satisfy the requirement is to deposit the funds in the account in which the school keeps its federal funds.

Returning funds by depositing them in a federal funds account

For funds obtained from the Department, a school meets the return of Title IV funds requirement for a student who has withdrawn if it deposits or transfers the funds into its federal account no later than 45 days after the school determined the student withdrew or received an overpayment the school was responsible for returning. (See *Volume 5*.)

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 (commingled) 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 the subsidiary ledgers are 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 45 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 or
- ◆ initiated an electronic funds transfer (EFT) to the Department.

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

For a student who does not begin attendance, the deposit or transfer of funds, the EFT, or the issuance of the check must occur no later than 30 days after the date that the school became aware that a student will not begin or has not begun attendance.

The Department considers a school to have returned FSA funds timely if, no later than 30 days after the date that it became aware that a student will not begin or has not begun attendance, it

- deposits or transfers the funds into its federal funds account,
- initiates an electronic funds transfer, or
- issues a check.

A school does not satisfy this requirement if

- its records show the check was issued more than 30 days after the date it became aware the student would not begin or had not begun attendance or
- the date on the cancelled check shows that the bank used by the Department endorsed the check more than 45 days after the date the school became aware the student would not begin or had not begun attendance.

RETURNING FUNDS FROM AN AUDIT OR PROGRAM REVIEW

If a school is required to repay FSA funds due to a program review or audit, a copy of its final audit determination letter (FADL) or final program review determination (FPRD) letter is sent to the Accounts Receivables and Bank Management Group where an account receivable is established for the school. The Department will then, through its billing agent, bill the school for the disallowed expenditures, accrued interest, and penalties, if any. Payment instructions will be included with the bill.

- ◆ If the total liabilities owed to the Department are less than \$1,000, the school is instructed to make any required adjustments in COD and return funds through G5.
- ◆ If the total liabilities owed to the Department are \$1,000 or more but less than \$100,000, the school returns the funds by check to a lock box in St. Louis, Missouri.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Before sending its payment, the school must make any required adjustments in COD as required by the applicable finding(s). Upon receipt of the school's payment, the Department will apply the funds to the appropriate G5 award (if necessary).

- ◆ If the total liabilities owed to the Department are \$100,000 or more, the school returns the funds through its financial institution via electronic transfer (Fedwire).

A school may not reduce amounts reported as net drawdowns on its G5 activity reports to account for expenditures disallowed as a result of an audit or program review. Any FSA funds returned for this purpose will not be credited to a school's G5 account.

Unless otherwise directed by the FADL or FPRD letter, a school may not adjust its prior-year FISAPs or Federal Pell Grant/Iraq and Afghanistan Service Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review.

Unless specifically instructed by the Department, a school should always repay funds using the appropriate function in G5. If an FADL or FPRD letter requires that you return FSA funds by check, you must make the check payable to the U.S. Department of Education and include the following with your payment:

- the amount of the liability,
- the school's DUNS number,
- its 9-digit tax ID number, and
- the program review or audit control number.

DOWNWARD ADJUSTMENT OF FSA GRANT AND DIRECT LOAN DISBURSEMENT RECORDS REQUIRED

Returns of FSA grant funds (except FSEOG and Iraq and Afghanistan Service Grants), other than funds that are being returned to stay in compliance with the excess cash requirements, must be offset by downward reductions in students' records in COD. Likewise, all returns of Direct Loan funds must be offset by downward reductions in students' records in COD.

In addition, when all or a portion of a Direct Loan (DL) is cancelled (either because the borrower requested the cancellation within the regulatory time frames or to comply with statutory or regulatory requirements), the school must make the appropriate adjustment to the student records in COD.

All returns of FSA grants and Direct Loan funds previously disbursed (unclaimed credit balances) should be made through G5.

RETURNING DIRECT LOAN FUNDS

If a school has to return Direct Loan 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 the funds to the Department through G5 following the same procedures used when making other G5 refunds/returns.

All Direct Loan funds that are not disbursed to student or parent borrowers within three business days from the date that the drawdown is received (or within seven calendar days in certain circumstances) must be returned to the Department in accordance with the cash management regulations of 34 CFR 668.166.

However, Direct Loan funds are not student-specific but are school-, program-, and award year-specific. This means a school can disburse the funds to other eligible students who will be receiving Direct Loans for the same award year if it can disburse the funds within the three-day limit—if the school can't do that, the funds must be returned.

Schools should not use drawdown adjustments in G5 to make a refund of cash. Also, refunds of cash are school-, program-, and award-year-specific and should not be netted with a drawdown from another school, program, or award year.

If a school is required to refund cash as part of a liability assessed in an audit or program review, it must follow the instructions provided by the issuing office.

If a school is returning cash as a result of refunds made to a borrower's account, a corresponding downward disbursement adjustment must also be reported to the COD system. For more information about making disbursement adjustments, see the [November 21, 2011, electronic announcement](#) on the IFAP website.

Direct Loan disbursements, disbursement adjustments, and refunds of cash should be reported or submitted in whole dollar amounts only. Using pennies in Direct Loan processing may affect a school's ability to successfully complete monthly reconciliation because net drawdowns may not match net disbursements reported to the COD system.

For questions about adjusting student loan amounts, call the COD School Relations Center at 1-800-848-0978 or email CODSupport@ed.gov.

Returning DL funds that can't be disbursed within three days

A school that has drawn down more funds than it can disburse due to changes in a student's status between the drawdown and disbursement date would need to return the funds if it can't disburse them within the allowed time. However, if the school expects the

student will reestablish eligibility within the allowed time, such returns would not need to be offset by reductions in the student's record in COD. The school would only need to modify the expected disbursement date.

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.

If FSA grant funds (other than FSEOG and Iraq and Afghanistan Service Grants) must be returned after 240 days, a school must

- ◆ enter the student's revised Pell Grant award in COD;
- ◆ return the funds to the Department through G5, if applicable; and
- ◆ make the appropriate change to the Pell Grant expenditures section of the FISAP.

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.

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;
- ◆ 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; and
- ◆ update NSLDS to reflect the Perkins Loan amount that the student received.

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.

See Chapter 2 for instructions on how a school should proceed when it is holding a Title IV credit balance and has been unable to find the student in the 240 days allowed.

Amending a FISAP after the close of an award year or after the December 15 correction deadline

Note: The deadline for submitting data corrections is in December of the year in which a school submits its FISAP. This is usually the 15th except in years when that day falls on the weekend, in which case it is the Friday before. The time between the October 1 submission deadline and the December correction deadline provides schools an opportunity to review and correct their submitted FISAP data.

If a school needs to amend a prior-year's FISAP or its current FISAP after the correction deadline, it must use the Change Request Process. The Change Request Process may not be used to request an

- ◆ increase in Campus-Based funding or
- ◆ increase in a school's administrative cost allowance.

To submit a change request, a school logs in to COD and selects the appropriate FISAP from the FISAP Dashboard page. After the school has made the appropriate changes and saved the data, the school selects "Submit."

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 the 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 COD School Relations Center at **1-800-848-0978**.

FISAP corrections notice

See the [October 26, 2018, announcement](#) for more information about FISAP corrections. As that notice explains, any changes to the Fiscal Operations Report for 2017–2018 and Application to Participate for 2019–2020 must have been submitted to the Department no later than 11:59 p.m. ET on Friday, December 14, 2018. The corresponding corrections deadline for the next FISAP is Friday, December 13, 2019.

RETURNING FUNDS THROUGH G5 FOR BOTH OPEN AND CLOSED AWARDS

From time to time, a school will have to return funds from a previous award year. A school that needs to return funds from a previous award year logs into G5 as it would when requesting funds or returning funds from the current award year and selects "Payments" from the command bar near the top of the screen.

On the next page (the payments screen), under "Refunds" select "Refunds Creation." On the "Create Refunds" screen, you will see two main sections: "Your Open Awards" and "Miscellaneous Awards."

There are four award periods:

1. Performance period (59 months)
2. Liquidation period (1 month)
3. Suspension period (1 month)
4. Closeout period

Note: Federal Student Aid uses the term "return" for the process of sending money back to the program the funds were drawn from. G5 uses the term "refund" for that process.

Awards that are in the performance, liquidation, and suspension periods will appear under "Your Open Awards." When you are returning funds for an award that is open, always return the funds to the program from which the funds were drawn. For the award in question, in the column "Refund Amount," enter the amount you want to return. In the next column (Bank Account) select from the drop down menu the bank account from which you want the funds drawn.

When you have entered an amount for all the programs to which you wish to return funds, select "Continue" to navigate to the summary

screen. If you believe the information on the summary screen is correct, select the “Submit Refund Request(s)” button to process the refund (return). If you’ve completed the process correctly, you’ll find yourself on the confirmation screen. From the confirmation screen, copy and save your tracking number. (If a refund has not been properly processed, an error message will be displayed at the top of the summary screen and you can select the “Previous” button at the bottom of the screen to go back and correct your data.)

Once an award year has closed (is no longer in the performance, liquidation, or suspension periods), a school will not be able to return funds to a specific program. However, a school can return funds even when a year is closed. To return funds from an award year that is closed a school uses the “Miscellaneous Awards” section at the bottom of the “Create Refunds” screen. (Note that because refunds made in the “Miscellaneous Awards” section are not program specific, if you have to return funds from multiple closed awards you can lump them together in one refund.)

To return funds that originated in what is now a closed award, on the “Create Refunds” screen, scroll down to the section headed “Miscellaneous Awards.” In the column “Refund Amount,” enter the amount you want to return. In the next column (“Bank Account”) select from the drop down menu the account from which you want the funds drawn. In the column “Refund Type,” select from the drop down menu the type of refund you wish to make. For example, if you are returning a Title IV credit balance that you have discovered was never delivered to the appropriate student, you would select “Closed Awards.” Once you have completed your entries, select “Continue” to navigate to the summary screen. If you believe information on the summary screen is correct, select the “Submit Refund Request(s)” button to process the refund (return). If you’ve completed the process correctly, you’ll find yourself on the confirmation screen. From the confirmation screen, copy and save your tracking number. (If a refund has not been properly processed, an error message will be displayed at the top of the summary screen and you can select the “previous” button at the bottom of the screen to go back and correct your data.)

RETURNING FUNDS FROM FFEL LOANS PURCHASED/SERVICED BY THE DEPARTMENT

The Department has purchased many Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. The Department has contracted with several 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 for that loan.

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. Click on the servicer name to access the NSLDS Organizational Contact List page. 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](#)—the “MORE” button).

Information required when returning loan funds to a servicer by check

If a school cannot use the electronic process preferred by the loan’s servicer and must return the funds with a paper check, together with the check for the funds the school is returning, the school 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 and 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 OPE ID
11. The name and phone number of the school official returning the funds

RETURNING FEDERAL PERKINS LOAN PROGRAM FUNDS TO THE DEPARTMENT

The preferred method for returning Perkins funds is to use the G5 website, which allows you to electronically refund the money directly to the Department using the “Miscellaneous Refunds” option. Using G5 reduces chances for human error and processing delays.

When returning excess liquid capital or distribution of assets, schools must use the miscellaneous refunds option and select the appropriate refund type to ensure that returned funds are properly identified and applied.

The process for returning Perkins Loan funds to the Department is:

1. Log in to G5: <https://www.g5.gov>.
2. Click on Payments.
3. Click on Create Refunds.
4. Under Refunds Creation, click on the Miscellaneous Refunds tab and select Continue.
5. On the Create Miscellaneous Refunds tab, enter the required details below and continue to submit
 - a) Refund amount
 - b) Bank account information to be debited
 - c) Select appropriate refund type
 - Perkins Excess Cash—Use this type when returning the federal share of the distribution of assets
 - Perkins Liquidation—Use this type when closing out your Perkins Loan fund and returning the federal share at the end of the school’s liquidation process

Only in exceptional circumstances should schools return Perkins funds by check.

If your school has no recourse other than to pay by check, you must do the following:

1. Make the check payable to the “U.S. Department of Education.”
2. Include with the remittance the correct school name and or OPEID number, and DUNS numbers.
3. Include the reason for the remittance on any accompanying paperwork included with the check:
 - Distribution of Assets—when returning the federal share of the distribution of assets;
 - Perkins Liquidation—when closing out your Perkins Loan fund and returning the federal share at the end of the school’s liquidation process.
4. Mail the check and remittance information to this address:
U.S. Department of Education
P.O. Box 979053
St. Louis, MO 63197-9000
5. Notify the Campus-Based Division that a check was sent by sending an email to perkinsliquid@ed.gov.

If you have questions or need help, contact the G5 Help Desk by email at edcaps.user@ed.gov or by phone at 1-888-336-8930.

