
Introduction to Volume 5

An overpayment occurs when the student receives more aid than he or she was eligible to receive. One kind of overpayment, traditionally called an overaward, results from changes in the student's aid package; a second occurs when a student withdraws. This volume covers how a school should respond when either of these types of overpayments occurs.

Here, we provide a summary of the changes and clarifications presented in greater detail in the chapters that follow. **Alone, the text herein does not provide schools with the guidance needed to satisfactorily administer the Title IV, HEA programs.** For more complete guidance, you should refer to the text in the chapters cited, the Code of Federal Regulations (CFR) and the Higher Education Assistance Act (HEA) as amended:

Throughout this volume, new information is indicated with the following symbol:



When the text represents a clarification rather than a change, it is indicated with this symbol:



When we believe that historically there might be some misunderstanding of a requirement, we indicate that with:



or



Finally, if we want to point out a bit of helpful information we indicate it with:



Major Changes

On February 8, 2006, the president signed The Higher Education Reconciliation Act of 2005 (HERA). Effective July 1, 2006, HERA established two new types of grants for certain Pell Grant-eligible college students:

1. The Academic Competitiveness Grant (ACG), and
2. The National Science and Mathematics Access to Retain Talent Grant (National SMART grant).

In addition, the HERA modified the way in which the Return of Title IV funds are calculated. The majority of the changes we have made this year to this volume are a reflection of the HERA.

Chapter 1 – Overpayments and Overawards

- ☛ The law provides that a student's ACG or National SMART Grant, when combined with a student's expected family contribution and estimated financial assistance may not exceed the student's cost of attendance under section 472 of the HEA. We have updated the text to reflect the way schools must resolve overawards containing ACT or National SMART Grant funds.
- ☛ We have added a section explaining how a resolved overaward may become an overpayment if the student ceases attendance before the end of the current payment period.
- ☛ We remind schools that although HERA increased the de minimus threshold for overpayments due to withdrawal, the de minimus amount for all other overpayments remains less than \$25.
- ☛ We remind schools that regardless of the type of loan (FFEL or Direct) consolidated and no matter the type of consolidated loan the student obtained, 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 in order to regain Title IV eligibility when the loss of eligibility was due solely to exceeding those loan maximums.

Chapter 2 – Withdrawals and the Return of Title IV Funds

- We remind schools that a student begins earning Title IV funds on his or her first day of attendance, and that even if a student withdraws before a school's census date, the school must perform a Return calculation using the number of days or the number of scheduled clock hours the student attended class as the numerator in STEP 2, Part H.
- We updated the text to reflect the fact that the HERA:
 1. has extended the number of days schools have to return funds from 30 to 45;
 2. now allows schools to give students more than 14 days to respond to an offer of a post-withdrawal disbursement;
 3. changed the types of Title IV aid that must be included in a Return calculation;
 4. requires schools to include only scheduled hours when determining the percentage of the period completed by a student withdrawing from a clock-hour program;
 5. has modified the required notifications and authorizations required before can make post-withdrawal disbursements;
 6. now limits the amount a student must repay to the amount by which the original overpayment amount exceeds 50 percent of the total grant funds received by the student for the payment period or period of enrollment;
 7. changed the de minimus amount a student must repay so that a grant overpayment of \$50 or less will not make the student ineligible to receive Title IV, HEA program assistance should the student return to school.
- We provide new worksheets schools can use in performing return calculations, tracking post-withdrawal disbursements, and referring students to ED for collection.

Chapter 2 – Case Studies

- As required, we have updated the case studies to reflect the changes made by the HERA.

