
Disbursing Pell Awards

*This chapter explains how payments can be made and when payments can be made. A school must pay **any** student who is eligible (including payment for less-than-half-time students), and must make payments for **all** eligible periods of enrollment (including remaining eligibility for students in summer school terms).*

GENERAL SFA REQUIREMENTS

The cash management regulations provide uniform rules for disbursing and managing funds for all programs (see the *SFA Handbook: Institutional Eligibility and Participation [Volume 2]* for more information). There are also some Pell-specific disbursement rules that we'll discuss in this chapter.

Methods of Disbursement

There are several ways a school can pay a Pell to a student. The school can:

- credit the student's account for any outstanding education expenses, or
- pay the student directly by check or EFT, or cash dispensed to the student for which the school gets a signed receipt.

The school must have authorization from the student to pay him or her by EFT (see the *SFA Handbook: Institutional Eligibility and Participation [Volume 2]* for more about this requirement). Usually, a school will use the Pell Grant to credit the student's account for any unpaid charges for tuition and fees (and room and board, if provided by the school), and then will pay the remaining Pell Grant (if any) to the student for remaining living expenses.

Limitation on credit to account

The school can use the Pell Grant to pay charges besides tuition and fees or room and board provided by the school only if the student gives written authorization. The school can't require the student to authorize payment of such charges. As with any SFA funds, payments can be made only for education expenses.¹⁰ If a credit balance remains after the Pell is credited to the student's account, the balance must be returned to the student unless the student provides written authorization for the school to hold the funds. (See the *SFA Handbook:*

Cash Management Cite
34 CFR 668, Subpart K

Credit to Account Cite
34 CFR 668.164(d)

Direct Disbursement Cite
34 CFR 668.164(c)

10. Pell funds can't be used to repay a student's loan. Loan payments aren't considered an education expense.

Institutional Eligibility and Participation [Volume 2] for more on authorizations and credit balances.)

Early Payment Cite
34 CFR 668.164(f)

Early Payment Option

A school can pay a student before the beginning of a payment period if the student's already registered for that payment period. The earliest a school can disburse a Pell is 10 days before the first day of classes in the payment period. Remember that in a clock-hour program or a nonterm or nonstandard term credit-hour program, the school can't pay a student until he or she has completed the coursework for the previous payment period (see Chapter 2 of this volume).

If the school disburses the Pell before the payment period begins, but the student never actually begins attending any classes, the school must return the money to the Pell account. (If the student begins attending some but not all of his or her classes, the school may have to recalculate the award—see Chapter 5.)

Notification Cite
34 CFR 668.165(a)(1)

Notification of Payment

The school must notify the student of the amount he or she will be paid and the method of payment (by credit to the student's account or directly to the student). If the school will be paying the student by check, it must tell the student when the check will be available and where to go to pick it up. (It's helpful to include the cashier's office hours in any notification.)

Late Disbursements Cite
34 CFR 668.164(g)

Late Disbursements

Ordinarily, a student who has lost his or her Pell eligibility before receiving a disbursement can't be paid. However, in some cases a school can pay a student if it received the student's valid output document while the student was eligible for payment, but the student lost eligibility before his or her account was credited or he or she received a payment. The school must have received the student's valid output document before the student became ineligible, and can only pay the student if the funds are used to pay educational costs incurred while the student was enrolled and eligible. Also, the student must be ineligible solely because he or she is no longer enrolled. Finally, the school must make the disbursement within 90 days after the student becomes ineligible. A late Pell disbursement can be made by crediting it to the student's account to cover institutional charges or by paying it directly to the student (in cash or by check or EFT) for noninstitutional costs, such as living expenses. (See the *SFA Handbook: Institutional Eligibility and Participation [Volume 2]* for more information on late disbursements.)

Late Disbursement Example
Jenna enrolls at Hart University. She submits a valid SAR during the second week of classes and is eligible for payment at that time. But by the time the check is processed for her and she has been notified to pick it up, she has withdrawn from school.

Hart can pay Jenna if it makes the disbursement within 90 days of her withdrawal. The aid administrator at Hart must first determine what aid Jenna has earned for the enrollment period still exists (that is, what aid hasn't been paid to Jenna).

Reviewing Eligibility Before Payment Cite
34 CFR 690.75(a)

REVIEWING STUDENT ELIGIBILITY

The school must review the student's eligibility at the time it's going to make a payment. For instance, a student might have been making satisfactory academic progress when award letters were mailed in the spring term, but no longer be making progress when he or she comes to the business office for payment at the beginning of the fall term.

The school must make sure the student still meets the eligibility requirements for the Pell Grant (as discussed in Chapter 1 of this volume), and that the appropriate documentation is kept.

The school is liable for incorrect payments made to the student because of a mistake by the school. The financial aid administrator is subject to a \$10,000 fine, a prison sentence, or both if he or she knowingly makes false or misleading statements.

FIRST PAYMENT OPTIONS

In general, the school can't make a disbursement to the student until it has a valid output document. If the student needs to make corrections to his or her data, or the financial aid administrator wishes to use professional judgment to adjust the student's data, the student must submit the SAR for reprocessing (using Part 2) or the school must make the changes through EDE and receive the new output document before making a disbursement. See Chapter 9 of the *SFA Handbook: Student Eligibility (Volume 1)* for more information on when the student's data must be reprocessed.

Verification Exception

The school can make an interim disbursement to a student who is selected for verification (including a student selected for verification by the school rather than the CPS). The school doesn't need to have a valid output document to make such a disbursement. See Chapter 8 of the *SFA Handbook: Student Eligibility (Volume 1)* for more information.

TIMING OF PAYMENTS

The school can use its discretion in disbursing funds within a payment period to best meet a student's needs. For instance, some schools pay students on the first day of class in a payment period, while others wait until the end of the add/drop period. Other schools pay students in monthly installments to help meet living expenses throughout the payment period. (Note that if the school rations payments to students by crediting the entire payment for the payment period to the student's account and making periodic payments to the student from these funds, it must have the student's written authorization.) In all cases, however, the full amount due the student for a payment period must be disbursed to the student before the end of the payment period.

Retroactive Payment

The school can pay a student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, if the school receives a valid output document for the student while he or she is enrolled as an eligible student in the summer term, but the student was also enrolled and eligible for payment in the fall term, that student must be paid retroactively for the fall term. However, the fall payment would be based on the hours **completed** by the student for that term. If the

Valid Output Document
Requirement Cite

34 CFR 690.61

Verification Interim Disbursement
Cite

34 CFR 668.58

Timing of Payments Cite

34 CFR 690.76(a)

Retroactive Payment Cite

34 CFR 690.76(b)

student had enrolled full time at the beginning of the fall term but dropped to half-time status by the end of the term, the retroactive payment must be based on half-time status.

A school can make any retroactive payments in one lump sum to decrease the administrative workload.

Releasing a Check Cite

34 CFR 690.78(c)

Releasing a Check Example

Eileen attends the fall term at Ivers Community College. Ivers credits Eileen's account for tuition and fees early in the term and sends a letter to her to notify her of the payment, and to tell her to pick up a check for the remainder of the grant. However, at the end of the term, Eileen still hasn't picked up the check.

*Ivers **must** release the check to Eileen if she claims it within 20 days after the end of the fall term. If she withdraws from school but enrolls again later in the award year, Ivers must again make the payment for fall living expenses available to her.*

Paying Refunded Amount Example

Sarven Technical Institute pays Kerr a Pell disbursement of \$875 for the first of three payment periods. Kerr then withdraws in that payment period. Sarven performs a return of Title IV funds calculation and returns \$400 to the Pell account. If Kerr re-enrolls in the same award year, he must be paid the \$400 when he re-enrolls in the program. When he completes the hours in the first payment period, he'll be eligible for the Pell disbursement for the next payment period.

Releasing a Check Later

If the student doesn't pick up the check on time, the school must still make the check available to the student for 20 days after the student's last day of enrollment for that award year. (Instead of holding the check for that period, the school can cancel the first check and issue a new check when the student requests payment.)

If the student hasn't picked up the check at the end of the 20-day period, the school can credit the student's account **only** for outstanding charges for tuition and fees and room and board for the award year. If the student contacts the school to request the check more than 20 days after the student's last day of enrollment, the school can pay the student through the next payment period (if it chooses) even though the student's no longer enrolled. The school can mail the check to the student rather than waiting for him or her to return and pick it up.

Payments to students who have completed a program

If there's a delay in a school receiving its Pell funds, some students could complete their program or academic year before receiving their final Pell payments. If this happens, as soon as the school receives its funds, it must pay any student for whom it received a valid output document. Even though these students would receive their payments late, no regulations would be violated given that the students had previously met all the requirements for payment.

STUDENTS WHO WITHDRAW AND LATER RETURN

If a student withdraws during a payment period, the school might need to return Pell funds to the Department if the student has not earned a portion of his or her Pell Grant (see Chapter 6 of the *SFA Handbook: Institutional Eligibility and Participation [Volume 2]*). If the same student later returns to school, there can be some restrictions on further Pell payments the student can receive.

Paying Returned Amount

A student who withdraws but re-enrolls in the program in the same award year can be paid the Pell Grant amount that was returned to the Pell Grant account.

Retaking Hours and Courses

In general, students at term-based credit-hour schools can receive Pell funds for retaking coursework. The situation is more complicated at clock-hour or nonterm credit-hour schools. If a student withdraws from a clock-hour program or nonterm credit-hour program but re-enrolls in the same award year, or in the subsequent award year, the

student will be held accountable for the remaining clock or credit hours in the payment period before the next disbursement of the Pell Grant can be made. However, in the case of a student who re-enrolls two years after withdrawing, the school can pay the student without waiting until the student has completed the hours from the previous period of enrollment.

If the student receives his or her Scheduled Award for a clock-hour program, completes the entire program, and later decides to retake the program, the student could again be paid for the entire program.

The difference in the treatment of a student at a clock-hour or nonterm credit-hour school versus a term-based credit-hour school is that at a term-based credit-hour school, a student can be paid to repeat a course and doesn't necessarily have to complete the program before he or she can be paid for that course. Generally, at a clock-hour or nonterm credit-hour school, the student can be paid again for clock hours or credit hours that he or she has already completed at that school only if he or she has completed a program and re-enrolls to take that program again or to take another program.

