

Overawards and Overpayments

CHAPTER 3

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; see Volume 5 for that discussion. See Volume 3 for avoiding overawards during packaging.

OVERAWARDS

An overaward exists when a student's aid package exceeds his or her need or overall cost of attendance (COA). Remember when packaging subsidized or need-based aid, the basic formula is COA minus Expected Family Contribution (EFC) minus Estimated Financial Aid (EFA) equals need. When packaging unsubsidized or non-need based aid the formula is simply COA minus EFA (unsubsidized aid can replace all or part of the EFC).

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. 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 Title IV aid in the student's package in order to eliminate the overaward.

Overawards only become overpayments if a school cannot correct the overaward before funds are disbursed to a student. That is, an overpayment exists when some or all of the funds that make up an 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;
- ◆ student's award in an individual program exceeds the regulatory maximum, e.g., lifetime limit for Pell, annual or aggregate loan limits, annual limit on Federal Supplementary Educational Opportunity Grant (FSEOG) awards, or a Pell award based on the wrong payment schedule/enrollment status;
- ◆ student's aid package exceeds his or her need, including when the student's expected family contribution (EFC) is revised upward after initial packaging;

Overpayments

FSA debts 34 CFR 668.35

Pell Grants 34 CFR 690.79

Direct Loans 34 CFR 685.303(g)

Overpayments and eligibility

HEA Sec. 484(a)(3)

34 CFR 668.32(g)(4), 668.35(c) & (e)

Recovery of grant payments and loan disbursements to ineligible students due to immigration status

34 CFR 668.139

Recovery of interim disbursements

34 CFR 668.61

- ◆ student's award exceeds cost of attendance (COA); and
- ◆ student is receiving a Pell or Iraq and Afghanistan Service Grant at multiple schools for the same period.

In general, unless the school is liable, the student is liable for any overpayment made to the student that is greater than \$25. Also, when a student's aid package includes assistance from multiple programs that have different overpayment regulations/requirements, a school must apply the most restrictive requirements.

Also, remember before reducing a student's need-based aid or establishing an overpayment, the school should reevaluate the student's COA to determine whether the student has increased costs that the school did not anticipate when he or she was originally awarded aid. If the student's costs have increased and his or her total aid package does not exceed the revised COA, the school is not required to take further action. If the student's aid package still exceeds the revised COA, the school must resolve the overaward or overpayment.

The school should first reduce the student's level of borrowing, beginning with any unsubsidized loans. Once the student's loans have been reduced or if the student has no loans, it may be necessary for the school to reduce other Title IV aid or other aid it has control over.

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 COA. ***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 Title IV aid or other aid your school controls.

However, a Pell Grant awarded to an ineligible student or based on an incorrect enrollment status greater than that for which the student is enrolled is an overaward.

Iraq and Afghanistan Service Grants

The following are considered Iraq and Afghanistan Service Grant (IASG) 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 that is greater than the status for which the student is enrolled, and
- ◆ an award that by itself exceeds the student's COA.

Iraq and Afghanistan Service Grants, like Pell Grants, are not adjusted to take into account other forms of aid. But unlike Pell Grants, they are not considered estimated financial assistance (HEA 420R(e))

specifically excludes IASGs from EFA). If a student's aid package includes an Iraq and Afghanistan Service Grant that was awarded correctly and by itself does not exceed the COA, an overaward will occur only if the other aid in the package exceeds the student's financial need or COA. In such cases you must reduce the other aid to eliminate the overaward.

If an Iraq and Afghanistan Service Grant recipient becomes eligible during the award year for a Pell Grant instead of the IASG (adjusted EFC becomes Pell eligible), then the school must treat the Pell Grant as estimated financial assistance and adjust the student's aid package, including the other aid, as necessary. Schools must have a process to identify those Iraq and Afghanistan Service Grant recipients who become Pell Grant-eligible during the year.

Teacher Education Assistance for College and Higher Education Grants

TEACH Grants are not considered to be need-based aid. **If a student is not receiving any need-based financial assistance**, the EFC is not used to determine whether a student is in an overaward status. However, a student's TEACH Grant in combination with his or her other non-need-based estimated financial assistance (EFA) may not exceed the COA. If the combined aid does exceed the COA, the student is in an overaward situation that must be resolved.

For a student who is receiving need-based federal student aid, a student's EFC, plus his or her TEACH Grant and other EFA may not exceed the COA.

As with Direct Unsubsidized Loans, PLUS loans, and nonfederal education loans, TEACH Grants can be used to replace the EFC. For instance, if a student's EFC, plus his or her TEACH Grant and other EFA exceed the COA, the school may choose to replace some or all of the EFC with TEACH Grant funds. If the TEACH Grant amount exceeds the EFC, the amount in excess of the EFC is considered EFA when determining the student's eligibility for aid under the other FSA Programs. If the school replaces the EFC with TEACH Grant funds, but the EFC plus any TEACH Grant amount in excess of the EFC, plus any other EFA still exceed the student's COA, the student is in an overaward status that the school must resolve.

If a school chooses not to use the TEACH Grant to replace the EFC, then all of the TEACH Grant is considered EFA that must be considered when determining the student's eligibility for aid under need-based federal student aid programs. The Department strongly encourages schools to replace student EFCs with TEACH Grants where appropriate.

COA may not be exceeded (TEACH)

Federal Register / Vol. 73, No. 121 / June 23, 2008 / page 35483

TEACH Grant maximums

34 CFR 686.21(c)

TEACH may replace EFC

34 CFR 686.21(d)

Campus-Based overaward tolerance

34 CFR 673.5(d)

Campus-Based Programs

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

The \$300 tolerance includes situations where a student with need ends up with an overaward of up to \$300 above COA as well. For example, a student with a 0 EFC and a \$10,000 COA originally receives \$9,800 in EFA which includes Pell Grant, FSEOG and private scholarship funds (the student did not receive any loan funds). Later in the payment period, the student reports to the school that he or she just received a \$500 merit scholarship from his or her parent's employer. Though the \$500 exceeds the student's COA, it only exceeds the student's need by \$300. \$200 of the merit scholarship is used to fully meet the student's need and package the student up to the full COA of \$10,000 ($\$9,800 + \$200 = \$10,000$). The remaining \$300 of the merit scholarship, though over the COA, is within the \$300 tolerance over the student's need ($\$10,000 + \$300 = \$10,300$).

Before reducing the student's Campus-Based aid, the school should determine if the student has increased need that was not anticipated when he or she was initially awarded aid. If the student's need has increased and 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 student's need has not increased or it has increased but the total financial assistance still exceeds his or her need by more than \$300, the amount over the \$300 threshold is an overpayment that the school must eliminate.

The \$300 overaward tolerance/threshold for the Campus-Based Programs 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 aid, exceeds the student's financial need.

Federal Work-Study Program

Because students can't be required to repay wages earned, you can only adjust FWS by reducing the hours students can work in the future thus reducing future earnings. You can continue to employ the students, but they 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.**

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.

Direct Loans

If you discover that a student has been overawarded and your school has already received and disbursed some or all of the Direct Loan funds, you have a number of options:

- ◆ If the package includes an Unsubsidized Direct Loan, a Direct PLUS Loan, or a nonfederal education loan, and the aid package doesn't already apply these loans toward 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.
- ◆ If you have not yet made the second or subsequent disbursement of a Direct Loan, the second or subsequent disbursement can be reduced or cancelled.
- ◆ If you determine that the loan was made to an ineligible student, the school must return any amount it retained, and for any loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of any outstanding loan funds so that the Department can issue a 30-day demand letter to the student.

Example: Hector's cost of attendance is \$12,000 and EFC is 4,000. He is supposed to receive a subsidized Direct Loan of \$5,000 and an unsubsidized Direct Loan of \$3,000, which completely meet his need. Before he receives his first loan disbursement, Guerrero University also gives him a \$2,000 scholarship. 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.

If the overaward situation occurs after all of the 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 or the aid package exceeding the student's need.

Although a school isn't required to return Direct Loan or nonfederal education 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.

Replacing Subsidized and Unsubsidized loans

If a school discovers that a student received *Direct Subsidized Loan funds* in excess of need, the school must correct the error by replacing the excess subsidized amount with an equal amount of Direct Unsubsidized Loan funds if:

- the student is still enrolled for the loan period, and
- the school obtains the student’s agreement to accept the replacement unsubsidized loan amount.

If the student declines to accept the unsubsidized loan, the school must return the excess subsidized loan funds. If the error isn’t discovered until *after* the loan period is over, no action is required to eliminate the subsidized overaward.

If a school discovers that a student received *Direct Unsubsidized Loan funds* in error (unsubsidized loan funds that should have been subsidized loan funds), the school must fix the error, *even if the loan period has ended*. Switching from unsubsidized to subsidized loan funds doesn’t require the student’s approval. In this situation, the school can originate a replacement subsidized loan even if the loan period has ended. The replacement subsidized loan should have the same loan period and disbursement dates as the unsubsidized loan that it replaces. Disbursements of a replacement Direct Subsidized Loan in this circumstance are not considered to be late disbursements.

A resolved overaward may become an overpayment

If a school has resolved an overaward 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 overaward must now be repaid as an overpayment outside of any amount that may have to be returned under an R2T4 calculation as required under 34 CFR 668.22. Regardless of whether the student or school owes back the overpayment, the overpayment amount is NEVER included as aid disbursed or could have been disbursed in the R2T4 calculation (because the student never established eligibility for those funds).

If the school is responsible for repaying the overpayment, the school must repay the overpayment AND any amount it is required to return under the R2T4 requirements.

If the student is responsible for repaying the overpayment, and the student withdrew *before the 60% 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.

As mentioned earlier, when performing the R2T4 calculation, the school will not include the amount of the overpayment for which the student is responsible as aid that was or could have been disbursed (see *Volume 5*). 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.

If a student is responsible for repaying the overpayment and the student withdrew *after the 60% 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 the Department's Default Resolution Group.

WHEN A STUDENT FAILS TO BEGIN ATTENDANCE

A school may not ignore information available to any office at the school indicating that a student failed to begin attendance. A student is considered not to have begun attendance if a school is unable to document his or her attendance in any class.

If your school disburses Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, or FSEOG funds to a student who never begins attending classes, you must return the disbursed Title IV funds to the appropriate FSA programs even if the funds were disbursed directly to the student.¹ For credit-hour term based programs, if the student began 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*).

If a school disburses Direct Loan funds but the student does not begin attendance in any courses during the payment period, the school must return all Direct Loan funds that were credited to the student's account at the school 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 he or she would not begin attendance* (for example, if the 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).

¹ 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 in the same program and award year or by returning them to the appropriate FSA program using the refund function in G5.

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

34 CFR 668.21
34 CFR 676.16(d)
34 CFR 685.303(b)(4)
DCL GEN-13-02

Time frame for returning funds for students who fail to begin attendance

34 CFR 668.21(b)

Recalculating Pell eligibility when a student's enrollment status changes before beginning attendance in all classes

34 CFR 690.80(b)(2)(ii)

For any remaining loan funds disbursed directly to a student—and if the school does not choose to repay those funds on the student’s behalf—the school must notify the appropriate loan servicer (as identified in NSLDS) of the loan funds that are outstanding so the Department can issue a 30-day demand letter to the student. To identify the current servicer of an FSA loan, use the National Student Loan Data System (NSLDS) and select “Aid.” Identify the student and select “Loan History”; the current loan will be listed at the top. Use the “Servicer” field 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 FSA’s Knowledge Center under the Help Center (FSA Customer Service Center > Loan Servicing Centers for Schools).

Schools must return funds disbursed to a student who failed to begin attendance as soon as possible but *no later than 30 days* after the date they become aware that the student has not begun and will not begin attendance.

Among schools that have a census date to establish that a student commenced attendance in a course(s), some take attendance and some do not. At a school that is not required to take attendance but that 1) has a census date that requires ensuring that students have begun attendance, and 2) uses that census date to report its enrollment levels to a state, local jurisdiction, or outside agency, it is reasonable to expect the school to return funds for students who fail to begin attendance as soon as possible, but no later than 30 days after the census date. (Note that a student begins earning FSA funds on his or her first day of attendance. Therefore, if he or she withdraws after starting classes but before the census date, the school must perform a return calculation; see *Volume 5*).

If a student who received a Direct Loan disbursement either fails to begin attendance or drops to a less than half-time status, the school must report the change in the student’s enrollment status to the Department according to the NSLDS enrollment reporting process and time frames. Upon receiving the revised enrollment status from NSLDS, the student’s federal loan servicer will change the student’s loan status as follows:

- In-school status will change to grace period status.
- In-school deferment status will change to repayment status.

Disbursing Direct Loan funds when a student begins attendance on a less than half-time basis

Neither the school nor the student is required to return any loan proceeds disbursed to a student or parent for a payment period as long as:

- the student commenced attendance in at least one course during the payment period; and
- at the time of the loan disbursement the student was enrolled (registered) for classes on at least a half-time basis.

Reporting enrollment changes in NSLDS

34 CFR 685.309(b)
DCL GEN-13-02

However, the school must not make any subsequent disbursements of the loan unless the student resumes enrollment on at least a half-time basis during the payment period.

When a SAR/ISIR contains a disqualifying comment code

If a student's SAR/ISIR contains a comment code that requires resolution (e.g., 132–Default), the underlying issue must be resolved before any funds may be disbursed to the student. In addition, if a school disburses Title IV funds to a student with a SAR comment code that requires resolution and the student withdraws before the school has resolved the underlying issue, any funds disbursed must be returned to ED since the funds were provided to an otherwise ineligible student.

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 does the following:

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; or
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.

TREATMENT OF OVERPAYMENTS

Overpayments for which the school is responsible

Your school is liable for any amount of a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, or FSEOG overpayment (including amounts under \$25) that occurred because your school failed to follow the requirements in 34 CFR parts 668, 673, 676, 686, or 690, as applicable. If your school makes an FSEOG overpayment in any amount for which it is liable, you must immediately restore (to your FSEOG account) 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 the COD System, 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 from a student funds the school was required to return. However, an overpayment for which *a school is responsible* can never result in a student losing Title IV eligibility and must never be reported to NSLDS or referred to the Department for collection. As a result, an overpayment for which a school is responsible can never become a student's FSA debt.

Examples of overpayments due to school error:

- ◆ Allen received a Pell grant at Sarven Technical Institute, which had the correct EFC on Allen’s ISIR but looked at the wrong chart and used a different EFC in the Pell calculation, causing Allen to receive too much money. Because Sarven erred, it 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 could apply the payments properly but didn’t notify the financial aid office, which awarded Owen a TEACH Grant without taking the scholarship into account. When the aid office finds out about the scholarship, it discovers that Owen has a \$600 TEACH overpayment. Because the school had information about the scholarship—even though the financial aid office didn’t—the overpayment is due to school error.

Interim disbursements - school responsibility

If an overpayment is the result of an interim disbursement of Pell or FSEOG funds (see the *Application and Verification Guide*) to the extent that the overpayment is not recovered by reducing subsequent disbursements to the student for the award year, the school must eliminate the overpayment by reimbursing the appropriate account by:

- asking the student to return the overpayment (though it can ask the student for payment, the school is ultimately responsible for returning the interim disbursements), or
- making restitution from its own funds.

Reimbursement must be made by the *earlier of*:

- 60 days after the applicant’s last day of attendance, or
- the last day of the award year.

If an overpayment is the result of an interim disbursement of FWS Program funds, the school must eliminate the FWS overpayment by adjusting the applicant’s other financial aid or reimbursing the FWS Program account from its own funds. If the school cannot correct the overpayment by adjusting the student’s other financial assistance, the student must still be paid for all work performed.

Because interim disbursements were made at the school’s discretion, the school is ultimately responsible for repaying it. Therefore, in this situation, a student does not owe a Title IV overpayment, and must not be reported to NSLDS or referred to the Department for collection.

Recovery of funds from interim disbursements

34 CFR 668.61

Pell Grant overpayments - COD, NSLDS, and G5

The Department found some schools misreporting Pell overpayments, so we issued an electronic announcement to clarify the actions schools should take when there is a Pell overpayment. How Pell Grant overpayments should be reported depends on whether the school or student is responsible for the overpayment and on how much (if any) of the overpayment the school has collected or is collecting. Please see the [September 6, 2016 electronic announcement](#) and linked table that summarizes the reporting requirements for NSLDS, COD, and G5 for more information.

Prohibition on receiving funds for enrollment at more than one school and Potential Overawards (POP)

Students may not receive more than 100% (or 150% if qualifying under “Year-round” Pell) of their scheduled award for a Pell Grant during an award year. Moreover, students may not receive a Pell Grant for concurrent attendance at two or more schools.

If a student has identified himself or herself as a mid-year transfer student, or if a school has any information that indicates the student might have previously attended another postsecondary school during the award year, the school must request transfer monitoring of the student in NSLDS (transfer student monitoring process). A school’s coordinating official (see *Volume 2*) is responsible for ensuring that a school does not ignore information the school has about a student’s prior or concurrent enrollment.

If a student has not self-identified as a transfer student, data on the student’s SAR/ISIR can sometimes alert a school to the fact that a student has already received a Pell Grant during the current award year. Schools should examine the Pell payment data on the SAR/ISIR generated from the student’s most recent transaction to see if the percentage of the scheduled award used for the award year (% Sch Used) is greater than 0, and examine the “As Of” date (MM/DD/CCYY) to see if the information is current. If the SAR/ISIR is the most recent and the percentage of the scheduled award used for the award year is greater than zero, the school should request transfer monitoring of that student and wait until it has received the results of that process through NSLDS before creating a Pell award for that student in the COD System.

In their award of Pell Grant funds to a student, schools are required to ensure that they do not originate awards that would result in a student receiving more than 100% or 150% (if qualifying under “Year-round” Pell) of the student’s scheduled award for the year.

Pell Grant payment from more than one school

34 CFR 690.11

Calculating remaining eligibility

34 CFR 690.65

Concurrent Enrollment

When multiple schools report disbursements for a student and the enrollment dates reported are within 30 calendar days of each other, the COD System identifies a potential concurrent enrollment and sends a warning message to all schools involved.

The COD System sends the school that submitted the second or subsequent disbursement information a response document that contains warning edit 69. Warning edit 69 informs schools that submit second or subsequent disbursement information that Pell disbursements for a student have been received from two or more schools, and the enrollment dates for the student are within 30 days of one another. The COD System also sends a multiple reporting record (MRR) to all the schools with accepted disbursement information in the COD system for the student and the award year. The MRR alerts the schools to a possible overlap in enrollment.

The Department expects all schools involved to cooperate in resolving the concurrent enrollment issue. To help facilitate resolution, the MRR contains the Pell contact information, as reported by the schools to the COD System, for the schools involved.

Pell Potential Overaward Process

A student may receive disbursements from more than one school during an award year. When more than one school reports disbursements for a student, the COD System checks to make sure the student has not received more than 100% (or 150% if qualifying under “Year-round” Pell) of his or her eligibility for a Pell Grant.

If the COD System receives disbursement information that will cause a student to receive more than 100% (or 150% if qualifying under “Year-round” Pell) of his or her “total eligibility used” or TEU, the student has entered a potential overaward (POP) situation. Remember, to certify eligibility for the “Year-round” Pell provision, the Additional Eligibility Indicator (AEI) must be submitted in order for disbursements exceeding 100% of the Scheduled Award to be accepted in the COD System.

The COD System will accept the disbursement and notify the schools involved in the POP in the following three ways:

1. COD sends the school that submitted the disbursement that caused the student to exceed the 100% (or 150% for “Year-round” Pell) TEU for the year warning edit 68 in the response document.
2. Weekly, COD sends all schools that have accepted and posted disbursements for students in a POP status a Pell POP report that will identify the student and schools involved.
3. COD sends all schools that have accepted and posted disbursements for the student in the award year an MRR containing the Pell contact information for the schools involved.

Warning edit 68 informs the school that submitted the disbursement that caused the student to exceed the 100% (or 150% if qualifying under “Year-round Pell) TEU for the year that:

1. Pell disbursements for a student have been received from two or more schools.
2. The student’s TEU is greater than 100.000% or 150.000% as applicable.
3. The POP situation must be resolved within 30 calendar days.

During the 30-day period, the Department expects each school involved in the potential overaward to review the student’s award and disbursements and perform the proper eligibility calculations. If the schools (working with COD School Relations) do not resolve the POP situation during the 30-day period, the COD System will reduce all schools accepted and posted disbursements for the student to zero, and the issue will have to be addressed with the involvement of the Department.

Schools, along with the student, must work together to resolve the POP before contacting COD School Relations for help.

Schools should document any phone calls, emails, and letters that were part of their attempts to resolve the POP with the student and the other schools involved, and be prepared to provide that documentation to COD School Relations if requested.

During the 30-day period, the COD System will accept and post disbursements that decrease or increase the student’s year-to-date disbursement amount. Students will be removed from POP status within 30 days of the date the student was initially placed in the POP if the student’s TEU becomes 100% (or 150% for “Year-round” Pell) or below based on downward disbursement adjustments submitted by the schools.

If after 30 calendar days the situation has not been resolved, the COD System generates a negative disbursement that reduces all accepted and posted disbursements to \$0 for the student in the award year in question at all schools involved.

A school that has attempted to resolve an overaward situation with the other schools that have submitted disbursement records for the student and has been unable to arrive at a satisfactory solution should call the COD School Relations Center to request *escalated mediation*.

A school that calls the COD School Relations Center to request escalated mediation should be prepared to provide the name and social security number of the student involved.

The COD School Relations Center will review the POP situation and, if necessary, refer the case to the Department for additional action.

Schools should remember that failure to:

- ◆ take action when they receive warning notices from the COD System;
- ◆ correct overaward situations;
- ◆ ensure that students do not receive Pell awards for concurrent enrollment at two or more schools; and
- ◆ prevent repeated POP situations from occurring;

may call into question a school's administrative capability and fiscal responsibility, and might eventually result in the Department taking action to limit, suspend, or terminate a school's participation in the Federal Student Aid programs.

Regarding COD processing and POPs:

- The COD System accepts Disbursement Information from a maximum of three schools for a student in a POP situation.
- The COD System does not prevent the same schools from creating another POP situation for the same student.
- Schools do not need to request post-deadline processing (extended processing) to submit upward adjustment records after the end of the processing year in order to correct a POP situation.
- The COD System accepts downward adjustments to disbursement or award information at any time.
- Disbursement information can be submitted via the COD website for those schools that do not wish, or are not able, to reopen any software they may have used to process the affected award year.

Overpayments for which the student is responsible

In some instances a student, rather than the school, is responsible for repaying the overpayment. A student who has an overpayment of an FSA loan or grant loses eligibility for FSA program aid but may re-establish eligibility by repaying the excess amount or making arrangements satisfactory with the school (optional) or Department to pay the excess amount. Remember that if the school chooses to set up satisfactory payment arrangements with the student, the overpayment must be resolved within two years.

If a student received more Pell or Iraq and Afghanistan Service Grant funds than he or she was eligible for because his or her eligibility for the grant decreased, you can try to eliminate the 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 and FSEOG overpayments, you can also 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 he or she fails to repay the overpayment or to make satisfactory repayment arrangements, the student will be ineligible for future 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 the student 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 overpayments to Default Resolution Group* 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 Title IV grant overpayments.

A student is not liable for overpayments of less than \$25 (the threshold for overpayments *resulting from withdrawal and R2T4 requirements is \$50*).

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.

However, this does not include remaining balances of overpayments, i.e., when the overpayment amount was originally \$25 or more but is now less than \$25 because the student has made payments. In addition, 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 minimis* 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 all other FSA eligibility criteria.

If a student (through the school) or a school (with its own funds) satisfies the student's overpayment, the school must update the student's overpayment information in NSLDS as discussed later in this chapter under *Reporting Overpayments to NSLDS*.

Examples of overpayments due to student error

1. When Chavo filled out his FAFSA form, he had not filed a tax return because he didn't think he had to. After he received his aid from Sarven Technical Institute in June, he told the aid office that he had to file a return after all. 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 agree to repay \$25 a month for four months so that he'd still be eligible for other aid for the rest of the year.
2. On his 2021–2022 FAFSA form, Meurig didn't report any assets for his father. However, Meurig's application is selected for verification and Brust determines that Meurig should have reported his father's business assets for 2021–2022 and on the 2020–2021 application. In both cases, Meurig's EFC increases and it is determined that Meurig received an overpayment for the 2020–2021 award year. Because he's received all his aid for that year, he has to either pay the overpayment or negotiate a satisfactory repayment agreement.

Exceptions to student liability

There are some exceptions to holding a student liable for a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, or FSEOG overpayment. Generally, a student is liable for any such 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 an 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.

What a school must do when it has disbursed to an ineligible student...

a Title IV grant

If a school discovers that because of an error made by a student, the school has disbursed a Federal Pell Grant or FSEOG to an ineligible student (e.g., because the student provided false information on a FAFSA form), the school must take the following action.

Immediately after discovering that it has paid an ineligible student a Title IV grant, the school must report the overpayment to NSLDS on the NSLDS Professional Access website under the AID tab, “Overpayment List” menu option entering “School” in the source field, and “Overpayment” in the indicator field.

After making the appropriate change in NSLDS, the school must notify the student of the following:

1. Owes an overpayment of Title IV grant funds.
2. Eligibility for additional Title IV funds has been suspended.
3. Failure to repay the debt in full *within 30 days* will result in being referred to the Department’s Default Resolution Group for collection (referral to the Department’s Office of the Inspector General may occur if there is suspected fraud).

Remember that referring overpayments for collection is a separate process from reporting overpayments to NSLDS. Reporting is the process of creating within NSLDS a record of a student’s overpayment. Referring is the process of turning over a student’s debt to the Default Resolution Group.

If the student fails to repay the grant overpayment in full within 30 days, the school must refer the grant overpayment to the Default Resolution Group by following the instructions later in the chapter under Referring overpayments to the Default Resolution Group.

In addition, if the student fails to repay the grant overpayment in full within 30 days, the school must update the student’s record in NSLDS by entering “TRF-Transfer” in the source field and “Overpayment” as the overpayment status in the indicator field.

If the student repays the debt in full within 30 days, the school must update the student’s record in NSLDS by changing the overpayment status to “Repaid” in the indicator field.

a Title IV loan

If a school has disbursed a Direct Loan to an ineligible student, it must return any part of the loan it retained, and for any part of the loan it disbursed directly to the student, it must notify the appropriate loan servicer of the loan funds that are outstanding so that the servicer on behalf of the Department can issue a 30-day demand letter to the student. 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 find the current servicer of record. Click on the servicer name to access the NSLDS Organizational Contact List page. Additional contact information for the loan servicers is available on FSA’s Knowledge Center under the Help Center (FSA Customer Service Center > Loan Servicing Centers for Schools).

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. See [DCL GEN-13-02](#).

A school must determine that a borrower's receipt of loan funds in excess of an annual or aggregate loan limit was inadvertent before the borrower may regain Title IV eligibility.

Examples of circumstances that may have resulted in a student inadvertently exceeding an annual or aggregate loan limit include, but are not limited to: school processing errors, missing or incorrect National Student Loan Data System (NSLDS) information, or unintentional student error or omission.

Borrowing in excess of annual or aggregate loan limits is not considered to have been inadvertent if there is any evidence that the overborrowing was the result of *deliberate action* on the part of the school that determined the borrower's eligibility for the loan or on the part of the borrower who received the loan. If the school determines that the overborrowing was the result of deliberate action on the part of the school, another school or the borrower, it must notify its school participation division and provide the necessary evidence. If the school suspects fraud involving federal student aid, it must also call the inspector general hotline at 1-800-MIS-USED (1-800-647-8733).

If a student has consolidated the loan(s) that exceeded the annual or aggregate loan limit, the student is considered to have made satisfactory arrangements to repay the debt since by signing the consolidation loan promissory note the student has agreed to repay any excess loan amount. This is true regardless of the type of loan consolidated—Federal Family Education Loan (FFEL) or Direct Loan— or the type of consolidation loan. No additional action on the student's part is required.

A student who is not in default on an FSA loan but who has inadvertently received FSA loan funds that exceed the annual or aggregate loan limits is ineligible for any further FSA funds until he or she (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.

However, please keep in mind that when a borrower with an inadvertent overpayment advances to a higher undergraduate grade level or becomes a graduate student (thus gaining higher annual or aggregate loan limits), the inadvertent overpayment is NOT simply resolved due to the new higher loan limits. The inadvertent undergraduate overborrowing must first be resolved before he or she can receive any Title IV aid at the undergraduate or graduate level.

Also, a student who received subsidized loan funds in excess of the applicable subsidized annual or aggregate loan limit cannot regain Title

IV eligibility by having the excess subsidized loan amount changed to an unsubsidized loan. See the subsection on Direct Loans under *Overawards* earlier in this chapter for the treatment on correcting an overaward of Direct Subsidized Loan funds in the current award year.

If a student who has inadvertently received loan funds in excess of an annual or aggregate loan limit wishes to receive additional Title IV aid, the school where the student wishes to receive the aid must identify the loan(s) that resulted in the overborrowing, discuss the overborrowing with the student, and resolve any discrepancies in the information that is obtained.

If the loan that caused the inadvertent overborrowing is a Direct Loan or a FFEL Program loan held by the Department, the student must contact the federal servicer of the loan to resolve the overborrowing. If the loan that caused the overborrowing is a FFEL Program loan held by an entity other than the Department (a “commercially held” FFEL Program loan), the student must contact that loan holder or the servicer of the loan to resolve the overborrowing.

Repayment of the excess loan amount

If a student who has inadvertently overborrowed wishes to regain Title IV eligibility by repaying the excess loan amount, the student must contact the applicable servicer and comply with the servicer’s repayment instructions. The school may assist the student in identifying and contacting the servicer, but the student, not the school, must make the payment of the excess loan funds in accordance with the servicer’s instructions. Once the student has repaid the excess loan amount in full, the servicer will send the student confirmation that the excess loan amount has been repaid. The student or servicer must provide a copy of the repayment confirmation to the school. The inadvertent overborrowing is considered to have been resolved as of the date the servicer received the borrower’s full payment of the excess loan amount.

Satisfactory repayment arrangements

A student who has inadvertently overborrowed may also regain Title IV eligibility by making satisfactory repayment arrangements acceptable to the servicer of the loan. This requirement can be met if the student agrees in writing to repay the excess amount according to the terms and conditions of the promissory note that supported the loan. This is called “reaffirmation.” The [July 18, 2019 electronic announcement](#) includes the most current reaffirmation form. The reaffirmation process includes the following five steps:

1. Either the school requesting additional FSA funds or the student contacts the servicer and explains that the student has inadvertently overborrowed and wishes to reaffirm the debt.
2. The servicer sends the student a reaffirmation agreement.
3. The student reads, signs, and returns to the servicer the reaffirmation agreement.

4. The servicer sends the student confirmation that the reaffirmation agreement has been accepted. The student or servicer must provide a copy of the reaffirmation confirmation to the school requesting additional FSA funds.
5. The inadvertent overborrowing is considered to have been resolved as of the date the servicer receives the student's signed reaffirmation agreement.

The school where the student is requesting additional FSA funds is responsible for identifying the loan(s) that resulted in the overborrowing, discussing the overborrowing with the student, and resolving any discrepancies in the information that is obtained. If the loan(s) that caused the student to exceed the annual or aggregate loan limit were received for attendance at a different school, in some cases it may be necessary for the school the student is currently attending to contact the other school for additional information needed to determine that the excess borrowing was inadvertent.

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 constitutes a satisfactory repayment agreement. 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. The loan holder determines whether the repayment arrangement is satisfactory.

Once you have documented that the inadvertent overborrowing has been resolved (through repayment in full, making satisfactory arrangements to repay the debt, or consolidation of the excess loan amount), you may award additional FSA funds to the student.

A student who regains Title IV eligibility after having exceeded an annual loan limit for an academic year is not eligible to receive additional Direct Loan funds for that same academic year, but could receive other types of Title IV aid for the year. If the student exceeded only the annual subsidized limit and has regained eligibility, the student might be eligible to receive Direct Unsubsidized Loans up to the appropriate annual maximum.

A student who had inadvertently exceeded the combined subsidized/unsubsidized aggregate loan limit may not receive any additional Direct Subsidized Loans or Direct Unsubsidized Loans (though a dependent student's parent or a graduate or professional student could receive Direct PLUS Loans).

When an otherwise eligible student resolves an inadvertent overborrowing issue by one of the methods discussed above, the student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq and Afghanistan Service Grant programs beginning with the payment period in which the issue was resolved and regains Direct Loan Program eligibility retroactive to the beginning of the academic year in which the issue was resolved.

Because you're responsible for knowing about the student's prior FSA loans before disbursing additional loan funds to the student, *inadvertent overborrowing should not occur often*.

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 the COD System.

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 Direct Loan funds

If a school is required 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 Direct Loan funds through G5. The school returns Direct Loan funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

Direct Loan processing for an award year generally remains open in the COD System for 13 months following the end of the award year (until July 31 of the next year). A school should be able to submit data via batch or web processing through that time unless it has already confirmed closeout for the impacted award year. If the year is closed in the COD System before the 13-month period is over, the school should contact COD School Relations for help in reopening the award year. Once the 13-month period is over and the COD System has closed the year, a school may request extended processing through the COD website at <https://cod.ed.gov>.

Toward the end of each award year, the Department publishes an electronic announcement containing information on the closeout deadline and instructions on how schools can request extended processing for Direct Loans after the closeout deadline. For more information on returning FSA funds, see *Chapter 4*.

Updating Direct Loan disbursement data in the COD System

If a school has confirmed closeout but then needs to submit additional student level data to the COD System (and the data submission deadline has not yet passed), the school contacts COD Customer Support and asks that the year be reopened.

If the data submission deadline has passed, the school uses the request post deadline/extended processing screen in the COD System to request an extension. If the request is granted, the school may submit data to the COD System until the end of the extension period.

If a Direct Loan award year has been archived (all Direct Loan award years prior to 2011–2012 have been archived) and a school needs to report a decrease to a student-level disbursement record, the school sends an email to schoolreconciliation@ed.gov.

In the email the school must provide its full name as it appears in the COD System, its DL ID number, the award year, and the number of records it needs to process. The school will receive an email telling them how to submit the necessary data and how that data should be processed.

If a school needs to report a decrease to a FFEL Program loan held by a lender or guaranty agency (i.e. loan not owned or serviced by the Department), the school should work with the current holder/servicer of the loan identified in NSLDS to return funds.

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

For reductions to awards and payments, 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: that amount the school is responsible for returning *plus* any portion of the grant overpayment that would be the responsibility of the student but which the school has chosen to return for him or her *plus* 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 the Default Resolution Group, the school should NOT send the payment to the Default Resolution Group. Instead, after you have reduced the student's disbursement in the COD System, 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 would deposit the funds in their federal funds ac-

count and then either return the funds through G5 to the appropriate FSA grant program account or award the funds to another eligible student within the required three business day time frame.

- ◆ If a student makes a payment on any previous year's Pell Grant, Iraq and Afghanistan Service Grant, 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 or returns.

If, through its return of Title IV funds calculation for a student who has withdrawn (*see Volume 5*), 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.

Since each disbursement transaction (positive or negative) of a student's Pell Grant in COD affects his or her lifetime eligibility for Pell funds, schools should ensure that adjustments are made in a timely manner. See *Volume 3* for a discussion of Pell lifetime eligibility.

The deadline for updating Pell Grant student data in the COD System is the last business day of the fiscal year five years after the award year in question, for example, September 30, 2022, for the 2016–2017 award year. If that deadline has passed, but you have an adjustment to submit that affects a student's Pell Grant Lifetime Eligibility Used (LEU), contact COD support for instructions on updating the student's LEU information. If your school has funds it needs to return to the Pell Grant program, contact the G5 Hotline for help at 888-336-8930.

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 of Title IV funds calculation, you must contact the student within 30 days of determining that the student withdrew (see *Volume 5*).

You only report unresolved overpayments if they're due to student error. *Don't report those that are a result of school error*; instead, as explained previously, you must repay the overpayment with school funds.

If you report a Pell Grant overpayment in NSLDS, do not reduce the award/disbursement in the COD system by the amount the student must return (unless the student has made a payment to the school). For additional information, please see the discussion earlier in this chapter under *Recording student payments and reductions in the Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant programs* and later in this chapter under *School responsibility after referral and accepting payments on referred overpayments*.

You must use the NSLDS Professional Access website to report overpayments. To do so, 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 SAR/ISIR output documents will show that he or she has an overpayment. 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.

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

For more information on how to properly report overpayments in NSLDS, please contact NSLDS directly at 800-999-8219 or nslds@ed.gov or review the various NSLDS reference materials available on FSA's Knowledge Center under the ["NSLDS User Resources" section](#).

REFERRING OVERPAYMENTS

Referring overpayments to the Default Resolution Group

If you have tried but not succeeded in collecting a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, or FSEOG overpayment for which the student is liable, you must refer the overpayment to FSA's Default Resolution Group. *You must make this referral in addition to reporting the overpayment to NSLDS.*

To be referred, the **initial amount** of the overpayment must be at least \$25. You would still refer a student debt of less than \$25 to the Default Resolution Group 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.

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* for more information.

If your school elects not to refer an overpayment to the Default Resolution Group, your school is liable for and 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 data 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 reported the overpayment in NSLDS. In addition, a school must ensure that it enters the year the disbursement was made in the award year field.

In addition, when referring the overpayment, you should update the overpayment information previously reported to NSLDS by changing the "Source" field from SCH-SCHOOL to TRF-TRANSFER. Once the Default Resolution Group has accepted a referred student overpayment, it 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, a school must provide its Pell identification number. It should NOT enter its routing identifier.

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

School responsibility after referral and accepting payments on referred overpayments

A school may continue to accept payments on FSA grant overpayments after those overpayments have been referred to the Department. A school that accepts a check on an overpayment that has been referred to the Default Resolution Group must:

- ◆ note the student's name and SSN on the check;
- ◆ indicate that the payment is for an overpayment of an FSA grant; and
- ◆ forward the payment to the Default Resolution Group at:

U.S. Department of Education
National Payment Center
P.O. Box 790336
St. Louis, MO 63179-0336

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to the Default Resolution Group, 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 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 a school receives a payment for an overpayment **previously referred** to the Default Resolution Group for the **current award year** and the payment will repay the student's debt in full, the school must:

- ◆ deposit the payment in its appropriate institutionally maintained federal funds account;
- ◆ 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
- ◆ send a letter or fax to the Default Resolution Group 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 Default Resolution Group system and NSLDS.

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

903-454-2243

Note: This process cannot be performed via email.

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

- ◆ award year of the overpayment (current award year only);
- ◆ student’s Social Security number;
- ◆ student’s last name, first name, and middle initial;
- ◆ student’s date of birth;
- ◆ type of overpayment—Federal Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or TEACH Grant; and
- ◆ the disbursement date the institution used to create the overpayment record in NSLDS.

If a student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, he or she should call the Default Resolution Group at 800-621-3115. The student can send an email by going to <https://myeddebt.ed.gov> and selecting the borrower tab > “Contact Us” (at the bottom of the page) > “Click here” under “Send email.”

Responsibilities of the Default Resolution Group

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.

The Default Resolution Group will then try via letters and telephone to establish a repayment schedule or to secure payment in full. It 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 the Default Resolution Group instead of the school. Finally, the Default Resolution Group also communicates Pell Grant overpayment referrals to the COD System. COD will then alert a school of a student’s Pell Grant overpayment status if the student submits a FAFSA form in the future. A student’s Iraq and Afghanistan Service Grant overpayment status will be tracked and reported manually.

Payment in Full

Anytime a school receives funds (including the application of an FSA credit balance) that will satisfy an overpayment in full, the school must also update its original submission to NSLDS by changing the entry for the indicator field on the “Overpayment Update Screen” to “Repaid.”

Information Required When Referring Student Overpayments to the Default Resolution Group

Student Information

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

Telephone Number: _____

Social Security Number: _____ Date of Birth: _____

If the overpayment includes a TEACH Grant, enter the Award Identifier (ID) used when the award was created in COD.

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	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:	_____	_____	_____
Total being referred for collection:	_____	_____	_____

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

903-454-2243



FAX

Greenville, Texas 75403