

Chapter 3

Overawards and Overpayments

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 their need or overall cost of attendance (COA). Remember when packaging subsidized or need-based aid, the basic formula is COA minus Student Aid Index (SAI) minus Other Financial Assistance (OFA) equals need. When packaging unsubsidized or non-need-based aid the formula is simply COA minus OFA (unsubsidized aid can replace all or part of the SAI).

While your school must always take care not to overaward a student when packaging their 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 enrollment intensity;
- student's aid package exceeds their need, including when the student's SAI is revised upward after initial packaging;
- student's award exceeds cost of attendance (COA); and
- student is receiving a Pell Grant at multiple schools for the same period.

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

[34 CFR 668.139](#)

Recovery of funds from interim disbursements

[34 CFR 668.61](#)

In general, unless the school is liable, the student is liable for any overpayment made to the student that is \$25 or more. 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 they were originally awarded aid. If the student's costs have increased and their 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.

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 their attendance in any class.

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\(b\)](#)

If your school disburses Pell 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

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.

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 award year, or by returning them to the appropriate FSA program using the refund function in G6.

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 they would not begin attendance* (for example, if the student notified the school that they would not be attending or if the school expelled the student prior to directly disbursing the funds).

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) [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 their first day of attendance. Therefore, if the student withdraws after starting classes but before the census date, the school must perform a return calculation; see *Volume 5*).

When a FAFSA Submission Summary/ISIR contains a Disqualifying Comment Code

If a student's FAFSA Submission Summary/ISIR contains a comment code that requires resolution (e.g., 163–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 FAFSA Submission Summary 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.

You may access *Volume 7* of the [Draft 2024–25 FAFSA Specifications Guide](#) to determine what comment codes require resolution.

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, 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 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 G6 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. Additionally, a school cannot withhold official transcripts or take any other negative action against a student related to a balance owed by the student that resulted from an error in the school's administration of the *Title IV* programs, or any fraud or misconduct by the institution or its personnel, see the [10/31/2023 Federal Register](#).

Examples of overpayments due to school error:

- A student received a Pell grant at Example Institute, which had the correct SAI on the student's ISIR but used an incorrect enrollment intensity and used an incorrect SAI in the Pell calculation, causing the student to receive too much money. Because Example Institute erred, it is liable for the overpayment.
- A student received an outside scholarship to attend Example 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 the student a TEACH Grant without taking the scholarship into account. When the aid office finds out about the scholarship, it discovers that the student 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.

As discussed in Chapter 2, the Department is providing schools with flexibility to package and award aid to students due to delays in processing paper FAFSA forms and school-initiated corrections. The Department is temporarily providing schools with the ability to make interim disbursements to students based on an estimated SAI, even if the school does not yet have a valid ISIR for that student. A school that chooses to make an interim disbursement based on an estimated SAI before school-initiated corrections are available takes full responsibility for submitting corrections or changes due to professional judgement and, once the school receives a valid ISIR, ensuring that award and disbursement amounts are correct. For more information, please see the [May 10, 2024 Electronic Announcement](#). Please visit the [FSA Knowledge Center](#) for updates to this temporary flexibility.

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 G6

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 G6 for more information.

Concurrent Enrollment and Pell Grant Potential Overaward

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. Additionally, when more than one school reports Pell 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 the scheduled award, which could trigger a potential overaward (POP) situation. The Department expects all schools involved to cooperate in resolving a potential concurrent enrollment or POP situation. For more information on concurrent enrollment and the Pell potential overaward process, see *Volume 7*.

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 that is not possible, you must promptly attempt to recover the overpayment by notifying the student (by paper or electronically) and requesting full payment. The notice must state that if the student fails to repay the overpayment or to make satisfactory 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, 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 their 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. For more information on Campus Based overawards and the \$300 tolerance, please refer to *Volume 6*.

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 Student V filled out the FAFSA form, they had not filed a tax return because they didn't think they had to. After they received their aid from Example Technical Institute (ETI) in June, they told the aid office that they had to file a return after all. When Student V submitted the corrections, their SAI increased, and ETI determined that Student V had received a Pell overpayment. ETI canceled their second Pell disbursement, but they still owed \$100. ETI allowed Student V to agree to repay \$25 a month for four months so they would still be eligible for other aid for the rest of the year.
2. On Student U's 2024–2025 FAFSA form, Student U didn't report any assets for their parent. However, Student U's application is selected for verification and Example College determines that Student U should have reported their parent's business assets for 2024–2025 as well as on the 2023–2024 application the year before. In both cases, their SAI increases and it is determined that they received an overpayment for the 2023–2024 award year. Because they received all their aid for that year, they have to either pay the overpayment or negotiate a satisfactory repayment agreement.

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, or for a student that did not begin attendance in a payment period or period of enrollment, it must return any part of the loan it retained, and for any part of the loan it disbursed directly to the student, or for a student that did not begin attendance in a payment period or period of enrollment, 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) [Loan Servicing Centers for Schools](#).

Exceptions to Student Liability

There are some exceptions to holding a student liable for a Pell Grant, TEACH Grant, or FSEOG overpayment. Generally, a student is liable for any such overpayment they receive 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.

Overpayments Created By Inadvertent Overborrowing and Repayments

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](#). 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. For additional information on overpayments created by inadvertent overborrowing, repayments of excess loan amounts, and satisfactory repayment arrangements, please see *Volume 8*.

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 G6. The school returns Direct Loan funds to the Department following the same procedures the school follows when making other G6 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 the FSA Partner and School Relations Center 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 and the school needs to submit award or disbursement increases or new disbursements in the future, 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 Grant and TEACH 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 them 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 account and then either return the funds through G6 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 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 G6 following the same procedures the school follows when making other G6 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 G6. 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 their lifetime eligibility for Pell funds, schools should ensure that adjustments are made in a timely manner. See *Volume 7* 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 federal fiscal year five years after the award year in question, for example, September 30, 2024, for the 2018–2019 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 G6 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 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 FAFSA Submission Summary/ISIR output documents will show that they have an overpayment. The financial aid history section of the FAFSA Submission Summary/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, 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 *Title IV* 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 a *Title IV* 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 UEI.

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
240-931-3320

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, 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, they should call the Default Resolution Group at 800-621-3115. The student can send an email by going to <https://myeddebt.ed.gov/borrower/#/sendemail>.

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 FAFSA Submission Summaries or ISIRs for the student will show that they owe 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.

Payment in Full

Anytime a school receives funds (including the application of an FSAcredit 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.pdf](#)