

This section describes the methods for delivering cash to schools: Advance Funded, Heightened Cash Monitoring 1 and 2, and Reimbursement. Here you will find more information regarding those delivery methods as well as controls and processing options pertinent to funding.

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Current Funding Level (CFL)

The CFL is the total (cumulative award year to date) amount of funding authorization given to a school at any point of time. The available balance, or the amount the school can draw/receive, is its CFL minus net drawdowns. A separate CFL is maintained for each program by award year. A school's CFL may be adjusted upwards and/or downwards based on reported disbursements and other activity throughout the year.

Business Rules

1. The CFL can be increased by FSA to reflect the needs of a school.
2. The current CFL for a school, each cash transaction, and the amount of that cash transaction that has been substantiated can be viewed on the COD web site.
3. If a school determines that the CFL is not at an appropriate level, the school can contact their customer service representative and request that FSA increase their CFL.
4. When a school's total accepted actual disbursement records exceed net drawdowns, funds are made available for the school to draw through the G5 System.
5. If drawdowns are not substantiated fully within a prescribed period of time, the school's access to cash may be restricted.
6. Schools are contacted by a Customer Service Representative as soon as it appears that the school is having difficulty substantiating drawdowns in a timely manner.
7. If access to cash is to be restricted, schools will receive electronic warning notices and/or letters from Customer Service and/or FSA.

G5 System

The G5 System was formerly known as the Grant Administration and Payment System (GAPS)

Funding Methods

These are the methods for delivering cash to schools:

- Advance Funded
- Heightened Cash Monitoring 1
- Heightened Cash Monitoring 2
- Reimbursement
- Records First

Advance Funded

Under the Advance Funded delivery method, schools initiate draw down requests through the G5 System. Schools may only draw down cash up to their available balance. The available balance is the difference between the school's CFL and their net drawdown amount for a given award year and program. The U.S. Treasury transmits funds electronically to a school's bank account.

NOTE: Amounts actually drawn down should meet immediate need as defined by regulatory requirements.

Heightened Cash Monitoring 1 (HCM1)

Under Heightened Cash Monitoring 1 schools may draw down cash up to their available balance. COD must have accepted actual disbursement records before funds become available to draw. Schools initiate drawdown requests through the G5 System. The available balance is the difference between the school's CFL and their net drawdown amount for a given award year and program. The U.S. Treasury transmits funds electronically to a school's bank account.

Heightened Cash Monitoring 2 (HCM2)

Under Heightened Cash Monitoring 2, a Payment Analyst must approve the submitted disbursement records, and draw down cash up to the available balance for the school. The available balance is the difference between the school's CFL and their net drawdown amount for a given award year and program. The U.S. Treasury transmits funds electronically to a school's bank account.

Reimbursement

Under Reimbursement, a Payment Analyst must approve the submitted disbursement records and draw down cash up to the available balance for the school. The available balance is the difference between the school's CFL and their net drawdown amount for a given award year and program. The U.S. Treasury transmits funds electronically to a school's bank account.

Records First

The “Records First” funding option is available to Advanced Funded schools participating in the Direct Loan Program. When a school is “Records First,” it does not receive an initial authorization for the Direct Loan Program. Instead, the school receives funding increases based on actual disbursements submitted to and accepted by the COD System. Currently, school funding for other Title IV Programs is processed under “Records First.”

The “Records First” funding option offers several advantages to a school:

- Ensures funds are available only when needed based on actual disbursements (disbursements can be reported up to 7 days in advance for ready access to funds on the actual disbursement date)
- Applies additional controls to prevent access to excess funds, which reduces the risk of drawing funds in the incorrect award year or program
- Simplifies reconciliation by reducing the potential of discrepancies between funds received and disbursements reported
- Aligns Direct Loan funding process with other Title IV programs to allow for a common institutional process/procedure

Converting to the “Records First” processing method means the following:

- The school will not receive initial Direct Loan funding at the beginning of an award year.
- If a school changes from Advanced Funded to Records First funding mid-year, Current Funding Level (CFL) will be reduced to equal Net Drawdowns or Net Accepted and Posted Disbursements (NAPD), whichever is greater.
- The school’s funding will increase as Direct Loan actual disbursement records (DRI = TRUE) are reported to and accepted in COD and these amounts exceed the school’s CFL.
- Any downward disbursement adjustments will not reduce the school’s funding level (this is a key difference from the Pell Grant program). FSA removes any buildup of available funds periodically during the award years; however, schools are responsible for calculating immediate need based on actual disbursements and adjustments, and to only draw funds to meet that need. Any excess funds must be returned as required by the cash management regulations.

Note: “Records First” status is award-year specific. This means a school can be “Advanced Funded” for one award year, but “Records First” for a different award year.

Direct Loan Records First Processing can begin automatically if initial authorization is exhausted (no need to request), or a school may request at any time by contacting a COD Reconciliation Coordinator at 1-800-848-0978 or codsupport@ed.gov, and the request will be forwarded to FSA for review and approval.

Funding Controls

Schools' ability to receive cash to fund their Pell Grants, TEACH Grants, Iraq and Afghanistan Service Grant, and Direct Loans is contingent upon submitting actual disbursement records. The business rules associated with the Advance Funded and the three (3) review statuses (HCM1, HCM2, and Reimbursement) are listed below:

Advance Funded

Under Advance Funded, schools can submit actual disbursement records in Advance of, on, or after the disbursement date.

Business Rules

1. Schools can initiate drawdowns through the G5 System, based on their immediate need and cash management regulations, up to their available CFL.
2. At the beginning of each award year, a school's initial CFL amount is calculated for Direct Loans on the basis of the school's prior year disbursement history.
3. Advance Funded schools will not receive an initial CFL for the Pell Grants, TEACH Grants, Iraq and Afghanistan Service Grant, and Direct Loans prior to having records accepted by COD. A school's CFL will increase based on accepted and posted actual disbursements.
4. Each drawdown a school receives must be substantiated with actual disbursements submitted and accepted by the COD System.
5. Actual disbursement records can be submitted within the following parameters:
 - a. For Pell, TEACH Grant, Iraq and Afghanistan Service Grant, and Direct Loan programs, up to seven (7) calendar days prior to the disbursement date.
6. Actual disbursements are applied to substantiate drawdowns on a first-in/first-out basis.
7. The CFL may change throughout the year as the school transmits actual disbursement information on a "timely basis" and the COD System accepts the disbursements. A school's CFL can be decreased according to the program-specific requirements and/or activity.
8. For Direct Loans, all schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

Heightened Cash Monitoring 1 (HCM1)

A school can be placed on Heightened Cash Monitoring 1 (HCM1) review status by FSA. Under the HCM1 review status, schools may draw down cash through the G5 System based on actual disbursements submitted to and accepted by the COD System.

Business Rules

1. HCM1 schools will not receive an initial CFL for the Pell Grants, TEACH Grants, Iraq and Afghanistan Service Grant, and Direct Loans prior to having records accepted by COD. The school is given a first CFL increase when their first disbursement is accepted and posted by COD.
 - a. The school's CFL will equal its net accepted actual disbursements.
2. Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
3. Schools placed on HCM1 are required to submit documentation of disbursements as directed by FSA.

Heightened Cash Monitoring 2 (HCM2)

A school may be placed on Heightened Cash Monitoring 2 (HCM2) by FSA. Under the HCM2 funding control, the FSA School Participation Division initiates a drawdown through the G5 System on behalf of a school and direct cash payments are deposited in the school's bank account based on actual disbursements submitted to and accepted by the COD System and released by the FSA School Participation Team.

Business Rules

1. Pell Grant, TEACH Grant, Iraq and Afghanistan Service Grant, and Direct Loan schools on Heightened Cash Monitoring 2 (HCM2) drawdown their own funds through G5. However, the FSA School Participation Division initiates the drawdown through the G5 System upon review of required documentation.
2. Actual disbursements must be submitted on or after the disbursement date.
3. Schools on HCM2 will not receive an initial CFL for the Pell Grants, TEACH Grants, Iraq and Afghanistan Service Grant, and Direct Loans prior to having records accepted by COD.
4. CFL increases are based on accepted and posted actual disbursements.
5. Schools placed on HCM2 are required to submit documentation of disbursements as directed by FSA.
6. The prior disbursement transaction must be processed by the Payment Analysts before HCM2 schools can submit a change to the record.

Reimbursement

Under the Reimbursement review status, the FSA School Participation Division initiates a drawdown through the G5 System on behalf of a school and direct cash payments are deposited in the school's bank account based on actual disbursements submitted to and accepted by the COD System and released by the FSA School Participation Division.

Business Rules

1. The FSA School Participation Division initiates the drawdown through the G5 System upon submission of the required documentation by the school on Reimbursement.
2. Actual disbursements must be submitted on or after the disbursement date.
3. Schools on Reimbursement will not receive an initial CFL for the Pell Grants, TEACH Grants, Iraq and Afghanistan Service Grant, and Direct Loans prior to having records accepted by COD.
4. Schools placed on Reimbursement are required to submit documentation of disbursements as directed by FSA.
5. The prior disbursement transaction must be processed by the Payment Analysts before Reimbursement schools can submit a change to the record.

Funding Methods and Processing Option Relationships

Relationship between Direct Loan Processing Options and Funding Methods

	Receives an Initial CFL > 0 before submission of any actual disbursements	Initiates drawdown through G5	Actual disbursements can be accepted up to 7 days before the disbursement date
Advance Funded	✔	School	✔
HCM1 Review Status		School	✔
HCM2 Review Status		Payment Analyst	
Reimbursement Review Status		Payment Analyst	

Relationship between TEACH Grant and Pell Grant Processing Options and Funding Methods

	Receives an Initial CFL > 0 before submission of any actual disbursements School initiates drawdown through G5	Initiates drawdown through G5	Actual disbursements can be accepted up to 7 days before the disbursement date
Advance Funded		School	✔
HCM1 Review Status		School	✔
HCM2 Review Status		Payment Analyst	
Reimbursement Review Status		Payment Analyst	