

# SESSION #2

## Administering Disbursements

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U.S. Department of Education

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# AGENDA

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- 01 Disbursement Overview
- 02 Early Disbursements
- 03 Late Disbursements
- 04 Post-Withdrawal Disbursements
- 05 Retroactive Disbursements
- 06 Credit Balances
- 07 Disbursing by Payment Period
- 08 Disbursements when Regaining Eligibility
- 09 Returning Funds

# DISBURSEMENT OVERVIEW

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# DISBURSEMENT DATE

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- Defined as the date a school credits a student's account at the school or pays a student or parent directly with:
  - Funds received from the Department
  - School funds used in advance of receiving funds from the Department within regulatory time frames
- Disbursement date reported to Common Origination Disbursement system (COD) **must** be the actual date of disbursement to the student's account

# NOTIFICATION OF DISBURSEMENT

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- School must notify the student of the amount of funds expected to be received from each *Title IV* program:
  - Must be provided prior to disbursement
  - Must include how and when disbursement will occur
- If an award contains Direct Loans or Teacher Education Assistance for College and Higher Education (TEACH) Grant, the notification must include:
  - Anticipated date and amount of disbursement
  - Student's/parent's right to cancel all or portion of loan or TEACH Grant
  - Procedure to cancel all or portion of the loan or TEACH Grant

# AUTHORIZATIONS

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- The school must obtain authorization from the student before performing any of these activities:
  - Use *Title IV* funds to pay for allowable educationally related charges **other than** tuition, fees, and room and board (if the student contracts with the school)
  - Disburse Federal Work-Study (FWS) wages by Electronic Fund Transfer (EFT) to a bank account designated by the student or parent
  - Credit FWS wages to a student's account to pay any educationally related charges
  - Hold a *Title IV* credit balance

# DETERMINING ELIGIBILITY BEFORE DISBURSEMENT

- Before disbursing *Title IV* funds, you must determine and document that the student remains eligible to receive the type and amount of *Title IV* funds that you expect to disburse
  - Institutional Student Information Record (ISIR) Determined Eligibility (Citizenship, Drug Related, etc.)
  - School Determined Eligibility (Regular student, SAP, etc.)
- Both you and your Third-Party Servicer (if applicable) must have a process in place to make this determination

# FUNDING BASICS

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## COD

Schools report disbursement amounts for each *Title IV* program to the COD System, which records the date, amount, and to whom it was disbursed. Amounts disbursed in the COD system increase the institution's authorization to draw down funds in the G5 system.

## G5

G5 is the Department of Education's grants management system for a variety of federal grant programs. Institutions request drawdowns of cash through the G5 system for each *Title IV* program.



# ADVANCE PAYMENT METHOD

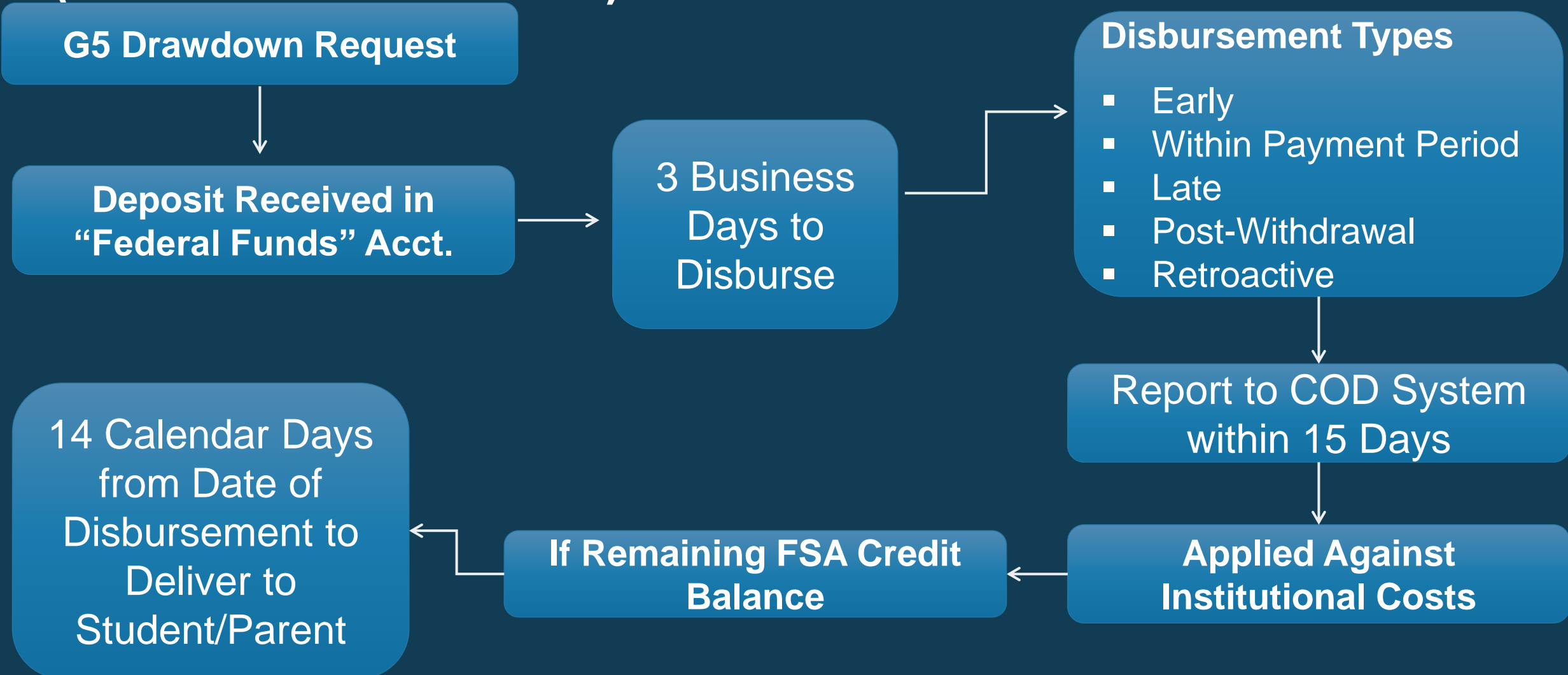
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The **Advance** payment method permits institutions to draw down *Title IV* funds prior to disbursing funds to eligible students and parents.

## Process

- School reports anticipated disbursements to COD
- School draws down funds from G5 system
- School disburses *Title IV* aid within three days of drawdown and pays credit balances to students within 14 days of balance occurring

# DISBURSEMENT PROCESS OVERVIEW (ADVANCE METHOD)



# HEIGHTENED CASH MONITORING 1 (HCM1)

Under **HCM1**, an institution must first make disbursements and pay credit balances to students. Only then may the institution drawdown *Title IV* funds from G5.

## Process

- School disburses *Title IV* aid to student account and pays credit balance to student within 14 days of balance occurring
- School reports disbursements to COD
- School draws down funds from G5

# HEIGHTENED CASH MONITORING 2 (HCM2) AND REIMBURSEMENT

Under **HCM2** or **Reimbursement**, the institution first disburses funds to students and pays credit balances using institutional funds, then submits a request for reimbursement of those funds to the Department.

In its request, the institution must submit all requested documentation to the Department showing that each student included in its request for funds was eligible for, and received, those funds. The Department approves or declines the request based on those materials.

# DISBURSEMENT AND FUNDING PROCESS

## Federal Pell Grant Funds

School Financial Aid System Reports  
Pell “Actual” Disbursements  
No Earlier than 7 Days Prior  
Or  
No Later than 15 days After



COD Reports  
Accepted Record  
to G5



G5 Generates Pell Grant funds  
in the Amount of Actual  
Disbursements

## Direct Loan Funds

School Financial Aid System Reports  
DL “Actual” Disbursements  
No Earlier than 7 Days Prior  
Or  
No Later than 15 Days After



COD Accepted Record  
Substantiates  
G5 Drawdown

# RESTRICTIONS ON DIRECT LOAN DISBURSEMENTS

- **30 Day Delay**- a first-time, first-year borrower cannot receive a Direct Loan disbursement until 30 days after the payment period start date
- **Single Term Loan**- when a Direct Loan is made for one payment period, the loan must be disbursed in two substantially equal installments, and the second installment may not be disbursed until the student has completed half of the payment period
  - Exception: cohort default rate is less than 15 percent for the three most recent fiscal years

# TYPES OF DISBURSEMENTS

## Normal Disbursements:

- Disbursements for a payment period made during that payment period while the student is eligible

## Early Disbursements:

- Disbursements for a payment period made to an eligible student before that student is scheduled to begin attendance in that payment period

## Late Disbursements:

- Disbursements for a payment period made after the student ceases to be eligible (e.g. withdrawal)

## Retroactive Disbursements:

- Disbursements for a payment period made after the payment period ends, but before the student ceases to be eligible

# EARLY DISBURSEMENTS

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# EARLY DISBURSEMENTS

The earliest an institution may disburse funds is:

For credit-hour programs in terms that are substantially equal -

- 10 days before the first day of class of a payment period
- Module environment: 10 days before the student's class start

For programs that are non-term or credit-hour non-standard terms which are not substantially equal, the later of -

- 10 days before the first day of class of a payment period; or
- The date the student completed the previous payment period for which *Title IV* funds were received

# EARLY DISBURSEMENTS AND FAILURE TO BEGIN ATTENDANCE

If student does not begin attendance in ANY classes:

- All Pell Grant, Federal Supplemental Opportunity Grant (FSEOG), Iraq-Afghanistan Service Grant (IASG), and TEACH Grant funds must be returned
- Direct Loan funds credited to the student's account must be returned
- For Direct Loan funds disbursed directly to the student:
  - The institution may choose to return the funds itself; or
  - The Direct Loan servicer must be notified so that a 30-day demand letter can be sent to the student

# STUDENT FAILS TO BEGIN ATTENDANCE

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- If the school disburses Pell, IASG, and/or TEACH and the student **begins some but not all classes**:
  - School must recalculate the awards based on the classes the student attended
  - Student is responsible to return the ineligible portion of funds disbursed. The ineligible portion of funds is considered a student overpayment
  - The school can correct it by adjusting future disbursements, or, if that is not possible, require the student to return the overpayment

# BEGINS ATTENDANCE LESS THAN HALF-TIME

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An institution that disburses Direct Loan funds up to 10 days prior to enrollment start date must ensure student is scheduled to attend at least half-time prior to disbursement.

- If student begins attendance as less-than-half-time (starts a class), the disbursement is eligible
  - Subsequent disbursements within term cannot be made unless student reestablishes half-time status
  - Repaid in accordance with terms/conditions of the Master Promissory Note (MPN) UNLESS required to return loan funds under Return of *Title IV* (R2T4) if student withdraws

# LATE DISBURSEMENTS

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# WHAT IS A LATE DISBURSEMENT?

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- Generally, an otherwise eligible student becomes ineligible to receive federal student aid funds on the date the student:
  - for Direct Loans, is no longer enrolled at least half-time for the period for which the loan was intended
  - for *Title IV* Grants, is no longer enrolled at the school for the award year

*However, if conditions are met, these students must be considered for a disbursement after the date they became ineligible. These are called “late disbursements.”*

# LATE DISBURSEMENTS

Used for educational expenses incurred while student was enrolled and eligible

Can be made no later than 180 days after the student became ineligible

If student is eligible and completed the period, the school must provide the student or parent the choice to receive the late disbursement

If student did not complete the period, disbursement is treated as a “post-withdrawal disbursement” in accordance with 34 CFR 668.22

# CONDITIONS FOR LATE DISBURSEMENTS

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- **All Late Disbursements:** ED processed a SAR/ISIR with an official Expected Family Contribution (EFC) before the student became ineligible
- **Direct Loans/TEACH:** Must have also originated the record within school's financial aid system before the student became ineligible
- **FSEOG:** Must have also made the award before the student became ineligible



# MAY (NOT MUST) DISBURSE ON DIRECT LOANS

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- If a student did not withdraw, but ceased to be enrolled at least half-time prior to disbursement, a school MAY make a late disbursement of Direct Loan funds
  - Provided the school previously confirmed the student was enrolled at least half-time at the start of the term
- If a school chooses to make a late disbursement to a student who ceases to be enrolled as at least half-time
  - Late disbursement cannot exceed the educational costs incurred for the period of instruction during which the student was enrolled at least half-time

# LATE DISBURSEMENT LIMITATIONS

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- A school is prohibited from making:
  - A late second or subsequent disbursement of Direct Loan funds unless he/she graduated or completed the loan period
  - A late disbursement of Direct Loan funds to a first-year, first-time borrower who withdraws before the 30<sup>th</sup> day of the program, unless school's default rate waiver requirement is met
  - A late disbursement of *Title IV* funds to a student for whom the school did not have a valid SAR/ISIR by the deadline established by the Department
  - School cannot make a late disbursement later than 180 days after the date the student becomes ineligible

# POST-WITHDRAWAL DISBURSEMENTS

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# POST-WITHDRAWAL DISBURSEMENT (PWD)

PWDs are a type of late disbursement with eligible amounts determined by R2T4 rules

- When the *Title IV* aid earned is greater than the *Title IV* aid disbursed, the school must offer a disbursement of the remaining earned aid that can be disbursed

**STEP 4: Title IV Aid to be Disbursed or Returned**

- ▶ If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).
- ▶ If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- ▶ If the amounts in Box I and Box E are equal, **STOP**. No further action is necessary.

**J. Post-withdrawal disbursement**  
 From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

3000	—	2000	=	<b>J. \$</b>	1000 .
Box I		Box E			

**Stop here**, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

*Step 4 continued ▶*

# PWD OF GRANT FUNDS

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- School must provide written notification within 30 days of date of determination of withdrawal
- No student confirmation required
- Disbursed directly to student - as soon as possible, but no later than 45 calendar days after date of determination
- Disbursed as credit to account – within 180 days after date of determination

# PWD OF LOAN FUNDS

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- School must provide written notification within 30 days of date of determination of withdrawal
- Must receive confirmation from the student or parent borrower prior to disbursement
- If confirmation received after the deadline, the school may or may not disburse
  - If not disbursed, school must notify the borrower in writing of the outcome
- Must be made as soon as possible, but no later than 180 days after date of determination

# RETROACTIVE DISBURSEMENTS

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# RETROACTIVE DISBURSEMENTS

Sometimes a school cannot make a disbursement to an enrolled student during a payment period. This could happen for a variety of reasons:

Student's ISIR was not available until a subsequent payment period

ISIR reject resolution required

Administrative delay by the institution

Verification not yet completed

Conflicting information resolution

If a school was unable to make a disbursement to an enrolled student for a completed payment period in the current award year (for *Title IV* grants) or loan period (for Direct Loans), the school may pay the student for the completed period. This is called a retroactive disbursement.



# COMPLETED COURSEWORK

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- A school making a retroactive/late disbursement of Pell Grant funds must base the calculation on the enrollment status according to work already completed
  - This includes earned failing grades
  - Does not include dropped courses
- A school making a retroactive/late disbursement of Direct Loan funds must base the calculation of the enrollment status according to work already completed
  - In addition to the above requirements for Pell, completed coursework must be at least half-time to disburse

# TITLE IV CREDIT BALANCE

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# CREDITING A STUDENT'S ACCOUNT

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- An institution may credit a student's ledger account with *Title IV* funds to pay for **allowable charges** associated with the current payment period
- Allowable charges include:
  - Tuition, fees, and institutionally-provided room and board
  - Books, supplies, and other educationally-related goods and services provided by the institution for which the institution has obtained authorization from the student or parent (if for a Parent PLUS loan)

# PRIOR-YEAR CHARGES

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- Allowable charges also include “prior-year charges”
- A school can only credit up to \$200 in prior-year charges
- For purposes of determining what a “prior-year charge” is, the current year is:
  - For a student or parent who receives only a Direct Loan, the current loan period;
  - For a student who does not receive a Direct Loan, but receives funds under another *Title IV* program, the current award year; or
  - For a student who receives both types of aid, either the current loan period or the current award year (at the school’s discretion)

# TITLE IV CREDIT BALANCE DEFINITION

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A *Title IV* credit balance occurs whenever the amount of *Title IV* funds credited to a student's account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period.

# TITLE IV CREDIT BALANCE 34 CFR 668.164(e)

*Title IV* funds credited exceed total allowable charges assessed by the institution

**Institutional Charges = \$ 4,000**

**Credits to account = \$ 6,172**

Pell \$1,900

Direct Loans \$3,272

*Scholarship* \$1,000

**FSA Credit Balance = \$ 1,172**

# TITLE IV CREDIT BALANCE: DEFINITION (CONT.)

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If no authorization to hold funds, school must pay credit balance to student or parent no later than:

- 14 calendar days after balance occurs if it occurs after first day of classes of payment period; or
- 14 calendar days after first day of classes if it occurs on or before the first day of classes of payment period

*Note: Schools are not required to pay credit balances below \$1.00*

# HOLDING *TITLE IV* CREDIT BALANCES

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- Student or parent may voluntarily authorize school to hold credit balance
- School must
  - Identify amount of funds held for each student and/or parent in a subsidiary ledger account
  - Maintain cash equal to credit balances held
- School may retain interest earned on funds



# PAYING CREDIT BALANCE: CHECK OR EFT

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- Considered paid on date:
  - School mails check or initiates an EFT
  - Notifies student within 14-day time frame that funds are available for immediate pick-up and provides specific location
    - Can hold for 21 days from notification
    - If student does not pick up within 21 days from notification, school must immediately mail a check or complete an EFT, or return to ED

# HOLDING *TITLE IV* CREDIT BALANCES

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- School must release any remaining *Title IV* credit balance
  - Loan funds by end of the loan period and
  - Other *Title IV* funds by end of last payment period in award year for which they were awarded

***Note: Schools may not go extend these deadlines even with student or parent authorization!***

# DISBURSEMENT BY PAYMENT PERIOD

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# DISBURSEMENT BY PAYMENT PERIOD

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- Except for FWS, *Title IV* disbursements are made on a payment period basis.
- Schools may make prior year, late, or retroactive disbursements during a payment period as long as the student was enrolled and eligible during the prior payment period for which the disbursement was intended.

# PRORATION BY PAYMENT PERIOD

If a school assesses institutional charges for longer than a payment period, it must prorate the amount of allowable charges for which the institution is permitted to credit the student's account. The school must do this in one of two ways:

If the payment periods for which the charge is assessed are substantially equal, by:

- Dividing the total institutional charges by the number of payment periods for which the charges are assessed

If the payment periods for which the charge is assessed are not substantially equal, by:

- Dividing the number of credit or clock hours in the current payment period by the total number of credit or clock hours in the period for which the charge is assessed, and multiplying that result by the amount of the charge

# PRORATION BY PAYMENT PERIOD (CONT.)

**Example:** A school charges \$4,000 in Fall for the whole academic year, and that charge is divided in half between the two terms (because the two terms are substantially equal in length). The student then receives a \$2,500 Pell Grant disbursement for the Fall term. The school is required to provide the student with a \$500 credit balance in Fall. This is because there are only \$2,000 in prorated allowable charges for the Fall term, and the *Title IV* disbursement exceeds that amount by \$500.

**Tuition and fee charge: \$4,000 for the Fall and Winter terms**

**Fall term: Prorated charge = \$2,000**

**Pell Grant = \$2,500.**

**Credit balance = \$500**

**Winter term: Prorated charge = \$2,000**

# PRORATION BY PAYMENT PERIOD – BOOKS AND SUPPLIES

- If books and supplies are considered “institutional charges,” they must be considered part of tuition and fees, and charges must also be prorated if intended for longer than a payment period
- Books and supplies are institutional charges if a student does not have a real and reasonable opportunity to purchase the materials elsewhere
- No real and reasonable opportunity if:
  - Materials are not available from a relatively convenient unaffiliated source; and/or
  - Materials are included in enrollment agreement

# BOOKS AND SUPPLIES

## Inclusion in Tuition and Fees Allowed if:

<p>School has arrangement with book publisher or other entity</p>	<p>Books and supplies available to students for prices below competitive market rates</p>	<p>Provides a way for students to obtain the books and supplies by the seventh day of the payment period, <b>and</b></p>	<p>Has a policy permitting students to opt out</p>
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## ... also allowed if:

<p>The books and supplies are not available elsewhere or accessible by students from sources other than those provided or authorized by the school, <b>or</b></p>	<p>The school documents a compelling health or safety reason</p>
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# DISBURSEMENTS WHEN REGAINING ELIGIBILITY



# REGAINING ELIGIBILITY

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Generally, when a student regains eligibility, a school can award Federal Pell Grant, TEACH Grant, and Campus-Based (CB) aid for the current payment period and Direct Loans for the period of enrollment

# REGAINING ELIGIBILITY

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## Default or Overpayment

- Federal Pell Grant, TEACH Grant, and Campus-Based Aid: Eligible beginning with the payment period during which the default or overpayment was resolved
- Direct Loans: Eligible for the entire period of enrollment (usually an academic year) during which the default or overpayment was resolved

# REGAINING ELIGIBILITY

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## Drug Conviction

- Federal Pell Grant, TEACH Grant, and Campus-Based aid: Eligible beginning with the payment period during which the ineligibility expired or was resolved
- Direct Loans: Eligible for the entire period of enrollment (usually an academic year) during which the ineligibility expired or was resolved

# REGAINING ELIGIBILITY

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## Satisfactory Academic Progress

- Federal Pell Grant, TEACH Grant, and Campus-Based aid: Eligible beginning with the payment period during which the student met status requirements
- Direct Loans: Eligible beginning with the payment period during which the student met status requirement

# REGAINING ELIGIBILITY

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## Citizenship Status, Selective Service, and Valid Social Security Number

- Federal Pell Grant, TEACH Grant, and Campus-Based aid : Eligible for the entire award year in which the proper conditions are met
- Direct Loans: Eligible for the entire period of enrollment (usually an academic year) in which the proper conditions are met

# RETURNING *TITLE IV* FUNDS

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# RETURNING *TITLE IV* FUNDS

A school must return to the Secretary any *Title IV* funds, except FWS program funds, that it attempts but is unable to disburse directly to a student or parent.

If an EFT is rejected, or a check to a student or parent is returned, the institution may make additional attempts to disburse the funds, provided that those attempts are made no later than 45 days after the EFT was rejected or the check returned.



If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.



# RETURNING FUNDS

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- When funds are considered to have been returned:
  - Deposited or transferred into a “federal funds” account; or
  - Initiated an EFT to the Department
- Downward adjustment of disbursement records
  - Return of Pell Grant or Direct Loan funds must be offset by downward adjustments in the student’s COD records

# RETURNING FUNDS

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## Returning Direct Loan Funds

- If a school receives a borrower's request to return funds
  - Must be returned through G5 if it is within 120 days of disbursement
  - Must direct student to the loan servicer if it is more than 120 days since disbursement
- If a school has to return funds due to a regulatory or statutory requirement:
  - Must be returned through G5
  - Even if more than 120 days

# OVERPAYMENTS

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An overpayment occurs when a student receives *Title IV* funds in excess of eligibility

- If due to school error, the school must repay entire amount
- If due to student error, the student must repay amounts of \$25 or more

# OVERPAYMENT — SCHOOL ERROR

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- Unresolved overawards
- Interim disbursements or failure to complete verification
- Miscalculated Cost of Attendance (COA)
- Payment in excess of Federal Direct Loan limits
- Application errors or misreporting
- Required recalculations not performed
- R2T4 calculations

# CORRECTING FEDERAL PELL GRANT OVERPAYMENTS

- Reduce subsequent disbursements during award year
- School repays amount for which it is responsible, and/or may repay for the student
- Student repays amount for which he or she is responsible, or makes satisfactory arrangements to repay

# CORRECTING DIRECT LOAN OVERPAYMENTS

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- If loan is not fully disbursed, adjust next disbursement and update COD
- If loan is fully disbursed when overpayment is discovered, no action required
  - Student will repay according to terms of the master promissory note

# OVERPAYMENT—STUDENT ERROR

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- School must notify the student in writing of the repayment request
  - Inform student that failure to repay or make satisfactory arrangements to repay will result in loss of eligibility for *Title IV* aid
  - School must consider claims by student that school made error

# RETURNING EXCESS INTEREST

## May 19, 2017 Cash Management Electronic Announcement

1. Excess *Title IV* interest (exceeding \$500) returned to HHS's Payment Management System in accordance with HHS guidance at <https://pms.psc.gov/grant-recipients/returning-funds-interest.html>
2. Explanation stating that the refund is for excess interest
3. "U.S. Department of Education-Federal Student Aid" as the name of the awarding agency
4. The institution's PMS Payee Account Number(s) (PANs)
5. The grant number(s) for which the interest was earned



# RESOURCES

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# RESOURCES

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## Federal Student Aid Handbook

Volume 4, Chapter 1	Requesting FSA Funds
Volume 4, Chapter 2	Disbursing FSA Funds
Volume 5, Chapter 2	Post-Withdrawal Disbursements

## Federal Regulations – 34 CFR

668.165(a)	Notifications
668.165(b)	Authorizations
668.164(j)	Early Disbursements
668.164(m)	30-Day Delay for Direct Loan Borrowers

# RESOURCES (CONT.)

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## Federal Regulations – 34 CFR

668.164(j)	Late Disbursements
668.164(k)	Retroactive Disbursements (General)
690.76(b)	Retroactive Disbursements (Pell)
685.303(d)(4)	Retroactive Disbursements (Direct Loan)
690.79	Overpayments

# ASK-A-FED ONLINE

Federal Student Aid (FSA) has implemented a new resource to assist Financial Aid Administrators obtain guidance about the federal student aid programs. Based on the popularity and effectiveness of the Ask-A-Fed desk at the annual FSA Training Conference, we have instituted a similar process using email. Please send your inquiries about *Title IV* regulations to: [AskAFed@ed.gov](mailto:AskAFed@ed.gov).

The Ask-A-Fed email box is staffed every business day by a team of FSA Training Officers ready to assist schools with their questions.