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# Funding Methods

VOLUME VI  
SECTION 

*This section describes the two methods for delivering cash to schools, Advanced Funded and Pushed Cash. 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 Current Funding Level is one of the mechanisms to assist and ensure schools are reporting disbursement records on a timely basis. The CFL is the total (cumulative award year to date) amount of funding authorization given to a school at any point of time, and is a subset of the school ceiling amount (SCA). 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. Depending on the school's funding method, when a school's total accepted actual disbursement records exceed net drawdowns, funds are either:
  - a. Transmitted (pushed) automatically to the school's bank account
  - OR
  - b. Made available for the school to draw down 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 (G5)

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## Funding Methods

There are two methods for delivering cash to schools:

- Advanced Funded
- Pushed Cash/Just-In-Time

### *Advanced Funded*

Under the Advanced 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.

### *Pushed Cash*

Under the Pushed Cash/Just-In-Time funding delivery method, a school has cash deposited in its bank account based on actual disbursements that are submitted and accepted by the COD System. For Direct Loans, an origination record and accepted MPN is required before an actual disbursement is accepted and cash pushed to the school.

All schools who participate in the ACG and National SMART Grant Programs will be placed in the Advanced Funded funding method status. The COD System will assign a stop pay monitoring status of HCM1, HCM2, and Reimbursement to any school participating in the ACG and National SMART Grant Programs who have a stop pay monitoring status for the Pell Program.

Beginning with the 2009 – 2010 Award Year, the Pushed Cash funding option for Pell eligible schools will be discontinued.

The business rule regarding Advanced Funded schools not receiving an initial CFL for ACG and National SMART Grant programs was effective beginning with the 2007-2008 Award Year.

## Funding Controls

Schools' ability to receive cash to fund their Pell Grants, ACG Grants, National SMART Grants, TEACH Grants, and Direct Loans is contingent upon submitting actual disbursement records fully and timely to substantiate, or account for, the cash already received. The business rules associated with the two (2) funding methods (Advanced Funded and Pushed Cash/Just-In-Time) and the three (3) review statuses (HCM1, HCM2, and Reimbursement) are listed below:

### Advanced Funded

Under Advanced 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 up to their amount of available CFL.
2. At the beginning of each award year, a school's initial CFL amount is calculated for Pell Grants and Direct Loans on the basis of the school's prior year disbursement history.
3. Advance Funded schools will not receive an initial CFL for ACG, National SMART Grant and TEACH Grant Programs prior to having records accepted by COD. The school is given an initial CFL when their first disbursement record is accepted and posted by COD.
4. Each drawdown a school receives must be substantiated with actual disbursements submitted and accepted by the COD System.
  - a. Upon acceptance of an actual disbursement, the COD System calculates whether or not the CFL needs to be increased.
5. Actual disbursement records can be submitted within the following parameters:
  - a. For the Pell Grant Program, up to 30 calendar days prior to the disbursement date.
  - b. For the ACG, National SMART Grant, and TEACH Grant Programs, up to seven (7) calendar days prior to the disbursement date.
  - c. For the Direct Loan Program, 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 Loan, a school approved for the Advanced Funding method may request to be switched to the Pushed Cash funding method.
9. For Direct Loan, Reimbursement schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

### **Pushed Cash/Just-In-Time**

Direct Loan schools that are Pushed Cash have the following business rules.

#### **Business Rules**

1. Schools have cash deposited in their bank account based on actual disbursements that are submitted to and accepted by the COD System.
2. Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
3. Schools do not get a CFL until the COD System accepts and posts actual disbursements records.
4. Cash can be deposited in the school's bank account by the disbursement date of an accepted and posted actual disbursement.
5. The school must return cash when a downward adjustment to a disbursement amount is made or the school's cash exceeds the amount of net accepted and posted disbursements in order to have a zero ending cash balance.

### **Cash Monitoring 1 (HCM1)**

A school can be placed on Cash Monitoring 1 (HCM1) review status by FSA. Under the HCM1 review status, schools may draw down cash through the G5 System or have direct cash payment deposited in its bank account based on actual disbursements submitted to and accepted by the COD System.

#### **Business Rules**

1. For Pell Grant, ACG, National SMART Grant, and TEACH Grant the Cash Monitoring1 (HCM1) funding control uses the Advanced Funded delivery method.
  - a. Upon acceptance of actual disbursements, schools can initiate drawdowns through the G5 System up to the amount of their available CFL.
2. For Direct Loan, schools placed on Cash Monitoring1 (HCM1) will continue to use the same funding method (Advanced Funded or Pushed Cash) they had prior to being placed on HMC1.
3. For Pell Grant, the school does not have a CFL until the COD System accepts and posts actual disbursements.

The business rule regarding HCM1 schools not receiving an initial CFL for ACG and National SMART Grant programs was effective beginning with the 2007-2008 Award Year.

- a. The school's CFL will equal its net accepted actual disbursements.
4. HCM1 schools will not receive an initial CFL for the ACG, National SMART Grant, and TEACH Grant Programs prior to having records accepted by COD. The school is given an initial CFL when their first disbursement is accepted and posted by COD.
5. For Direct Loan, a school on HCM1 that is Advanced Funded will receive an initial CFL based on their prior year's disbursement history.
6. Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
7. Schools placed on HCM1 are required to submit documentation of disbursements as directed by FSA.
8. For Direct Loan, HCM1 schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

### **Cash Monitoring 2 (HCM2)**

A school is placed on Cash Monitoring 2 (HCM2) by FSA. Under the HCM2 funding control, the FSA School Participation Team (SPT) initiates a drawdown through the G5 System on behalf of a school or 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. For ACG, National SMART Grant, and TEACH Grant, Cash Monitoring 2 (HCM2) uses the Advanced Funding delivery method.
  - a. The FSA School Participation Team initiates the drawdown through the G5 System upon review of required documentation.
2. For Direct Loan, Cash Monitoring 2 (HCM2) uses the Pushed Cash funding method.
  - a. Cash is deposited in the school's bank account based on accepted actual disbursements released by the FSA School Participation Team (Action Queue).
3. Actual disbursements can be submitted on or after the disbursement date.
4. Direct Loan and Pell Grant schools receive the first CFL when the first disbursement record for that award year is accepted and posted by COD.
5. ACG, National SMART Grant, and TEACH Grant schools do not receive an initial CFL prior to having records accepted by COD. The school is given an initial CFL when their first disbursement record is accepted and posted by COD.

6. Schools placed on HCM2 are required to submit documentation of disbursements as directed by FSA.
7. For Direct Loan, HCM2 schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

## Reimbursement

Under the Reimbursement review status, the FSA School Participation Team initiates a drawdown through the G5 System on behalf of a school or 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. For Pell Grant, schools on Reimbursement use the Advanced Funded delivery method.
  - a. The FSA School Participation Team initiates the drawdown through the G5 System upon review of required documentation.
2. For ACG, National SMART Grant, and TEACH Grant, schools on Reimbursement use the Advanced Funded delivery method.
  - a. The FSA School Participation Team initiates the drawdown through the G5 System upon review of required documentation.
3. For Direct Loan, schools on Reimbursement use the Pushed Cash funding delivery method.
  - a. Cash is deposited in the school's bank account based on accepted actual disbursements released by the FSA School Participation Team (Action Queue).
4. Actual disbursements can be submitted on or after the disbursement date.
5. Pell Grant, Direct Loan, ACG, National SMART Grant, and TEACH Grant schools on a Reimbursement review status do not receive an initial CFL prior to having records accepted by COD. The school is given an initial CFL when their first disbursement record is accepted and posted by COD.
6. Schools placed on Reimbursement are required to submit documentation of disbursements as directed by FSA.
7. For Direct Loan, Reimbursement schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

## 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
<b>Advanced Funded</b>	✔	School	✔
<b>Advanced Funded with HCM1 Review Status</b>	✔	School	✔
<b>Pushed Cash</b>		COD	✔
<b>Pushed Cash with HCM1 Review Status</b>		COD	✔
<b>Pushed Cash with HCM2 Review Status</b>		COD (based on records released from Action Queue by SPT)	
<b>Pushed Cash with Reimbursement Review Status</b>		COD (based on records released from Action Queue by SPT)	

### *Relationship between ACG, National SMART Grant, and TEACH Grant Processing Options and Funding Methods*

	Receives an Initial CFL > 0 before submission of any actual disbursements School initiates drawdown through G5	Will not receive an Initial CFL before submission of any actual disbursements
<b>Advanced Funded</b>		✔
<b>Advanced Funded with HCM1 Review Status</b>		✔
<b>Advanced Funded with HCM2 Review Status</b>		✔ *
<b>Advanced Funded with Reimbursement Review Status</b>		✔ *

\* The School Participation Team initiates drawdown through G5 upon review of required documentation



**Relationship between Pell Processing Options and Funding Methods**

	Pell Standard (Account type = Obligate only) Submits actual disbursements up to 30 calendar days in advance	Pell Just-In-Time (Account type = Obligate/Pay) Submits actual disbursements up to 7 calendar days in advance
<b>Advanced Funding</b> May receive an Initial CFL > 0 before submission of any actual disbursements School initiates drawdown through G5	✓	
<b>Cash Monitoring 1 (HCM1)</b> Receives no CFL prior to submission of actual disbursements School initiates drawdown through G5		✓
<b>Cash Monitoring 2 (HCM2)</b> Receives no CFL prior to submission of actual disbursements The School Participation Team initiates drawdown through G5 upon review of required documentation	✓	✓
<b>Reimbursement</b> Receives no CFL prior to submission of actual disbursements The School Participation Team initiates drawdown through G5 upon review of required documentation	✓	✓