

*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)

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## 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*

Beginning in July 2016, school users can report to FSA that they are processing 'Records First.' A school user can navigate to the School

Options page on the COD web site and indicate that they will submit records prior to requesting drawdowns in G5.

**Note:** this option does not have any processing impacts. Schools will still have the ability to draw down the funds prior to submitting the disbursement records to COD.

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## Funding Controls

Schools' ability to receive cash to fund their Pell Grants, TEACH Grants, 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 Grant and TEACH Grant Programs 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, 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 Grant, Direct Loan and TEACH Grant Programs 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, 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 Grant, Direct Loan and TEACH Grant Programs 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. Beginning in Spring 2014, 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 Reimbursement school.
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 Grant, Direct Loan and TEACH Grant Programs prior to having records accepted by COD.
4. Schools placed on Reimbursement are required to submit documentation of disbursements as directed by FSA.
5. Beginning in Spring 2014, 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	