

Session 29



Cash Management Current Issues

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Overview

- ❑ Title IV Balances Under a Dollar
- ❑ Separation of Duties (automated systems)
- ❑ “Late” Late Disbursement Procedures
- ❑ Direct Payments to Students: Stored-value Cards and Arrangements with Servicers
- ❑ Mandatory Late Disbursements
- ❑ Notices and Authorizations
- ❑ Third Party (“Pass Through”) Charges
- ❑ No Penalties for Delayed Loan Disbursements

Title IV Balances Under a Dollar

- ☐ School may, but is not required to pay
- ☐ Not just credit balances – R2T4, Perkins Loan overpayments
- ☐ Doesn't matter if balance would otherwise be paid by check or EFT

Separation of Duties

- ❑ Guidance for using automated systems
- ❑ No one office or individual may authorize and disburse funds
- ❑ Internal controls and security measures
 - System rules and school policies conform with regulatory requirements
 - Information entered and controlled by one office cannot be changed by another office

“Late” Late Disbursement Procedures

- ☐ For disbursements after 120 days, need approval from FSA
- ☐ Request for approval must contain:
 - School’s name and OPE ID
 - Contact person’s name, title, phone and fax numbers, and e-mail address
 - Name and social security number of the student (and name and SSN of the parent, for PLUS)
 - Type and amounts of Title IV to be disbursed
 - An explanation of why the disbursement was not made, including why it was not the student’s fault

“Late” Late Disbursement Procedures (cont’d)

- ❑ Request for approval must contain:
 - For Pell Grant:
 - Award Year
 - Payment period begin and end dates
 - Date student completed the payment period or withdrew from school
 - For FFEL and Direct Loans:
 - Loan type (sub, unsub, or PLUS)
 - The date the loan was certified or originated
 - Loan period begin and end dates

“Late” Late Disbursement Procedures (cont’d)

- Request for approval must contain:
 - For FFEL and Direct Loans:
 - Did the student complete the loan period?
 - If the student did not complete the loan period, on what date did the student cease to be enrolled at least half-time?
 - Is this the first disbursement of the loan or is it a second or subsequent disbursement?
 - The lender’s name, for FFEL
 - Award ID, for Direct Loan

“Late” Late Disbursement Procedures (cont’d)

- ☐ To request approval, send a fax to:
COD School Relations Center
Late Disbursement Request
(877) 623-5082
- ☐ School is notified via e-mail

Stored-value Cards

- ❑ Stored-value vs. Debit card
 - Specific amount of funds, but additional funds can be added
 - Not a demand deposit account, no checks
 - Not a credit card, but can be branded with VISA or MC
- ❑ Cost effective alternative to issuing checks
- ❑ Provides benefits to the “unbanked”

Stored-value Cards (cont'd)

- ❑ Stored-value card can be used to pay a student directly, as long as:
 - Open loop, convertible to cash and not restricted to selected vendors
 - Student's "account" at the bank is FDIC insured
 - School may not make any claims against the funds on the card (except for correcting an error made in transferring the funds)
 - School informs student of the terms and conditions
 - Stored-value card is not a credit card, and cannot be converted to a credit card

Stored-value Cards (cont'd)

- ❑ Stored-value card can be used to pay a student directly, as long as:
 - No charge for issuing the card, but charge may be assessed for replacement
 - Student must have the opportunity to withdraw the full value of card, without cost, from reasonably convenient ATM's and banks (but some fees may be charged)
 - Student can use the card as long as it has value (doesn't matter if student is no longer enrolled at the school), but card may have an expiration date

Stored-value Cards (cont'd)

- ❑ Stored-value card can be used to pay a student directly, as long as:
 - Meets all regulatory timeframes (credit balances are disbursed within 14 days, FWS earnings paid at least once a month)
 - School gets student's authorization (just like EFT to student's checking account)

Service Providers and Direct Payments to Students

- ❑ School contracts with service provider to perform direct payment functions
- ❑ Third-party service provider rules apply
- ❑ ED is aware of several models, under one:
 - Service provider solicits student preference (student has option to choose check, EFT to own checking account, or EFT to bank used by service provider) and obtains necessary authorizations
 - Service provider pays the student with funds obtained from the school

Mandatory Late Disbursements

A school must offer a late disbursement to a student:

- Who withdraws and is eligible for a post-withdrawal disbursement
- Who completes the payment period or period of enrollment

A school may offer a late disbursement to a student:

- Who did not withdraw but ceases to be at least a part-time student

Notices and Authorizations

- ☐ November 1, 2002 final rules eliminated requirement that a school confirm receipt of a notice sent electronically informing a student that loan funds were credited to the student's account
- ☐ Unless a particular rule says otherwise, a school may conduct electronically any activity that is required to be conducted "in writing"

Third Party (“Pass Through”) Charges

- Whenever total amount of Title IV funds credited to student's account exceeds authorized charges the school assessed the student, school must pay resulting credit balance directly to student or parent

Third Party (“Pass Through”) Charges (cont’d)

- ❑ May credit student’s school account with Title IV funds to satisfy current charges for room, if contracted with school
 - Not necessary for school to actually own the student housing; school may contract with third party to provide housing
- ❑ Disbursing Title IV funds to a landlord *not under contract* with the school would violate a school’s fiduciary responsibility and therefore is a prohibited activity

Third Party (“Pass Through”) Charges (cont’d)

- ❑ If school enters into contract with third party to provide housing, certain Title IV statutory and regulatory provisions apply to both the funds used for the housing payment and to the physical location of the housing
- ❑ The following paragraphs describe three of those provisions:

Third Party (“Pass Through”) Charges (cont’d)

Withdrawals and Return of Title IV Funds

- An institution would have to include the cost of housing in any Return calculation required under the provisions of 34 CFR 668.22 for the treatment of Title IV funds when an eligible recipient ceases to be enrolled prior to the end of the payment period or period of enrollment

Third Party (“Pass Through”) Charges (cont’d)

Campus Security and Crime Statistics

- Required to report statistics concerning the occurrence of crimes on campus and in or on noncampus buildings or property that it owns, leases, or controls
- An institution is considered to have control were it enters into a written agreement with a third party for student housing

Third Party (“Pass Through”) Charges (cont’d)

Civil Rights and FERPA

- The Program Participation Agreement requires a participating institution to comply with the civil rights and privacy requirements contained in the Code of Federal Regulations and the Family Educational Rights and Privacy Act of 1974
- The third party must also comply with those requirements

No Penalties for Delayed Loan Disbursements

Program Participation Agreement (HEA §487(a)(19)):

“The institution will not impose any penalty, including the assessment of late fees, the denial of access to classes, libraries, or other institutional facilities, or the requirement that the student borrow additional funds, on any student because of the student’s inability to meet his or her financial obligations to the institution as a result of the delayed disbursement of the proceeds of a loan made under this title due to compliance with the provisions of this title, or delays attributable to the institution”

Technical Assistance

We appreciate your feedback and comments. We can be reached at:

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