

National Association of Student
Financial Aid Administrators Presents...

CASH MANAGEMENT

Current Issues

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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Overview

- Separation of Duties (automated systems)
- Direct Payments to Students: Stored-value Cards and Arrangements with Servicers
- Title IV Balances Under a Dollar
- Mandatory Late Disbursements
- “Late” Late Disbursement Procedures
- Notices and Authorizations
- Third-party (“Pass Through”) Charges



Separation of Duties (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



Stored-value Cards

- Stored-value vs. Debit Card
 - Not a demand deposit account, no checks
 - Specific amount of funds, but additional funds can be added
 - Not a credit card, but can be branded with VISA or MC logo
 - Cost effective alternative to issuing checks



Stored-value Cards (cont'd)

- Stored-value can be used to pay a student directly, as long as:
 - School obtains the student's authorization
 - Value of the card must be convertible to cash or card may be used to make purchases
 - Student should not incur any fees for using the card over a reasonable period of time
 - School or bank should not charge for issuing the card, may charge for replacement



Stored-value Cards (cont'd)

- Stored-value can be used to pay a student directly, as long as:
 - The student's "account" at the bank must be FDIC insured
 - School cannot make any claims against the funds on the card, except for correcting a error or unless it obtains the student's written permission
 - Student is informed of terms and conditions



Stored-value Cards (cont'd)

- Stored-value can be used to pay a student directly, as long as:
 - All regulatory timeframes are met (e.g., credit balances paid within 14 days, FWS wages paid at least once per month)
 - Student's access to funds should not be conditioned on continued enrollment, academic status, or financial standing at the school
 - The card is not marketed or portrayed as a credit card, and should not convert to a credit card after it is issued



Servicers and Direct Payments to Students

- Third-party servicer rules apply
- Under one arrangement:
 - Servicer solicits student preference (student chooses to receive funds by check, EFT to own checking account, or EFT to account set up by servicer) and obtains authorization
 - Servicer pays student with funds obtained from school



Servicers and Direct Payments to Students

- EFT's to a student's account are considered to be direct payments if the school cannot recall or receive any funds from the account, unless specifically authorized in writing by the student
- The same general guidance for stored-value cards would also apply to servicer-issued debit cards



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



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 FFEL/DL disbursement to a student:
 - Who does not withdraw but ceases to be at least a half-time student



“Late” Late Disbursement Procedures

- For disbursements after 120 days, need approval from the Department
- Procedures detailed in GEN-05-07
- Request for approval must contain:
 - School’s name and OPE ID
 - Contact person’s name, title, phone and fax numbers and e-mail address



“Late” Late Disbursement Procedures (cont’d)

- Request for approval must contain:
 - Name and social security number of the student (and parent, if PLUS)
 - Type and amount of aid 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, FSEOG, and Perkins:
 - Award year
 - Payment period begin and end dates
 - Whether the student completed the payment period, and if not, the date the student ceased to be enrolled
 - Date the award was made to the student (FSEOG and Perkins only)

“Late” Late Disbursement Procedures (cont’d)

- Request for approval must contain:
 - For FFEL and Direct Loans:
 - Loan type (sub, unsub, or PLUS)
 - Date the loan was certified or originated
 - Loan period begin and end dates
 - Lender’s name (FFEL) or Award ID (Direct)

“Late” Late Disbursement Procedures (cont’d)

- Request for approval must contain:
 - For FFEL and Direct Loans:
 - Whether the student completed the loan period, and if not, the date the student ceased to be enrolled at least half-time
 - Whether the request is for the first disbursement of the loan or a subsequent disbursement

“Late” Late Disbursement Procedures (cont’d)

- To request approval, send a fax to:
COD School Relations Center
(877) 623-5082
ATTN: FSA Support Team, “Late” Late Disbursement Approval Request
- Fax must be on school (or school servicer) letterhead
- School is notified via e-mail



Third-party (“Pass Through”) Charges

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



Third-party (“Pass Through”) Charges (cont’d)

- May credit a student’s account with Title IV funds to satisfy current charges for room, as long as the school provides the housing
 - Not necessary for school to actually own the housing
 - A school that secures housing for its students via a contract with a third-party is considered to “provide” housing
- Without a contact, school cannot credit student’s account with Title IV funds and pass those funds to a third-party



Third-party (“Pass Through”) Charges (cont’d)

- For a school that enters into a contract with a third party to provide housing, certain Title IV requirements apply to the funds used to pay for the housing and to the physical location of the housing
- Withdrawals and Return of Title IV Funds
 - School must include the cost of housing in any Return calculation required in §668.22 for the treatment of Title IV funds when a student 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 non-campus buildings or property that it owns, leases, or controls
 - School is considered to have control when it enters into a written agreement with a third party to provide for student housing



Third-party (“Pass Through”) Charges (cont’d)

- Civil Rights and FERPA
 - The Program Participation Agreement requires a school 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



Notices and Authorizations

- November 1, 2002 final rules eliminated requirement that a school confirm receipt of a notice sent electronically informing the 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 it is otherwise required to conduct "in writing"



Technical Assistance

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