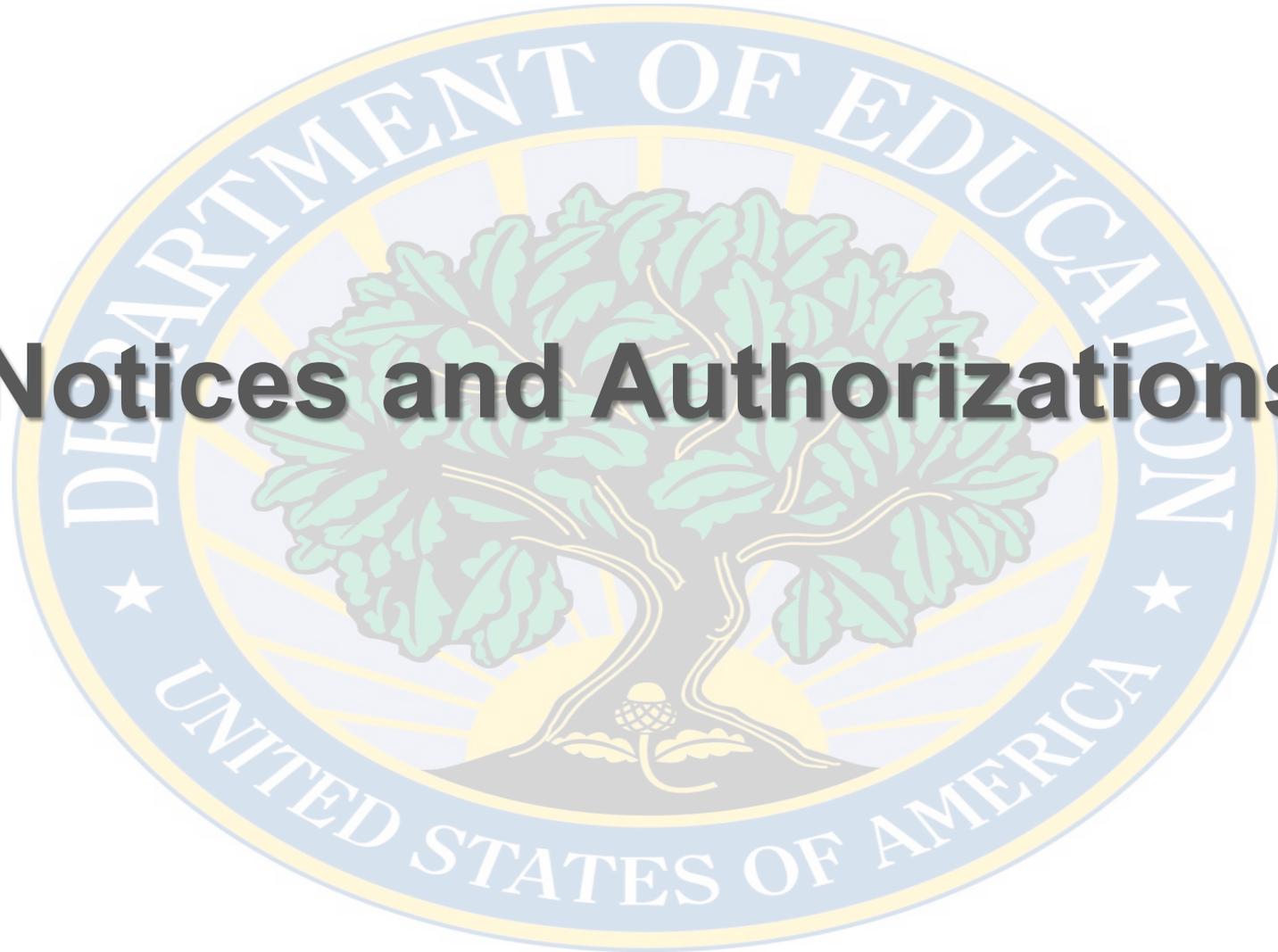


# Cash Management

Anita Olivencia  
U.S. Department of Education  
NHASFAA

# Notices and Authorizations



# Notification of Disbursement

- School must notify the student of the amount of funds to expect from each FSA program:
  - Must be provided prior to disbursement
  - Must include how and when disbursement will occur
- If 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
  - Procedure to cancel all or portion of the loan or TEACH

# Authorizations

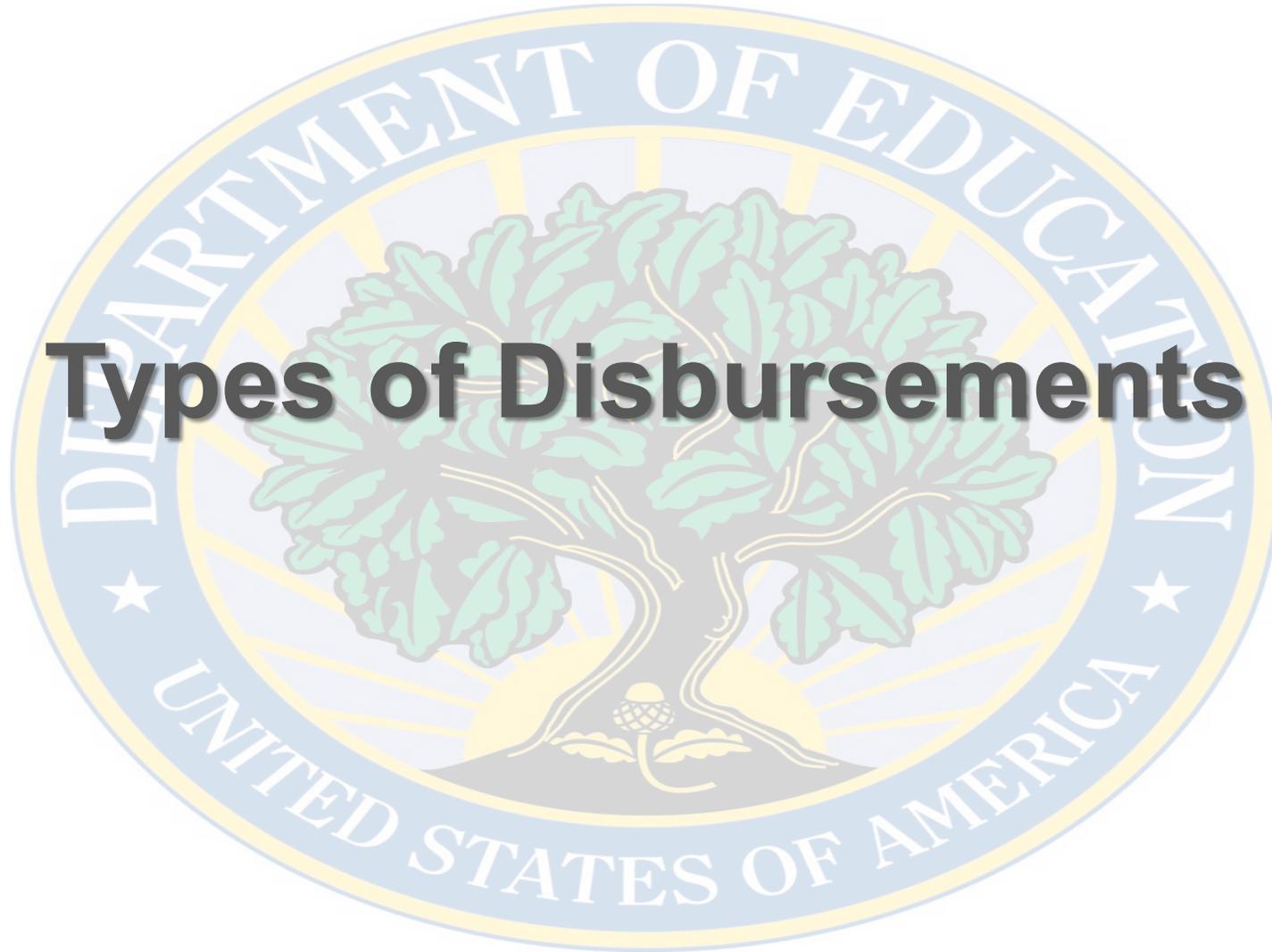
The school must obtain authorization from the student before:

Using FSA funds to pay for allowable educationally related charges other than tuition, fees, and room and board (if the student contracts with the school)

Crediting FWS wages to a student's account to pay any educationally-related charges

Holding an FSA credit balance longer than 14 days

# Types of Disbursements



# Confirm Eligibility and Disbursement

## School

- Must confirm that a student is eligible for the type and amount of Title IV funds represented by the disbursement

## Third-party servicer

- Also must confirm eligibility if engaged to conduct activities or transactions that lead to or support a disbursement

## Activities or transactions

- Determining the type and amount of Title IV funds that a student is eligible to receive
- Requesting Title IV funds
- Accounting for funds to the Department

# 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

## Retroactive Disbursements:

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

## Late Disbursements:

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

# Restrictions on Direct Loan Disbursements

- 30-day delay for first-time, first-year undergraduate borrower
- One term loans 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: Schools with low default rates under certain circumstances

# Disbursements When Using Modules

- A student who is enrolled in a module within a payment period is considered enrolled for the entire payment period
  - The loan period includes the entire payment period
  - The cost of attendance excludes periods of non-attendance
- A school can make a single disbursement based on a student's enrollment status for the entire term
- A school can schedule multiple disbursements throughout the payment period not to exceed the permitted amount

# 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 Direct Loan Disbursements

- 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 remains eligible
- Subsequent Direct Loan disbursements within term cannot be made unless student reestablishes half-time status

# Early Disbursements and Failure to Begin Attendance

If the school disburses Pell, IASG, and/or TEACH and the student begins some, but not all classes:

- School must recalculate Pell, IASG, and/or TEACH awards based on the courses that the student actually attended; and
- Student is responsible to return the ineligible portion of those grant funds disbursed

# Early Disbursements and Failure to Begin Attendance

If student does not begin attendance in ANY classes:

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

# Retroactive Disbursements

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



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.”

# Late Disbursements

- Generally, an otherwise eligible student becomes ineligible to receive FSA funds:
  - for Direct Loans, on the date the student is no longer enrolled at least half-time for the period for which the loan was intended
  - for FSA Grants, on the date the student 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 they became ineligible. These are called “late disbursements.”

# Late Disbursements (cont.)

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

- **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

# Late Disbursement Restrictions

A school is prohibited from making:

- A late second or subsequent disbursement of Direct Loan funds unless the student has successfully completed the loan period
- A late disbursement of Direct Loan funds to a first-year, first-time borrower who withdraws before the 30th 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
- A late disbursement later than 180 days after the date the student becomes ineligible

# Late Disbursement of Direct Loan

- 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
  - The school must have 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, the late disbursement cannot exceed the educational costs incurred for the period of instruction during which the student was enrolled at least half-time

# Completed Coursework

- 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 Fs
  - 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

# Crediting a Student's Account

- 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

## Amount

Still \$200

## When allowed

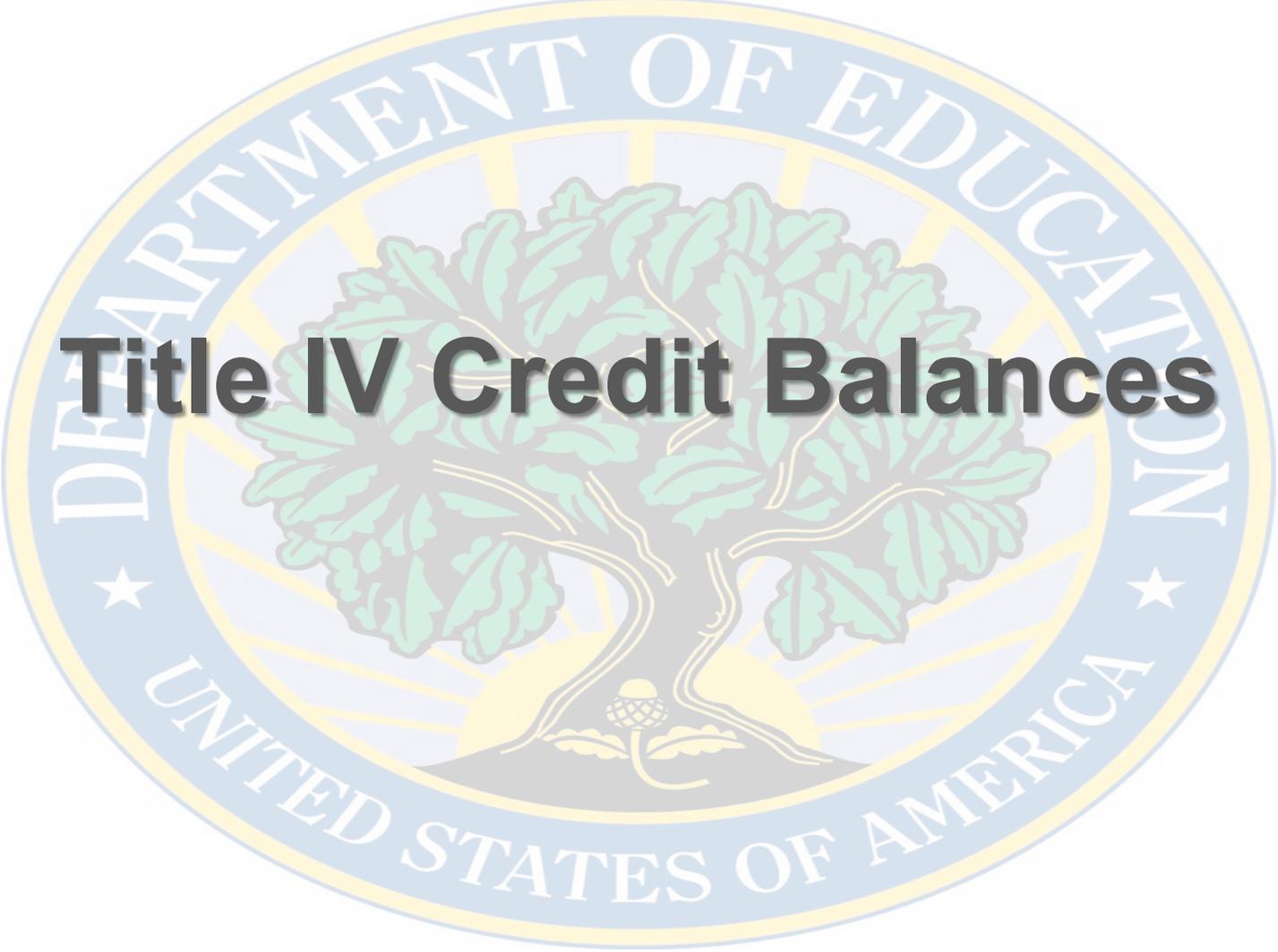
In one or more payment periods in the current year

## Current year

Student receives DL: the current loan period

Student does not receive DL: the current award years

Student receives DL and other: Either the current loan period or award year

The seal of the U.S. Department of Education is centered in the background. It features a large green tree with a brown trunk and roots, set against a blue circular background with yellow rays emanating from behind the tree. The words "DEPARTMENT OF EDUCATION" are written in white along the top arc, and "UNITED STATES OF AMERICA" along the bottom arc, with two white stars on either side.

# Title IV Credit Balances

# Title IV Credit Balance: Definition

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.

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

|                                |                   |
|--------------------------------|-------------------|
| <b>Institutional Charges</b>   | <b>= \$ 3,000</b> |
| <b>Credits to account</b>      | <b>= \$ 6,172</b> |
| Pell                           | \$1,900           |
| Direct Loans                   | \$3,272           |
| <i>Scholarship</i>             | <i>\$1,000</i>    |
| <b>Title IV Credit Balance</b> | <b>= \$ 2,172</b> |

# Title IV Credit Balance: Definition (cont.)

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*

# Title IV Credit Balance

## Reimbursement/HCM2

- Must pay any credit balances due to the students for whom it seeks reimbursement
- Must provide documentation as part of its request that the credit balances were paid
- May not obtain authorization to hold credit balance funds

## HCM1

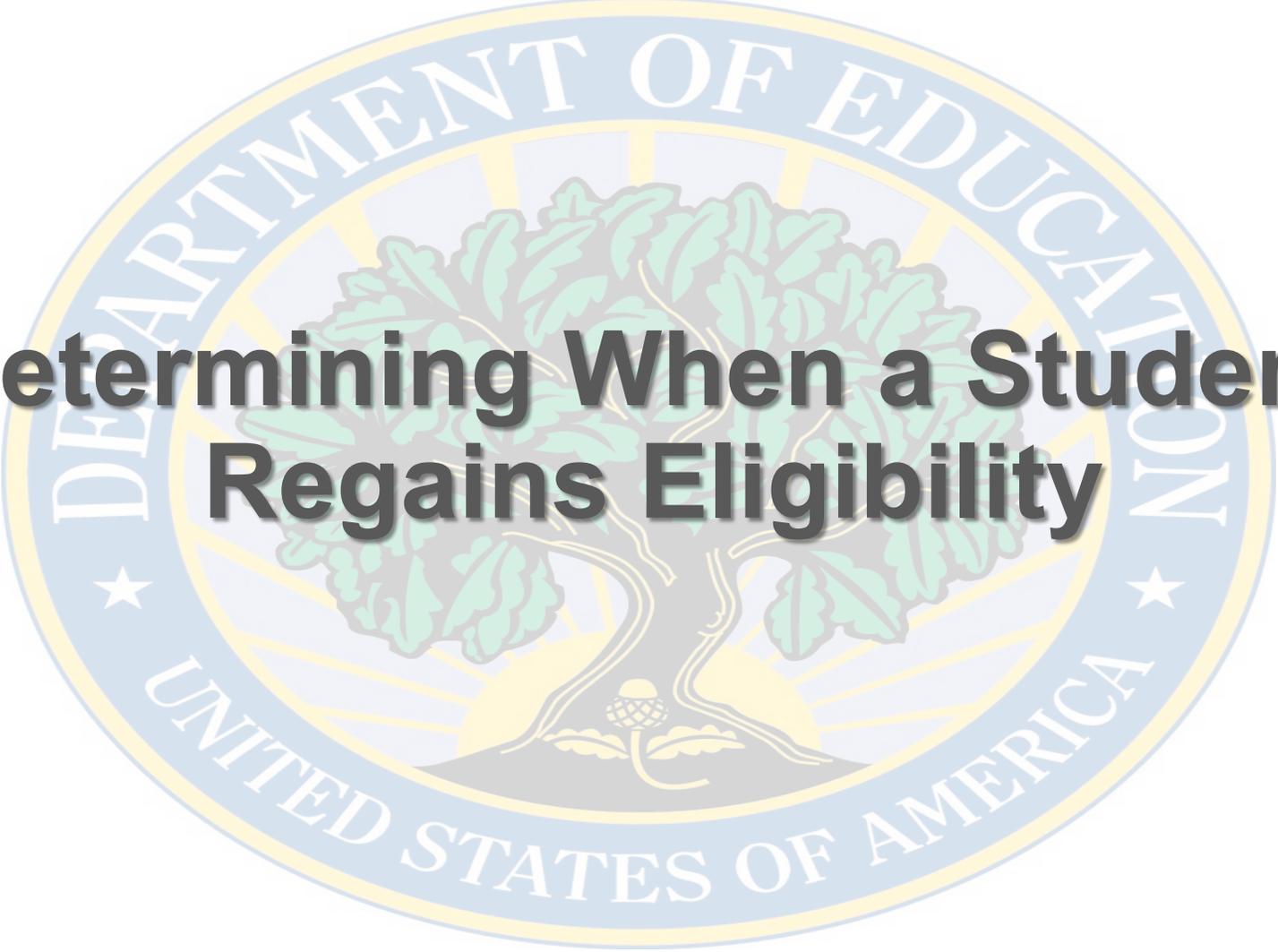
- Must pay any credit balances due to the students for whom it intends to draw down funds
- May not obtain authorization to hold credit balance funds

# Holding Title IV Credit Balances

- 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

# Disbursement by Payment Period

- Except for Federal Work-Study, 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

The seal of the U.S. Department of Education is centered in the background. It features a large green tree with a brown trunk and roots, set against a blue circular background with a yellow border. The text "DEPARTMENT OF EDUCATION" is written in white along the top arc, and "UNITED STATES OF AMERICA" is written along the bottom arc. Two white stars are positioned on the left and right sides of the seal.

# Determining When a Student Regains Eligibility

# Regaining Eligibility

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

# Regaining Eligibility

## Default or Overpayment

- Federal Pell, TEACH, and Campus-Based Aid (CB): 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

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

- Federal Pell, TEACH, & CB: 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

# Regaining Eligibility

## Drug Conviction

- Federal Pell, TEACH, and CB: 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

## Satisfactory Academic Progress

- Federal Pell, TEACH, and CB: 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*



# Overpayments

# Overpayments

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

- Unresolved overawards
- Interim disbursements or failure to complete verification
- Miscalculated COA
- Payment in excess of loan limits
- Application errors or misreporting
- Required recalculations not performed
- R2T4 calculations

# Correcting Federal Pell Grant Overpayments

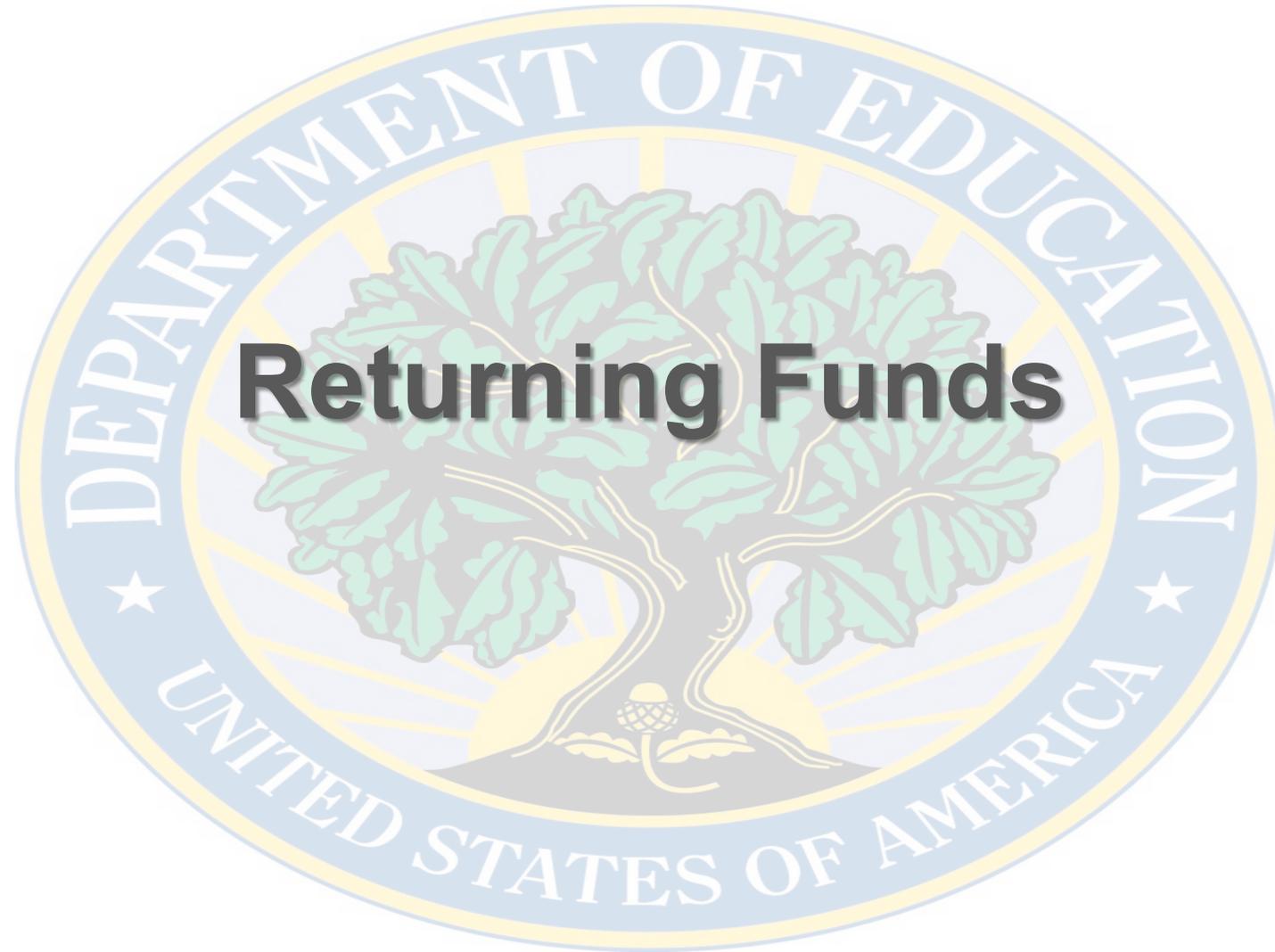
- Reduce subsequent disbursements during award year
- School repays amount for which it is responsible, and/or may repay for the student
- Student repays amount for which he or she is responsible, or makes satisfactory arrangements to repay

# Correcting Direct Loan Overpayments

- 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 promissory note

# Overpayment—Student Error

- School must notify student in writing requesting repayment
  - 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

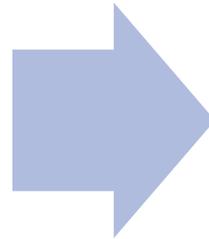


# Returning Funds

# 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 not 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

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

# Returning Funds

## 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 elapsed 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

# Training Feedback

To ensure quality training, we ask all participants to please fill out an online session evaluation

- All registrants for this session will receive an email with a link to an electronic evaluation that we ask you to complete
- This feedback tool will provide a means to educate and inform areas for improvement and support an effective process for “listening” to our customers

***Please register now for this Federal Training Session by entering this URL address on your phone or mobile device***

<https://cvent.me/kMMKQN>

# Ask A Fed goes online!

FSA has implemented a new resource to assist Financial Aid Administrators obtain guidance about the FSA 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.