

Administering Disbursements

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Agenda

- Disbursement Overview
- Early Disbursements
- Late Disbursements
- Post-Withdrawal Disbursements
- Retroactive Disbursements
- Credit Balances
- Disbursements When Regaining Eligibility

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Disbursement Overview

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Funding Basics

- G5, ED's payment system, is specific for each program and for each award year
 - Funding is not student-specific
- Timelines and deadlines for reporting disbursements to Common Origination and Disbursement (COD)
 - Actual disbursements may be reported up to seven days prior to disbursement date and must be reported no later than 15 days after the disbursement date

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Program Funding

Pell Funds



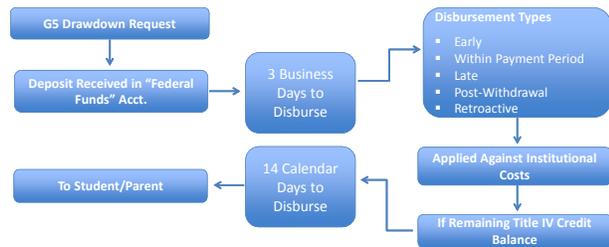
Direct Loan Funds



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Disbursement Overview



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Requesting Funds from G5

- Schools must not request funds that exceed their **immediate need** for those funds
 - Funds received from G5 must be disbursed to students within three **business** days of receipt
- Excess Cash
 - Any amount of Title IV funds not disbursed to students by the end of the third **business** day after receipt

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Disbursement

- Defined as the date a school credits a student's account at the school or pays a student or parent directly with -
 - Funds received from the Department
 - School funds used in advance of receiving funds from the Department within regulatory timeframes
- Disbursement date reported to COD **must** be the actual date of disbursement to the student's account

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Notifications

- Notification of disbursement: School must notify the student of the amount of funds expected to receive from each FSA program
 - Must be provided prior to disbursement
 - Must include how and when disbursement will occur
- DL and TEACH notification: If award contains Direct Loans or Teacher Assistance for College and Higher Education Grant (TEACH) student must be notified of
 - 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
 - Timing of notification: If affirmative confirmation 30 days before to 30 days after making disbursement, if no affirmative confirmation 30 days before to 7 days after making disbursement

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Authorizations

- The school must obtain authorization from the student before performing any of these activities:
 - Use FSA funds to pay for allowable educationally related charges **other than** tuition, fees, and room and board (if the student contracts with the school)
 - Credit FWS wages to a student's account to pay any educationally-related charges
 - Hold an FSA credit balance

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Determining Eligibility Before Disbursement

- Before disbursing FSA funds, you must determine and document that the student remains eligible to receive the type and amount of FSA funds that you expect to disburse
 - Institutional Student Information Record (ISIR) Determined Eligibility (citizenship, drug-related, etc.)
 - School Determined Eligibility (regular student, enrollment status, SAP, etc.)
- Both you and your Third-Party Servicer must have a process in place to make this determination

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30 Day Delay for Direct Loan Borrowers

- A student who is a first-time, first-year undergraduate borrower cannot receive initial Direct Loan disbursement until 30 days after the payment period start date
 - Exception: A school with a cohort default rate of less than 15% for the three most recent fiscal years
 - Exception: A school with the most recent cohort default rate of less than 5% that is originating loans to cover the cost of attendance in a study abroad program

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Single Payment Period Loan Disbursements

- When a Direct Loan is made for one payment period, the loan 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: A school with a cohort default rate of less than 15% for the three most recent fiscal years
- Exception: A school with the most recent cohort default rate of less than 5% that is originating loans to cover the cost of attendance in a study abroad program

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Loan Disbursements in 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

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Disbursements in Modules

- A school can make a single disbursement based on the enrollment status for the entire term
- Student must begin attendance in all credits used to establish enrollment status or Pell recalculation required (Direct Loan rules are somewhat different and will be covered later)
- Change in enrollment status to less than half-time results in cancellation of subsequent loan disbursements
- A school can schedule multiple disbursements throughout the payment period not to exceed the permitted amount

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Early Disbursements

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Early Disbursements

The earliest a school may disburse Title IV funds:

- 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 class start
- Programs that are clock-hour; non-term credit-hour; and 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
 - The date the student completed the previous payment period for which Title IV funds were received

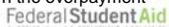
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Student Fails to Begin Attendance

- If school disburses Pell, Iraq Afghanistan Service Grant (IASG), TEACH, or Federal Supplemental Educational Opportunity Grant (FSEOG) and the student **fails to begin attendance in any classes** -
 - School must return the funds even if they were disbursed directly to the student
- If the school disburses Pell, IASG, and/or TEACH and the student **begins some but not all classes** -
 - School must recalculate the awards based on the classes the student attended
 - The ineligible portion of funds is considered a student overpayment. The school can correct it by adjusting future disbursements or, if that is not possible, require the student to return the overpayment

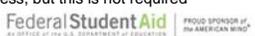
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Student Fails to Begin Attendance

- If student does not begin attendance, the school must return any Direct Loan funds credited to the student's account
- For any remaining loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan funds that are outstanding, so that the Department can issue a 30-day demand letter to the student
 - Only applies if school was not aware that the student would not begin attendance at the time of disbursement
 - School can choose to repay Direct Loans that were disbursed directly to student instead of initiating the demand letter process, but this is not required

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Begins Attendance Less than Half-Time

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 is eligible
 - Subsequent disbursements within term cannot be made unless student reestablishes ½ time status
 - Repaid in accordance with terms/conditions of the Master Promissory Note (MPN) unless required to return loan funds under Return of Title IV (R2T4) if student withdraws

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Late Disbursements



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What is a Late Disbursement?

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

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Conditions for Late Disbursements

#1 Condition for **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

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Timing - Late Disbursements

- 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, school must attempt to make late disbursement***

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May (not Must) Disburse on Direct Loans

- 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
 - Provided the school 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
 - Late disbursement cannot exceed the educational costs incurred for the period of instruction during which the student was enrolled at least half-time

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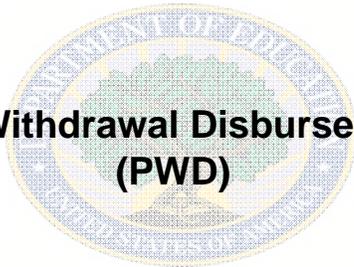
Late Disbursement Limitations

- A school is prohibited from making -
 - A late second or subsequent disbursement of Direct Loan funds unless s/he graduated or 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
- Also, a school cannot make a late disbursement later than 180 days after the date the student becomes ineligible

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Post-Withdrawal Disbursements (PWD)



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Post-Withdrawal Disbursement

Post-Withdrawal disbursements are a type of late disbursement with eligible amounts determined by R2T4 rules

- When the federal student aid earned is greater than the federal student aid disbursed, the school must offer a disbursement of the remaining earned aid that can be disbursed

STEP 4: Title IV Aid to be Disbursed or Returned

- If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).
- If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).
- If the amounts in Box I and Box E are equal, STOP. No further action is necessary.

J. Post-withdrawal disbursement
From the Amount of Title IV aid earned by the student (Box I) subtract the Total Title IV aid disbursed for the period (Box E). This is the amount of the post-withdrawal disbursement.

Box I	2000	−	Box E	1000	=	Box J	1000
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Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post withdrawal disbursement tracking sheet). (Step 4 continued)

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PWD of Grant Funds

- No student confirmation required
- Disbursed directly to student - as soon as possible, but no later than 45 calendar days after date of determination
- Disbursed as credit to account – within 180 days after date of determination

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PWD of Loan Funds

- School must provide written notification within 30 days of date of determination of withdrawal
- Must receive confirmation from the student or parent borrower prior to disbursement
- If confirmation received after the deadline, the school may or may not disburse
 - If not disbursed, school must notify the borrower in writing of the outcome
- Must be made as soon as possible, but no later than 180 days after date of determination

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Retroactive Disbursements

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Retroactive Disbursements

- If a school did not make a disbursement to an enrolled student for a payment period completed, the school may pay the student for all payment periods in the current award year (grants) or loan period (loans) for which the student is eligible

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Examples of Retroactive Disbursements

- The student's ISIR was not available until a subsequent payment period
 - Late Free Application for Federal Student Aid (FAFSA) submission
 - Reject Resolution Required
- An administrative delay that pushed a disbursement date beyond the payment period
- Verification delay
- Conflicting information resolution

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Retroactive Disbursements

- A school making a retroactive disbursement of Federal Pell Grant funds must base the calculation on the enrollment status according to work already completed
 - Per guidance received, this includes earned Fs
 - As the language suggests, does not include dropped courses
- Retroactive disbursement of Direct Loan must also base the calculation on the enrollment status according to work already completed
 - In addition to the above requirements for Pell, completed coursework must be at least half-time to disburse

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Title IV Credit Balances



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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.

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Title IV Credit Balance 34 CFR § 668.164 (h)

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

Institutional Charges	= \$ 3,000
Credits to account	= \$ 6,172
Pell	\$1,900
Direct Loans	\$3,272
Scholarship	\$1,000
Title IV Credit Balance	= \$ 2,172

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Paying Title IV Credit Balances

- 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
 - 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

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Paying Credit Balance: Check

- Considered paid on date -
 - School mails check
 - Initiates EFT
- Notifies student within 14-day timeframe that funds are available for immediate pick-up and provides specific location
 - Can hold for 21 days from notification
 - If student doesn't pick up within 21 days from notification, must immediately mail or EFT, or return to ED

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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

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Holding Title IV Credit Balances

- School must release any remaining Title IV credit balance of -
 - Loan funds by end of the loan period, and
 - Other FSA program funds by end of last payment period in award year for which they were awarded

Note: May not go beyond these deadlines even with student or parent authorization!

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Disbursements When Regaining Eligibility



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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 (typically an academic year).

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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

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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

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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

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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

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Resources

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Resources

Federal Student Aid Handbook

- Volume 4, Chapter 1 Requesting FSA Funds
- Volume 4, Chapter 2 Disbursing FSA Funds
- Volume 5, Chapter 2 Post-Withdrawal Disbursements

Federal Regulations – 34 C.F.R. §

- 668.165(a) Notifications
- 668.165(b) Authorizations
- 668.164(i) Early Disbursements
- 685.303 (b)(5) 30-Day Delay for DL Borrowers

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Resources (cont.)

Federal Regulations – 34 C.F.R. §

- 668.164(j) Late Disbursements
- 668.164(k) Retroactive Disbursements (General)
- 690.76(b) Retroactive Disbursements (Pell)
- 685.303(d)(4) Retroactive Disbursements (DL)
- 690.79 Overpayments (Pell)

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QUESTIONS?



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Thank you!

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