

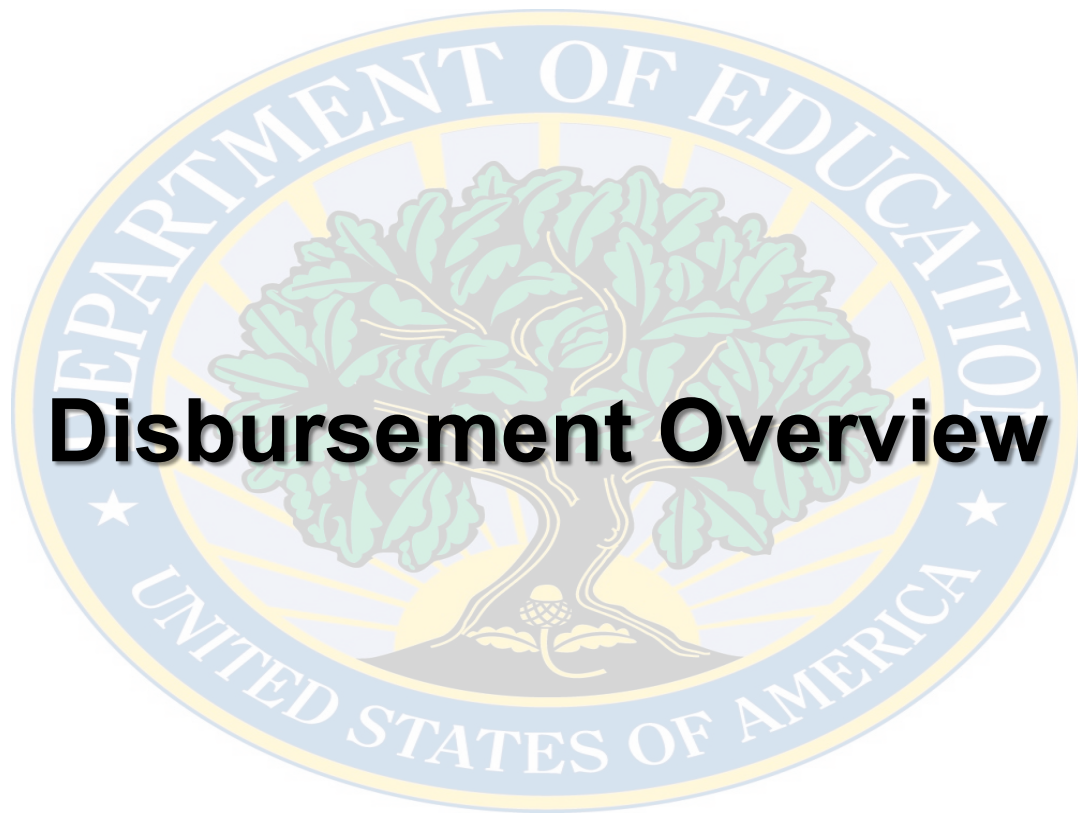
# Administering Disbursements

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U.S. Department of Education



# Agenda

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



# Disbursement Overview

# 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

# Program Funding

## Pell Funds

School Financial Aid System (FAS)  
Reports  
Federal Pell “Actual” Disbursements  
No Earlier than 7 Days Prior  
Or  
No Later than 15 days After



COD Reports  
Accepted  
Record to G5



G5 Generates Federal  
Pell funds in the  
amount of Actual  
Disbursements

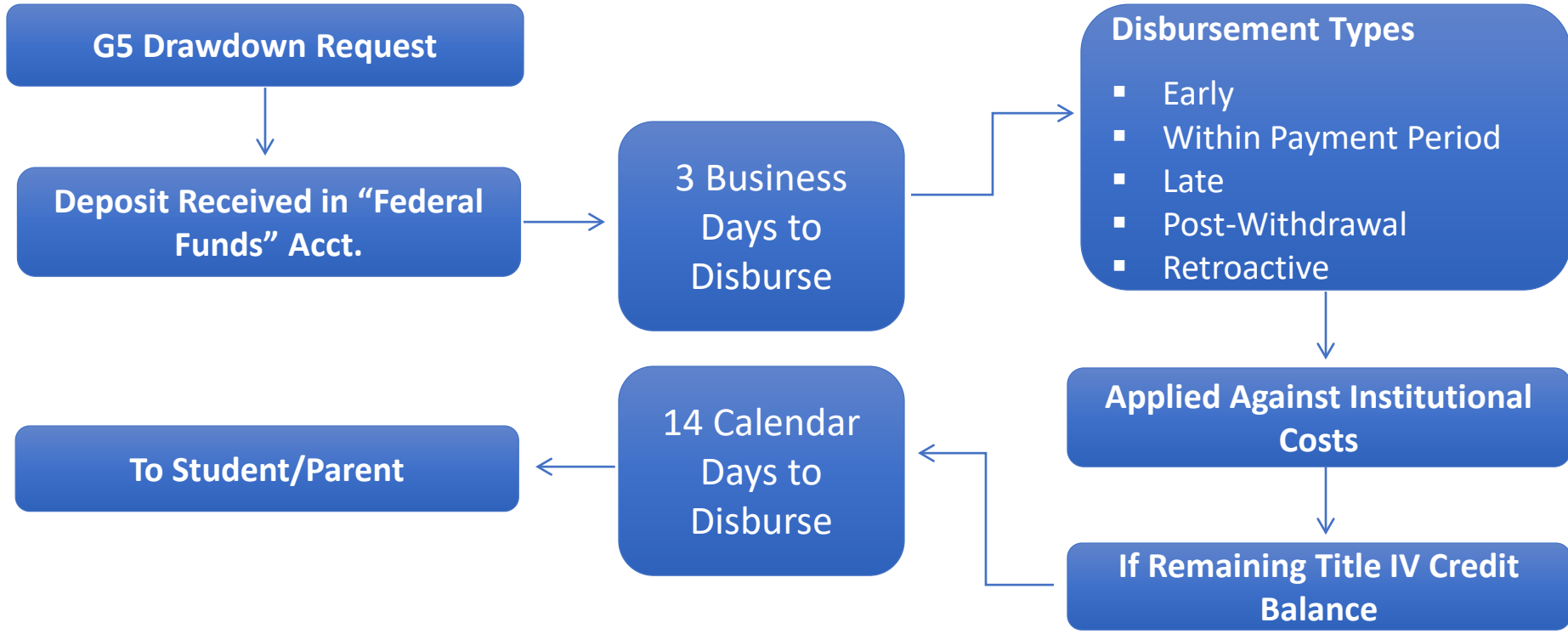
## Direct Loan Funds

School FAS Reports  
DL “Actual” Disbursements  
No Earlier than 7 Days Prior  
Or  
No Later than 15 days After



COD Accepted Record  
Substantiates  
G5 Drawdown

# Disbursement Overview



# 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

# 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

# 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

# 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

# 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

## 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

## **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

## **Loan Disbursements in Modules**

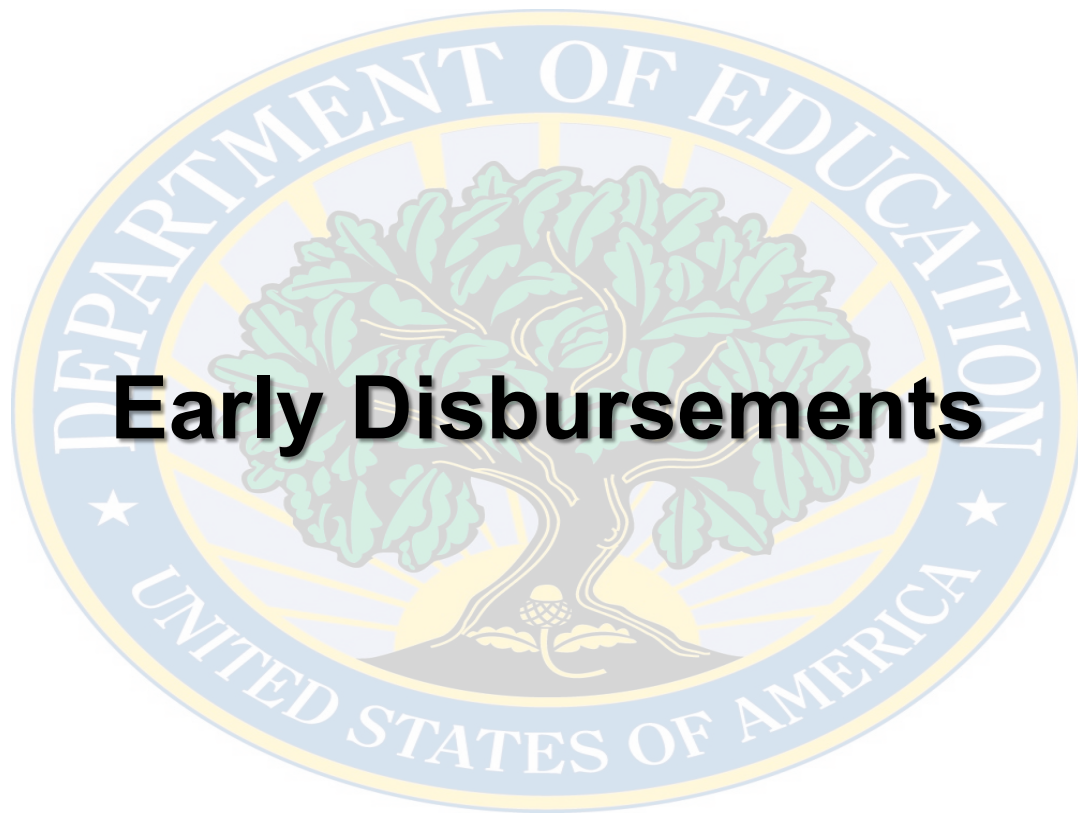
A student who is enrolled in a module within a payment period is considered enrolled for the entire payment period

- The loan period includes the entire payment period
- The cost of attendance excludes periods of non-attendance

A large, dark blue, irregular splash-like graphic on the left side of the slide, with a textured, watercolor-like appearance. It has a rough, torn edge and some lighter blue and white speckles around it.

## 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



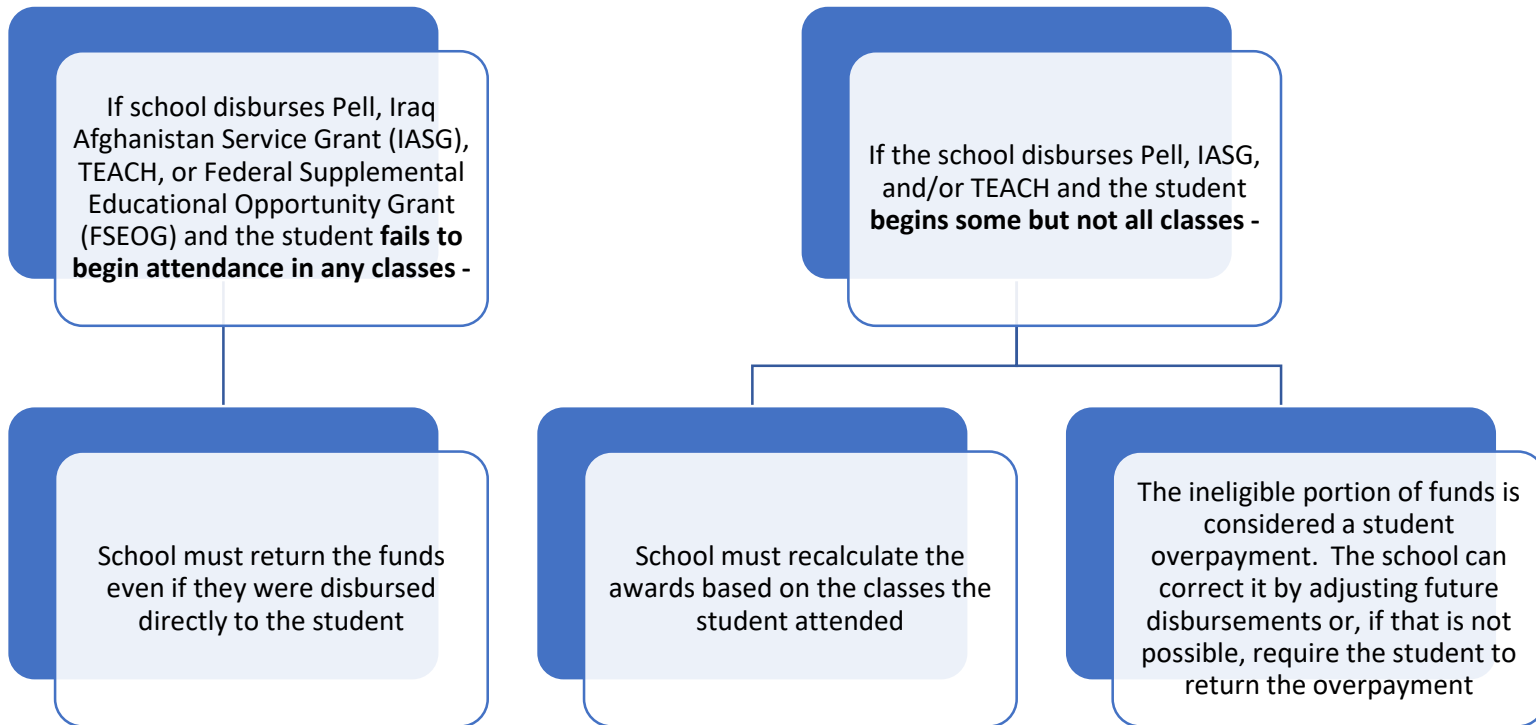
# Early Disbursements

## 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

# Student Fails to Begin Attendance



## 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

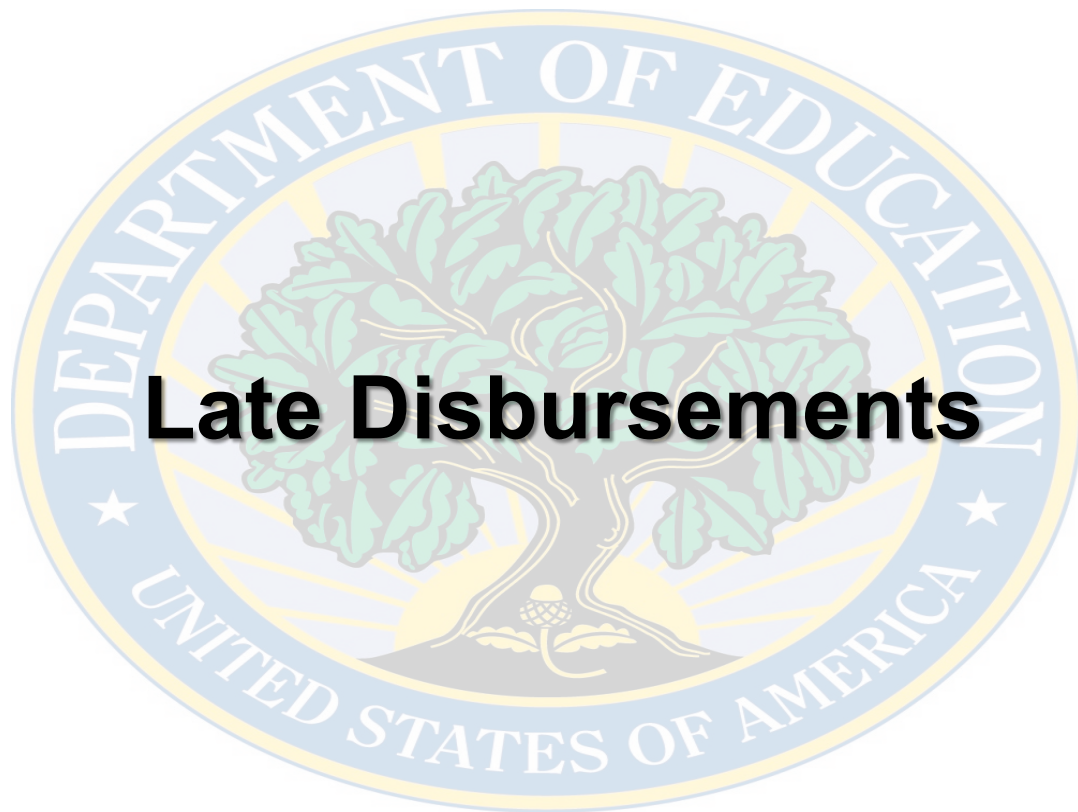
- For any remaining loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan funds that are outstanding, so that the Department can issue a 30-day demand letter to the student
  - Only applies if school was not aware that the student would not begin 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



# 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  $\frac{1}{2}$  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



# Late Disbursements

## 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.”

## 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

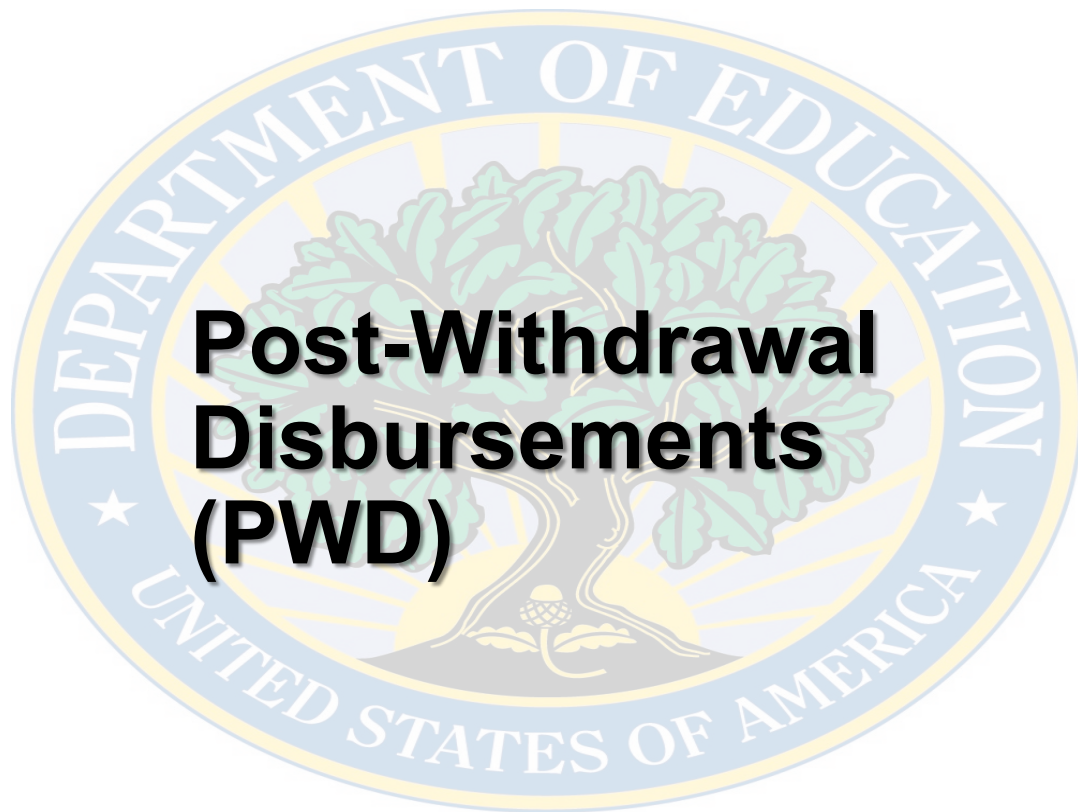
**FSEOG:** Must have also made the award before the student became ineligible

# 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***

# Late Disbursement Limitations

- A school is prohibited from making -
  - A late second or subsequent disbursement of Direct Loan funds unless s/he successfully completed the loan period
  - A late disbursement of Direct Loan funds to a first-year, first-time borrower who withdraws before the 30<sup>th</sup> 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



# **Post-Withdrawal Disbursements (PWD)**

# 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			
<p>► If the amount in Box I is greater than the amount in Box E, go to Item J (Post-withdrawal disbursement).</p> <p>► If the amount in Box I is less than the amount in Box E, go to Title IV aid to be returned (Item K).</p> <p>► If the amounts in Box I and Box E are equal, <b>STOP</b>. No further action is necessary.</p>			
<p><b>J. Post-withdrawal disbursement</b></p> <p>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.</p>			
<div>3000</div> <div>Box I</div>	—	<div>2000</div> <div>Box E</div>	<div>= J. \$ 1000 .</div>
<p><b>Stop here</b>, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).</p> <p>Step 4 continued ►</p>			

# PWD of Grant Funds

No student confirmation  
required

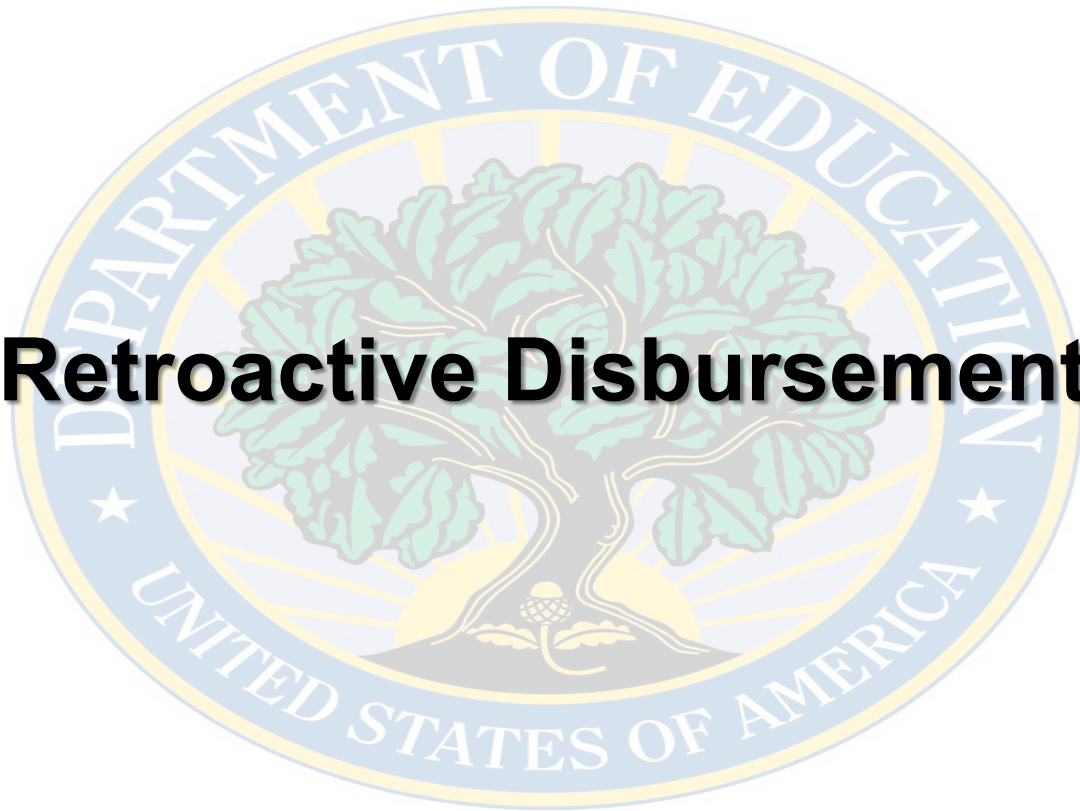
Disbursed directly to  
student - as soon as  
possible, but no later than  
45 calendar days after  
date of determination

Disbursed as credit to  
account – within 180 days  
after date of  
determination

# 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

# Retroactive Disbursements



## 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

## 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

# 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

The seal of the U.S. Department of Education is a circular emblem. It features a large, leafy tree in the center, with a sunburst radiating from behind it. The tree's roots are visible at the base. The words "DEPARTMENT OF EDUCATION" are written in a blue arc at the top, and "UNITED STATES OF AMERICA" is written in a blue arc at the bottom. Two white stars are positioned on the left and right sides of the seal.

# **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.

# 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**

# 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*

# Paying Credit Balance: Check

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- 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

# Holding Title IV Credit Balances

Student or parent may voluntarily authorize school to hold credit balance

School must -

School may retain interest earned on funds

Identify amount of funds held for each student and/or parent in a subsidiary ledger account

Maintain cash equal to credit balances held

# 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**

## 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).

# Regaining Eligibility

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## 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

## 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

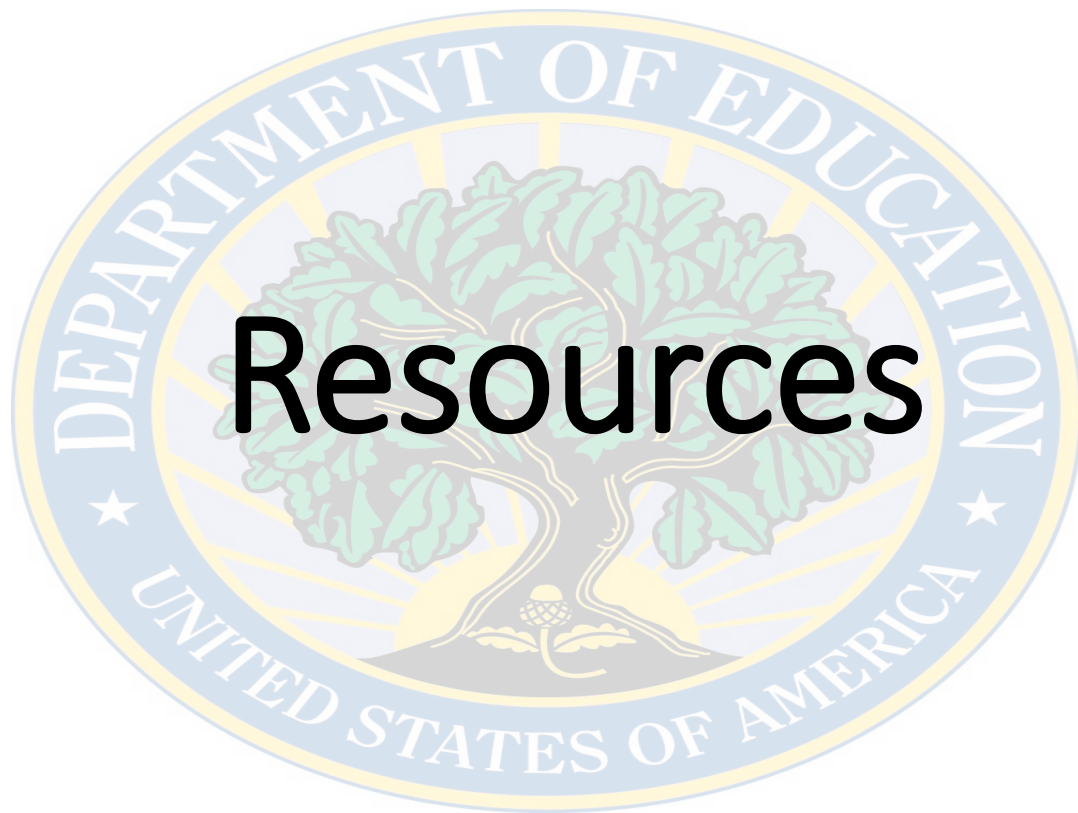
## Satisfactory Academic Progress

- 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

# 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



# 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	

# Resources (cont.)

## Federal Regulations – 34 C.F.R. §

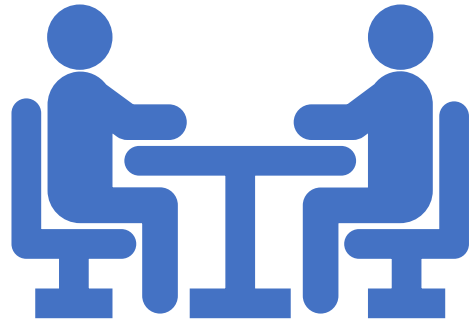
668.164(j) Late  
Disbursements

668.164(k) Retroactive Disbursements  
(General)

690.76(b) Retroactive Disbursements (Pell)

685.303(d)(4) Retroactive  
Disbursements (DL)

690.79 Overpayments (Pell)



# 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



# 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 and ready to assist schools with their questions.