Making Disbursements and Cash Management

Zack Goodwin, US Department of Education
ISFAA Conference, Indianapolis, IN
June 13, 2017

Agenda

Eligibility Checklist: Pell

- Student is enrolled in classes
- Disbursements will not cause the student to exceed the 600% lifetime eligibility limit
- For students enrolled in a non-term program or nonstandard term program with terms that are not substantially equal in length, the previous period has been completed
- If the disbursement occurs on or after the first day of classes, the student has begun attendance in the classes on which his or her eligibility was based
### Eligibility Checklist: Direct Loans

- Student is enrolled in classes
- Disbursements will not cause the student to exceed the 600% lifetime eligibility limit for subsidized loan usage limitation
- For students enrolled in a non-term program or nonstandard term program with terms that are not substantially equal in length, the previous period has been completed
- If the disbursement occurs on or after the first day of classes, the student has begun attendance in the period in the classes on which his or her eligibility was based and is enrolled at least half-time.

### Eligibility Checklist: Direct Loans

- Student has a valid, linked MPN
- First-time borrowers have completed entrance counseling
  - First-year borrowers may be subject to 30-day delay

### Third-Party Servicers

Third-party servicers, if disbursing Title IV funds, must check student eligibility at the time of disbursement on the school’s behalf.

Servicers performing disbursement-related functions must be reported on the E-App, and may be required to submit an annual compliance audit to ED.

*Dear Colleague Letter GEN-16-15*
*Dear Colleague Letter GEN-15-01*
**Disbursement Timing: Modules**

If the student is only enrolled in modules 2 and 3, when is the earliest that a first Title IV aid disbursement may be made?

If the student is enrolled in all modules, disbursements can reflect enrollment for the entire term.

If a student never begins attendance in enough credits to establish half-time status, a first disbursement of a Direct Loan may not be made.
**Disbursement Timing: Modules**

Module 1: 3 credits
Module 2
Module 3: 3 credits

Not okay if no attendance

**Disbursement Timing: Modules**

Module 1: 6 credits
Module 2
Module 3

May a loan be originated and disbursed after the student has completed all scheduled modules, but before the end of the term?

**Disbursement Timing: Clinicals**

Fall Term

Spring Term

First Clinical Period
Second Clinical Period

For programs with required clinical periods not under the school’s control, the official calendar need not change. Disbursements can be made according to the clinical period dates.
Disbursement Timing: Clinicals

Similar principles apply when 'clinical' periods reflect in-service teaching, and for study abroad programs.

Retroactive Disbursements

Student completed one module (less than half time)
Student enrolls half time

Fall Term: Student filed FAFSA before fall term, but does not add school to ISIR until beginning of summer term.
- Can we retroactively disburse Pell?
- Can we retroactively disburse Direct Loans?
- What if the student doesn't enroll in summer?

Degree Requirements

“If a student is enrolled in courses that do not count toward his degree, certificate, or other recognized credential, they cannot be used to determine enrollment status unless they are eligible remedial courses. This means you cannot award the student aid for classes that do not count toward his degree, certificate, or other recognized credential.”

Federal Student Aid Handbook, page 1-18
Equal Disbursements

- Direct Loans must be disbursed in substantially equal amounts across payment periods, based on the number of payment periods in the loan period.

- Direct Loans must be disbursed in substantially equal amounts within a payment period.
  - Applies to single-term loans in standard term environments, and single-payment period loans for remaining periods of study shorter than one-half the academic year.

For a $1500 Direct Loan...

<table>
<thead>
<tr>
<th>Quarter 1</th>
<th>Term 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500</td>
<td>$750</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarter 2</th>
<th>Quarter 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500</td>
<td>$500</td>
</tr>
</tbody>
</table>

Loan Packaging Flexibilities

For programs with standard terms or substantially equal terms at least 9 weeks long...

<table>
<thead>
<tr>
<th>Fall Term</th>
<th>Spring Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Period 1</td>
<td>Loan Period 2</td>
</tr>
<tr>
<td>Loan Period 3</td>
<td>Loan Period 4</td>
</tr>
</tbody>
</table>
Loan Packaging Flexibilities

For programs with standard terms or substantially equal terms at least 9 weeks long...

<table>
<thead>
<tr>
<th>Term</th>
<th>Loan Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall Term</td>
<td>Subsidized Direct Loan</td>
<td>$3500</td>
</tr>
<tr>
<td></td>
<td>Unsubsidized Direct Loan</td>
<td>$2000</td>
</tr>
<tr>
<td></td>
<td>Parent PLUS Loan</td>
<td>$3000</td>
</tr>
<tr>
<td>Spring Term</td>
<td>Graduate PLUS Loan</td>
<td>$30,000</td>
</tr>
</tbody>
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Loan Packaging Flexibilities

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</tr>
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</table>

Audits and Program Reviews

One of the consistent top audit and program review findings for schools is issuing Title IV credit balances to students untimely, in more than 14 days.
**Holding Credit Balances**

*Effective July 1, 2016*

*schools on the Heightened Cash Monitoring or Reimbursement methods of payment may not hold student credit balances even with written permission.*

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**Books and Supplies**

- Effective July 1, 2016 schools must provide all Title IV recipients with a means to obtain books and supplies by the 7th day of a payment period
  - Provided students would have had a *Title IV credit balance* by the earliest disbursement date, 10 days before classes
  - If delivering funds to students, the amount of the credit balance, or a reasonable amount determined by the school, whichever is less
  - If a school offers a bookstore voucher or similar, this may impact R2T4 calculations

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**Paying Prior-Year Charges**

<table>
<thead>
<tr>
<th>Amount</th>
<th>When allowed</th>
<th>Current year</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
<td>In one or more payment periods in the current year</td>
<td>Student receives DL: the current loan period</td>
</tr>
<tr>
<td>Still $200</td>
<td></td>
<td>Student does not receive DL: the current award year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student receives DL and other, either the current loan period or award year</td>
</tr>
</tbody>
</table>
### Paying Prior-Year Charges

**Fall Term:**
- Direct Charges: $21,000
- Unsubsidized Direct Loan: $20,500

**Spring Term:**
- Direct Charges: $21,000
- Graduate PLUS Loan: $30,000

### Corrections vs. Retroactive Payments

- **Fall Term**: Student drops from full-time to half-time status.
- **Spring Term**: Student resolves the 399 code, with increased Pell eligibility.

Is an increase to the fall Pell disbursement a correction, or retroactive disbursement?

### “Reallocation”

A school discovers an error in a student’s Direct Loan amounts when the student withdraws, after having completed a term. Subsidized eligibility is higher, and unsubsidized eligibility lower, than originally disbursed.

**Can these amounts be changed?**

**What if subsidized eligibility is lower?**
Perkins Loans Reminder

The last day to make a first disbursement of a 2017-2018 Perkins Loan to an eligible undergraduate student is September 30, 2017.

Resources

- Federal Student Aid Handbook: Volumes 2 and 4
- Dear Colleague Letter GEN-16-16
  - Fee reporting requirements for Tier 1 and Tier 2 schools
- Electronic Announcement: July 1, 2016
  - Posting T1/T2 contract information

Resources

- FSA Training Conference presentations
  - fsaconferences.ed.gov
- Dear Colleague Letter ANN-16-04
- FSA Assessments: Direct Loans, Fiscal Management, Campus-Based Programs
Thank you!

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Reach FSA
855.FSA.4FAA  --  1 number to reach 10 contact centers!

Campus Based Call Center  eZ-Audit
CPS/SAIG  School Eligibility Service Group
NSLDS  Foreign Schools Participation Division
GS  Research and Customer Care Center
G5  Nelnet Total & Permanent Disability Team
We Appreciate Your Feedback

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

https://www.surveymonkey.com/r/ZacharyGoodwin

This evaluation tool provides a means to inform us of areas for improvement, and to support an effective process for listening to our customers.

Additional feedback about training can be directed to joann.borel@ed.gov.