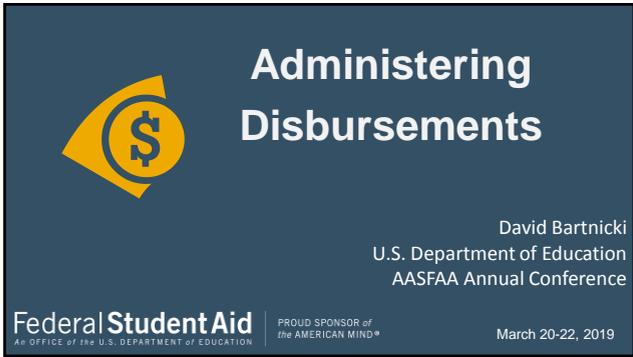


Administering Disbursements



**Administering Disbursements**

David Bartnicki  
U.S. Department of Education  
AASFAA Annual Conference

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of  
the AMERICAN MIND®

March 20-22, 2019

---

---

---

---

---

---

---

---



**Agenda**

- Disbursement Overview
- Early Disbursements
- Late Disbursements
- Post-Withdrawal Disbursements
- Retroactive Disbursements
- Credit Balances
- Disbursements when Regaining Eligibility
- Returning Funds

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of  
the AMERICAN MIND®

---

---

---

---

---

---

---

---



**Disbursement Overview**

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of  
the AMERICAN MIND®

---

---

---

---

---

---

---

---

For Discussion Purposes Only

### Administering Disbursements

#### Funding Basics

- G5, the Department of Education’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

Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

#### Program Funding

**Federal Pell Grant 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

Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

#### Disbursement Overview

G5 Drawdown Request

Deposit Received in "Federal Funds" Acct.

3 Business Days to Disburse

14 Calendar Days to Disburse

To Student/Parent

Disbursement Types

- Early
- Within Payment Period
- Late
- Post-Withdrawal
- Retroactive

Applied Against Institutional Costs

If Remaining Title IV Credit Balance

Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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

7 Federal Student Aid

---

---

---

---

---

---

---

---

**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

8 Federal Student Aid

---

---

---

---

---

---

---

---

**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
- 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

9 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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)
  - Disburse Federal Work-Study (FWS) wages by Electronic Fund Transfer (EFT) to a bank account designated by the student or parent
  - Credit FWS wages to a student's account to pay any educationally related charges
  - Hold an FSA credit balance

10 Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

**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, SAP, etc.)
- Both you and your Third-Party Servicer must have a process in place to make this determination

11 Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

**30 Day Delay for Direct Loan Borrowers**

- A student who is a first-time, first-year borrower cannot receive a 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

12 Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**Single Payment Period Disbursements**

- When a Direct Loan is made for one payment period, the loan must be disbursed in two 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

13 Federal Student Aid

---

---

---

---

---

---

---

---

**Disbursements in Modules**

- A student who is enrolled in a module within a payment period is enrolled for the entire payment period
  - The loan period includes the entire payment period
  - The cost of attendance excludes periods of non-attendance
  - Disbursements cannot be scheduled during periods on non-attendance

14 Federal Student Aid

---

---

---

---

---

---

---

---

**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
  - 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

15 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements




---

---

---

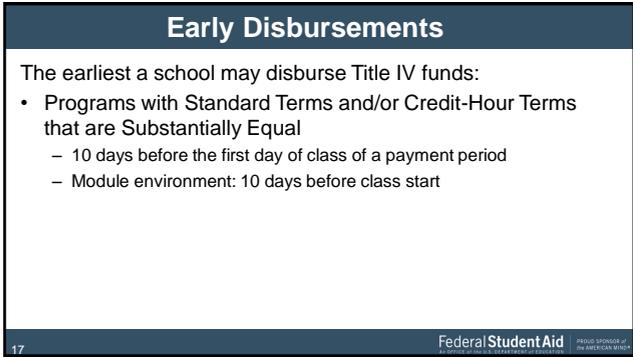
---

---

---

---

---




---

---

---

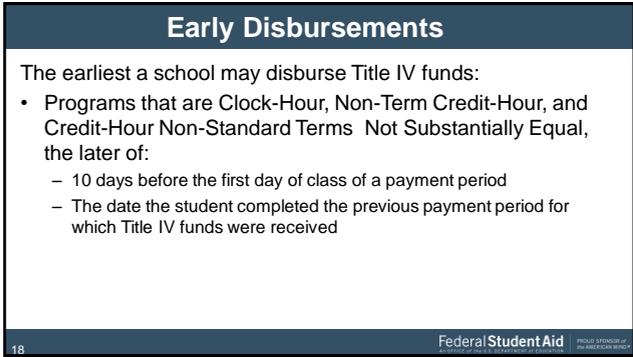
---

---

---

---

---




---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**Student Fails to Begin Attendance**

- If school disburses Pell, Iraq and Afghanistan Service Grant (IASG), TEACH, and Federal Supplemental Educational Opportunity Grant (FSEOG) and the student fails to begin attendance:
  - School must return the funds even if they were disbursed directly to the student

19 Federal Student Aid

---

---

---

---

---

---

---

---

**Student Fails to Begin Attendance**

- 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 student's actual enrollment status
  - Student is responsible to return the ineligible portion of funds disbursed

20 Federal Student Aid

---

---

---

---

---

---

---

---

**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

21 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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 half-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

22 Federal Student Aid

---

---

---

---

---

---

---

---



**Late Disbursements**

23 Federal Student Aid

---

---

---

---

---

---

---

---

**What is a Late Disbursement?**

- Generally, an otherwise eligible student becomes ineligible to receive Federal Student Aid 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 the FSA Grant, or Perkins Loan, 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."*

24 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**Needed Conditions for Late Disbursements**

#1 Condition for **All** Late Disbursements: ED processed a Student Aid Report/Institutional Student Information Record (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/Perkins:** Must have also made the award before the student became ineligible

25 Federal Student Aid

---

---

---

---

---

---

---

---

**Timing - Late Disbursements**

- Used for educational expenses incurred while student was enrolled and eligible
- Must be made no later than 180 days after the student became ineligible
- If student is eligible, school must attempt to make late disbursement***

26 Federal Student Aid

---

---

---

---

---

---

---

---

**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

27 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

### 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 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

Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

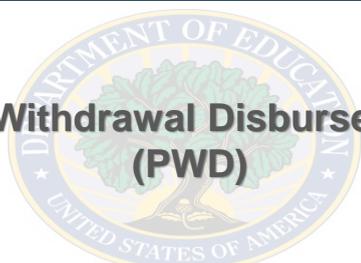
---

---

---

---

---



## Post-Withdrawal Disbursements (PWD)

Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

### 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.

300	-	200	=	100	.
Box I		Box E		J, \$	

Stop here, and enter the amount in "J" in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).  
*Step 4 continued*

Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**PWD of Grant Funds**

- School must provide written notification within 30 days of date of determination of withdrawal
- 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

31 Federal Student Aid

---

---

---

---

---

---

---

---

**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

32 Federal Student Aid

---

---

---

---

---

---

---

---



**Retroactive Disbursements**

33 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering 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 or loan period for which the student is eligible

34 Federal Student Aid

---

---

---

---

---

---

---

---

**Examples of Retroactive Disbursements**

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

35 Federal Student Aid

---

---

---

---

---

---

---

---

**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 base the calculation on the enrollment status according to work already completed
  - Must be at least half-time to disburse

36 Federal Student Aid

---

---

---

---

---

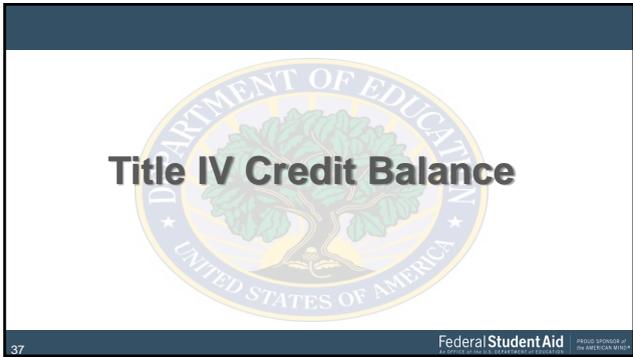
---

---

---

For Discussion Purposes Only

Administering Disbursements



**Title IV Credit Balance**

37 Federal Student Aid

---

---

---

---

---

---

---

---

**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.

38 Federal Student Aid

---

---

---

---

---

---

---

---

**Title IV Credit Balance 34 CFR 668.164 (e)**

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
Scholarship	\$1,000
<b>Title IV Credit Balance</b>	<b>= \$ 2,172</b>

39 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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

40 Federal Student Aid

---

---

---

---

---

---

---

---

**Paying Credit Balance: Check**

- Considered paid on date
  - School mails check
  - 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

41 Federal Student Aid

---

---

---

---

---

---

---

---

**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

42 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**Holding Title IV Credit Balances**

- School must release any remaining Title IV credit balance
  - 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!*

43 Federal Student Aid

---

---

---

---

---

---

---

---



**Disbursements When Regaining Eligibility**

44 Federal Student Aid

---

---

---

---

---

---

---

---

**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

45 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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

46 Federal Student Aid U.S. DEPARTMENT OF EDUCATION PRINCIPAL SPONSOR OF THE AMERICAN RESERVE

---

---

---

---

---

---

---

---

**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

47 Federal Student Aid U.S. DEPARTMENT OF EDUCATION PRINCIPAL SPONSOR OF THE AMERICAN RESERVE

---

---

---

---

---

---

---

---

**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*

48 Federal Student Aid U.S. DEPARTMENT OF EDUCATION PRINCIPAL SPONSOR OF THE AMERICAN RESERVE

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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

49 Federal Student Aid

---

---

---

---

---

---

---

---

50 Federal Student Aid

---

---

---

---

---

---

---

---

**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

51 Federal Student Aid

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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

52 Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

**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

53 Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

**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

54 Federal Student Aid  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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

55 Federal Student Aid

---

---

---

---

---

---

---

---

**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

56 Federal Student Aid

---

---

---

---

---

---

---

---

**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

57 Federal Student Aid

---

---

---

---

---

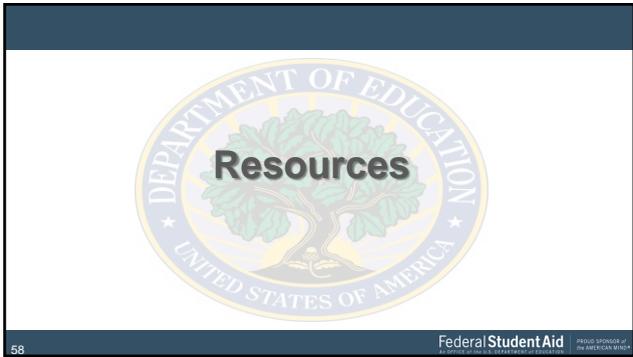
---

---

---

For Discussion Purposes Only

Administering Disbursements




---

---

---

---

---

---

---

---

Resources	
<i>Federal Student Aid Handbook</i>	
Volume 4, Chapter 1	Requesting FSA Funds
Volume 4, Chapter 2	Disbursing FSA Funds
Volume 5, Chapter 2	Post-Withdrawal Disbursements
<b>Federal Regulations – 34 CFR</b>	
668.165(a)	Notifications
668.165(b)	Authorizations
668.164(j)	Early Disbursements
668.164(m)	30-Day Delay for DL Borrowers

---

---

---

---

---

---

---

---

Resources (cont.)	
<b>Federal Regulations – 34 CFR</b>	
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

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Administering Disbursements

**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
- To register please go to - <https://cvent.me/MDqvk>

61 Federal Student Aid FEDERAL DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

**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 they are ready to assist schools with their questions.

62 Federal Student Aid FEDERAL DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

For Discussion Purposes Only