

U.S. Department of Education  
*Federal Student Aid*

# THE BLUE BOOK

Accounting, Recordkeeping and Reporting  
by Postsecondary Educational Institutions  
Participating in the Federal Student Aid Programs



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FEDERAL STUDENT AID

# Part 1

## Institutional Participation Requirements for the Business Office

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# Standards of School Eligibility



*In this chapter, we'll discuss those aspects of school and program eligibility of which a school's fiscal offices should be aware. You can find information on Applying for Participation in the "Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations."*

A school that wishes to participate in the FSA programs must demonstrate that it is eligible to participate before it can be certified for participation. A school must apply to and receive approval from the Department of its eligibility to participate. Some schools apply only for a designation as an eligible school (they do not seek to participate) so that students attending the school may receive deferments on FSA program loans, or be eligible for the HOPE/Lifetime Learning Scholarship tax credits, or so that the school may apply to participate in federal HEA programs other than the FSA programs. The same application is used to apply for both eligibility and certification for participation (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 2).

## THE THREE DEFINITIONS OF ELIGIBLE INSTITUTIONS

The regulations governing institutional eligibility define three types of eligible institutions — institutions of higher education, proprietary institutions of higher education, and postsecondary vocational institutions. Under the three definitions, a school is eligible to participate in all the FSA programs provided the school offers the appropriate type of eligible program (see chart on next page). This section covers the key elements of the three definitions, giving special attention to those requirements that affect the definition of an eligible program.

Although the criteria for the three types of institutions differ somewhat, the definitions are not mutually exclusive. That is, a public or private nonprofit institution may meet the definition of more than one type of eligible institution.

## INSTITUTIONAL CONTROL

The *control* of a school distinguishes whether the school is public or private, nonprofit or for profit. Under the institutional definitions, an *institution of higher education* or a *postsecondary vocational institution* can be either public or private, but is always nonprofit. A *proprietary institution of higher education* is always a private, for profit institution.

### The FSA Assessment module

that can assist you in understanding and assessing your compliance with the provisions of this chapter is "Institutional Eligibility," at



<http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentA.html>

and specifically the "Accreditation/State Approval section," at

<http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentApage3.html>

### Definitions of eligible institutions of education cite

34 CFR 600.4, 600.5, and 600.6



### Nonprofit institution

A school that is

- owned and operated by one or more nonprofit corporations or associations whose net earnings do not benefit any private shareholder or individual,
- legally authorized to operate as a nonprofit organization by each state in which it is physically located, and
- determined by the Internal Revenue Service (IRS) to be eligible for tax-deductible contributions in accordance with the IRS Code (26 U.S.C. 501(c)(3)).

## ELIGIBLE INSTITUTION

To be eligible a school must adhere to the following requirements:

It must be *Legally Authorized* by the state where the school offers postsecondary education to provide a postsecondary education program.

It must be *Accredited* by a nationally recognized accrediting agency or have met the alternative requirements, if applicable. And

It must *Admit as a regular student* only individuals with a high school diploma or its recognized equivalent, or individuals beyond the age of compulsory school attendance in the state where the school is located.

### Type and Control of Eligible Institutions

<b><i>Institution of Higher Education</i></b>	<b><i>Proprietary Institution of Higher Education</i></b>	<b><i>Postsecondary Vocational Institution</i></b>
A public or private nonprofit educational institution located in a state	A private, for-profit educational institution located in a state	A public or private nonprofit educational institution located in a state

### Eligible Programs

<p>(1) Associate, bachelor's, graduate, or professional degree, or</p> <p>(2) At least a two-year program that is acceptable for full credit toward a bachelor's degree, or</p> <p>(3) At least a one-year training program that leads to a degree or certificate (or other recognized educational credential) and prepares students for gainful employment in a recognized occupation.</p>	<p>Program offered: must provide training for gainful employment in a recognized occupation, and must meet the criteria of at least one category below.</p> <p>(1) Provides at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. May admit students without an associate degree or equivalent.</p> <p>(2) Provides at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program, or must admit only students with an associate degree or equivalent.</p> <p>(3) Provides at least a 10-week (instructional time) undergraduate program of 300-599 clock hours. Must admit at least some students who do not have an associate degree or equivalent, and must meet specific qualitative standards. Note: These programs are eligible only for FFEL and Direct Loan participation.</p>
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### Additional Rules

<p>"Two-Year Rule" (applicable to proprietary and postsecondary vocational institutions) — Legally authorized to give (and continuously has been giving) the same postsecondary instruction for at least two consecutive years.</p> <p>Special rule (applicable to proprietary institutions) — Derives no more than 90% of its revenues from FSA funds.</p>
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## ADMISSIONS STANDARDS

An eligible school may admit as regular students only persons who have a high school diploma or its recognized equivalent, or persons who are beyond the age of compulsory school attendance in the state in which the school is located.

To be eligible for Federal Student Aid, students who are beyond the age of compulsory attendance but who do not have a high school diploma or its recognized equivalent must meet ability-to-benefit criteria or meet the student eligibility requirements for a student who is home schooled. (For more information on this student eligibility requirement, see *the Federal Student Aid Handbook, Volume 1 – Student Eligibility*).

### High school diploma

Unless required by its accrediting or state licensing agency, the school is not required to keep a copy of a student's high school diploma or GED (the recognized equivalent of a high school diploma (see below)). Rather, the school may rely on the student's certification (including that on the FAFSA) that he or she has received the credential and a copy of the certification must be kept on file. This certification need not be a separate document. It may be collected on the school's admissions application. The school may also require the student to provide supporting documentation.

### Recognized equivalent of a high school diploma

Generally, a recognized equivalent of a high school diploma is either a GED or a state certificate (received after the student has passed a state-authorized test) that the state recognizes as being equivalent to a high school diploma. However, the Department recognizes that there are special cases. If a student has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree, the student's academic transcript is considered equivalent to a high school diploma. A student without a high school diploma who is seeking enrollment in a program of at least the associate-degree level, and who has excelled academically in high school and met formalized written admissions policies of the school, is also considered to have the equivalent of a high school diploma. These students may be eligible to receive FSA program funds without having to meet the ability-to-benefit requirements, provided the students are no longer enrolled in high school. A student who has neither a high school diploma nor its recognized equivalent may become eligible to receive FSA program funds by achieving a passing score (specified by the Department) on an independently administered test approved by the Department. (For a complete discussion of the Ability-to-benefit provisions and additional discussion of home-schooled students' eligibility, see *the Federal Student Aid Handbook, Volume 1– Student Eligibility*.)

### Admissions standards cite

34 CFR 600.4(a)(2)  
34 CFR 600.5(a)(2)  
34 CFR 600.6(a)(2)



### Regular student

A person who is enrolled (or is accepted for enrollment) in an eligible program for the purpose of obtaining a degree, certificate, or other recognized educational credential. Note that, if an individual is not yet beyond the age of compulsory school attendance in the state in which the institution is physically located, the institution may only enroll the individual as a "regular student" if he or she has a high school diploma or its equivalent.

### Regular student cite

34 CFR 600.2

### High school diploma

By high school diploma we mean one recognized by the state in which the high school is located. See "the Federal Student Aid Handbook, Volume 1, Student Eligibility" for more information.

### Ability-to-benefit cite

34 CFR 668, Subpart J



### Ability-to-benefit limitation cite

34 CFR 600.7(a)(1)(iv)

A school that admits students who do not have a high school diploma nor its recognized equivalent has some additional considerations. Unless the school provides a four-year bachelor's degree program or two-year associate degree program, it does not qualify as an eligible school if, for its latest complete award year, more than 50% of its regular enrolled students had neither a high school diploma nor its equivalent. A waiver of this limitation is possible for some schools. See the discussion under *Ability-to-benefit limitation* later in this chapter for more information.

### Home schooling

Under the student eligibility provisions of the HEA, a student who does not have a high school diploma or GED is eligible to receive Federal Student Aid if the student completes a secondary school education in a home-school setting that is treated as a home school or private school under state law. However, a student must be enrolled in an eligible school to receive Federal Student Aid, and the statute also requires that an eligible school may admit as regular students only students with high school diplomas or GEDs, or students who are beyond the age of compulsory school attendance in the state in which the school is located.

The Department considers that a home-schooled student is beyond the age of compulsory school attendance if the state in which the eligible school is located does not consider the student truant once he or she has completed a home-school program.

In documenting a home-schooled student's completion of secondary school in a home-schooled setting, a school may rely on a home-schooled student's self-certification that he or she completed secondary school in a home school setting, just as it may accept a high school graduate's self-certification of his or her receipt of a high school diploma. Self-certification of the receipt of a high-school diploma is commonly done through an answer to a question on the Free Application for Federal Student Aid (FAFSA). However, because the FAFSA does not include a question regarding home-school completion, institutions may accept such self-certifications in institutional application documents, in letters from the students, or in some other appropriate record.

#### Home schooling cite

34 CFR 668.32(e), and

DCL: GEN-02-11

Eligibility of Home-Schooled Students –

Institutional and Student Eligibility,

November 27, 2002



#### Home schooling example

If your state requires children to attend school until age 17, you may admit as a regular student a home-schooled student who completes the secondary curriculum at age 16 if your state would not consider the student truant and would not require that student to go back to high school, or continue a home-school education until age 17.

## ADDITIONAL INSTITUTIONAL ELIGIBILITY FACTORS

### *Correspondence course and correspondence student limitation*

In general, a school does not qualify as eligible to participate in the FSA programs if, for the latest complete award year,

- more than 50% of the school's courses were correspondence courses (correspondence course limitation),

This limitation does not apply to a school that mainly provides vocational adult education or job training (as defined under Sec. 521(4)(C) of the Carl D. Perkins Vocational and Applied Technology Education Act).

- 50% or more of the school's regular enrolled students were enrolled in correspondence courses (correspondence student limitation).

This limitation may be waived for a school that offers a two-year associate degree or four-year baccalaureate degree program if the school demonstrates to the Department that in that award year, the students enrolled in its correspondence courses receive no more than 5% of the total FSA program funds received by all of the school's students in the award year.

For additional information on the effects of correspondence courses and students on institutional eligibility, see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 8.

### *Incarcerated student limitation*

A school is not eligible for FSA program participation if, in its latest complete award year, more than 25% of its regular students are incarcerated. A public or private non-profit school can ask the Department to waive this limitation. For a public or private non-profit school offering only two-year or four-year programs that lead to associate or bachelor's degrees, the waiver applies to all programs offered at the school. However, if the public or private non-profit school offers other types of programs, the waiver would apply to any of the school's two-year associate degree programs or four-year bachelor's degree programs, and also to any other programs in which the incarcerated regular students enrolled have a 50% or greater completion rate. (The calculation of this completion rate is specified in Section 600.7(e)(2) of the Institutional Eligibility regulations and must be attested to by an independent auditor.) If granted, the waiver is effective as long as the public or private non-profit school continues to meet the waiver requirements each award year. For information on the eligibility of incarcerated students for FSA assistance, see *the Federal Student Aid Handbook, Volume 1 – Student Eligibility*.

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#### **Conditions of institutional ineligibility cite**

34 CFR 600.7




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#### **Correspondence limitations cite**

Sec. 481(a)(3)(A) and (B) of the HEA  
34 CFR 600.7(a)(1)(i) and (ii)

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#### **Student eligibility**

For information about a student's eligibility for FSA program funds while enrolled in a correspondence course and cost of attendance information for correspondence courses, see "the Federal Student Aid Handbook, Volume 1 – Student Eligibility."

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#### **Incarcerated student defined**

An "incarcerated student" is a student who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution (does not include detention in a halfway house, home detention, or weekend-only sentences).

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#### **Incarcerated student limitation cite**

34 CFR 600.7(a)(1)(iii) and 600.7(c)



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**Ability-to-benefit cite**

34 CFR 668, Subpart J



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**Ability-to-benefit limitation cite**

34 CFR 600.7(a)(1)(iv)

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**Prohibited associations cite**

34 CFR 668.14(b) (18)(i), (ii), & (iii)



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**Disqualified individuals and the PPA**

In its PPA, a school agrees to not knowingly employ in a capacity involving the administration of Title IV funds, anyone who has pled nolo contendere or guilty or has been administratively or judicially determined to have committed fraud or any other material violation of the law

## **Ability-to-benefit limitation**

A student who has neither a high school diploma nor its equivalent is referred to as an *ability-to-benefit* student (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations* for additional information about ability-to-benefit students). Unless a school provides a four-year bachelor’s degree program, or a two-year associate degree program, the school will not qualify as an eligible school if, for its latest complete award year, more than 50% of its regular enrolled students had neither a high school diploma nor its equivalent.

If a public or private nonprofit institution exceeds the ability-to-benefit limitation because it serves significant numbers of ability-to-benefit students through contracts with federal, state, or local government agencies, the Department may waive the limitation.

The waiver will only be granted if no more than 40% of the public or private non-profit regular students not served through contracts with federal, state, or local government agencies to provide job training do not have a high school diploma or its equivalent. If granted, the waiver may be extended in each year the public or private non-profit school continues to meet the requirements. The public or private non-profit school’s ability-to-benefit calculation must be attested to by an independent auditor.

## **Bankruptcy**

A school is not an eligible school if the school, or an affiliate of the school that has the power, by contract or ownership interest, to direct or cause the direction of the management of policies of the school, files for relief in bankruptcy or has entered against it an order for relief in bankruptcy.

## **Crimes involving FSA program funds**

In order to safeguard FSA funds, schools are prohibited from having as principals or employing, or contracting with other organizations that employ individuals who have engaged in the misuse of government funds. Specifically, a school must not knowingly –

1. employ in a capacity that involves the administration of the Title IV, HEA programs or the receipt of funds under those programs, an individual who has been convicted of, or has pled nolo contendere or guilty to, a crime involving the acquisition, use, or expenditure of federal, state, or local government funds, or has been administratively or judicially determined to have committed fraud or any other material violation of law involving federal, state, or local government funds;

2. contract with a school or third-party servicer that has been terminated under the HEA for a reason involving the acquisition, use, or expenditure of federal, state, or local government funds, or that has been administratively or judicially determined to have committed fraud or any other material violation of law involving federal, state, or local government funds; or
3. contract with or employ any individual, agency, or organization that has been, or whose officers or employees have been:
  - a. convicted of, or pled nolo contendere or guilty to, a crime involving the acquisition, use, or expenditure of federal, state, or local government funds; or
  - b. administratively or judicially determined to have committed fraud or any other material violation of law involving federal, state, or local government funds.



# The Program Participation Agreement



*A school's Program Participation Agreement (PPA) describes requirements of its participation in the FSA programs. Because several items in the agreement are directly related to a school's fiscal operations, here we offer a review.*

If the Department determines that a school has met the school eligibility requirements, the Department then assesses the school's financial responsibility and administrative capability. These evaluations are used to determine whether the school may be certified for participation in the FSA programs.

If the Department certifies a school to participate in the FSA programs, the school is bound by the requirements of those programs. To begin its participation, a school must enter into a Program Participation Agreement (PPA).

An eligible school must enter into a PPA with the Department to participate in the following programs

- ◆ Federal Pell Grant,
- ◆ Federal Supplemental Educational Opportunity Grant (FSEOG),
- ◆ Federal Work-Study (FWS),
- ◆ Federal Perkins Loan (Perkins),
- ◆ Federal Direct Loan Program (DL), and
- ◆ Federal Family Education Loan (FFEL).

## **Purpose and scope of the PPA**

Under the PPA, the school agrees to comply with the laws, regulations, and policies governing the FSA programs. After being certified for FSA program participation, the school must administer FSA program funds in a prudent and responsible manner. A PPA contains critical information about a school's participation in the FSA programs. In addition to the effective date of a school's approval, the date by which the school must reapply for participation, and the date on which the approval expires, the PPA lists the FSA programs in which the school is eligible to participate.

### **Program Participation Agreement. cites**

Sec. 487, 34 CFR 668.14



**United States  
Department  
of Education**  
**Program  
Participation  
Agreement**

After enumerating the FSA programs in which a school is authorized to participate, a PPA states the General Terms and Conditions for institutional participation. By signing the PPA a school agrees to

1. comply with the program statutes, regulations, and policies governing the FSA programs;
2. establish a drug abuse prevention policy accessible to any officer, employee, or student at the school;
3. comply with
  - a. the Campus Security Policy and Crime Statistics disclosure requirements of the HEA;
  - b. Title VI of the Civil Rights Act of 1964, as amended, barring discrimination on the basis of race, color, or national origin;
  - c. Title IX of the Education Amendments of 1972, barring discrimination on the basis of sex;
  - d. Section 504 of the Rehabilitation Act of 1973, barring discrimination on the basis of physical handicap; and
  - e. The Age Discrimination Act of 1975;
4. acknowledge that the Department, states, and accrediting agencies share responsibility for maintaining the integrity of the FSA programs and that these organizations may share information about the school without limitation; and
5. acknowledge that the school must, prior to any other legal action, submit any dispute involving the final denial, withdrawal, or termination of accreditation to final arbitration.

### PPA Requirements

In addition to the general statement that a school will comply with the program statutes, regulations, and policies governing the FSA programs, a PPA contains references to selected important provisions of the General Provisions Regulations (34 CFR Part 668). Some of the specific requirements in 34 CFR 668 enumerated in a PPA are discussed below. Others are discussed elsewhere in this Handbook. The PPA specifies that –

1. The school will use funds received under any FSA program as well as any interest and other earnings thereon **solely for the purposes specified for that program.**
2. If the school is permitted to request FSA program funds under an advance payment method, the school will **time its requests for funds to meet only the school's immediate FSA program needs** (see *the Federal Student Aid Handbook, Volume 4 – Processing and Managing FSA Funds*).

3. **Schools cannot charge for processing or handling any application or data used to determine a student’s FSA eligibility.** For instance, the school may not charge (or include in the student’s cost of attendance) a fee to certify a loan application, complete a deferment form, process a Pell Grant payment, verify an application, or send or request a financial aid transcript.

A student uses the Free Application for Federal Student Aid (FAFSA) to apply for FSA program funds. However, a school may require additional data that are not provided on the federal form to award school aid. School charges for collecting such data must be reasonable and within marginal costs.

4. The school will comply with the provisions of 34 CFR 668 relating to factors of **financial responsibility and administrative capability** (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapters 10 and 11).
5. The school will **provide timely information** on its administrative capability and financial responsibility to the Department and to the appropriate state, guaranty, and accrediting agencies (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapters 10 and 11).
6. The school must, in a **timely manner**, complete reports, surveys, and any other data collection effort of the Department including surveys under the Integrated Postsecondary Education Data System (IPEDS).
7. The school will not provide any statement to a student or certification to a lender that qualifies the student for a loan or loans in excess of the annual or aggregate loan limits applicable to that student according to the appropriate regulations.
8. The school will provide information concerning **institutional and financial assistance information** as required to students and prospective students. (See *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 6.)
9. If the school advertises **job placement rates** to attract students, it must provide a prospective student with any relevant information on state licensing requirements for the jobs for which the offered training will prepare the student. Also, the school must provide a statement disclosing the most recent available data concerning employment statistics, graduation statistics, and other information to substantiate the truthfulness of the advertisements.

The law does not require a school to verify that a student is enrolled in a GED program or to monitor the student’s progress in the program. A student admitted based on his or her ability to benefit who does not have a high school diploma or its recognized equivalent is not required by law to enroll in a GED program, but the school may choose to make this an admission requirement.

10. If the school participates in the FFEL program, the school will provide borrowers with information about **state grant assistance** from the state in which the school is located, and will inform borrowers from other states of the sources of information about state grant assistance from those states.
11. If the school provides financial assistance to students under the **ability to benefit** provisions, the school will make available to those students a program proven successful in assisting students in obtaining the recognized equivalent of a high school diploma (For additional information, see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 3.).
12. The school cannot deny FSA funds on the grounds that a student is **studying abroad** if the student is studying in an approved-for-credit program (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapters 1 and 7).
13. To begin participation in the FFEL programs (or if a school **changes ownership** or changes its status as a parent or subordinate institution), the school must develop a **default management plan** for approval by the Department and must implement the plan for at least two years.

A school is exempt from submitting a default management plan if (a) the parent school and the subordinate school both have a cohort default rate of 10% or less and (b) the new owner of the parent or subordinate school does not own, and has not owned, any other school with a cohort default rate over 10%.

14. The school must **acknowledge the authority of the Department** and other entities to share information regarding fraud, abuse, or the school's eligibility for participation in the FSA programs (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 12).
15. The school **may not knowingly employ or contract** with any individual, agency, or organization that has been convicted of or pled guilty or nolo contendere to a crime or was judicially determined to have committed fraud involving the acquisition, use, or expenditure of federal, state, or local government funds or has been administratively or judicially determined to have committed fraud or any other material violation involving federal, state, or local government funds.

16. In the case of a school that offers athletically related student aid, it will **disclose the completion and graduation rates of student athletes** and the athletic program participation and financial support pursuant to 34 CFR 668.47 and 34 CFR 668.48 in conformance with the Student Right-to-Know Act (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 6).
17. The school **cannot penalize** in any way a student who is unable to pay school costs due to compliance with the FSA program requirements or due to a delay in a Title IV loan disbursement caused by the school.
18. The school cannot pay or contract with any entity that pays commissions or other incentives based directly or indirectly on securing enrollment or financial aid (except when recruiting foreign students ineligible for FSA program funds) to persons engaged in recruiting, enrolling, admitting, or financial aid administration. (For additional information, see the section *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 2.)
19. The school must comply with the requirements of the Department as well as those of accrediting agencies (see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 1).
20. The school must comply with the requirements for the **Return of Title IV funds** when a student withdraws (See *the Federal Student Aid Handbook, Volume 5 – Overawards, Overpayments, and Withdrawal Calculations*).
21. The **school is liable** for all improperly administered funds received or returned under the FSA programs including any funds administered by a third-party servicer.
22. A school must furnish information to the holders of Stafford or PLUS loans that were made at that school, as needed to carry out program requirements.
23. A school must not certify or originate an FFEL or Direct Loan for an amount that exceeds the annual or aggregate loan limits.
24. If the stated objectives of an educational program offered by the school are preparing students for **gainful employment in a recognized occupation the school will**
  - a. demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation, and
  - b. establish the need for the training for the student to obtain employment in the recognized occupation for which the program prepares the student.

25. Either the institution or the Department may terminate a PPA.

An institution's PPA no longer covers a location of the institution as of the date that location ceases to be part of the participating institution.

The above list is not exhaustive; schools must carefully review all of the requirements listed on their PPA and those specified in 34 CFR 668.14. In addition, a school must meet any requirements for participation specific to an individual FSA program.

# General Participation Requirements



*Participation standards are important because FSA funds received by a school are held in trust by that school for the intended student beneficiaries. In this chapter, we'll discuss those general requirements of which those in fiscal operation should be aware. You can find additional information on general participation requirements in the Federal Student Aid Handbook, Volume 2.*

## CIVIL RIGHTS AND PRIVACY REQUIREMENTS

When a school signs the PPA, it also agrees to comply with the civil rights and privacy requirements contained in the Code of Federal Regulations (CFR) that apply to all students in the educational program, not just to FSA recipients (see the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapters 6 & 9*).

## CONTRACTS WITH THIRD-PARTY SERVICERS

Schools are permitted to contract with consultants for assistance in administering the FSA programs. However, the school ultimately is responsible for the use of FSA funds and will be held accountable if the consultant mismanages the programs or program funds.

The General Provisions regulations contains requirements for all participating institutions that contract with third-party servicers. As defined by regulation, a third-party servicer is an individual or organization that enters into a contract (written or otherwise) with a school to administer any aspect of the institution's FSA participation.

Examples of functions that are covered by this definition are:

- processing student financial aid applications, performing need analysis, and determining student eligibility or related activities;
- certifying loan applications, servicing loans, or collecting loans;
- processing output documents for payment to students, and receiving, disbursing, or delivering FSA funds;

### The FSA Assessment modules

that can assist you in understanding and assessing your compliance with the provisions of this chapter are "Institutional Eligibility," at



<http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentA.html>

"Consumer Information," at

<http://ifap.ed.gov/qamodule/ConsumerModule/ConsumerInformation.html>

and "Recertification," at

<http://ifap.ed.gov/qamodule/RecerModule/Recertification.html>

### Third-party servicer cite

34 CFR 668.25, 668.1, 668.2, 668.11, 668.14, 668.15, 668.16, 668.23, 668.81, 668.82, 668.83, 668.84, 668.86, 668.87, 668.88, 668.89, and Subpart H.



- conducting required student consumer information services;
- preparing and certifying requests for advance or reimbursement funding, preparing and submitting notices and applications required of eligible and participating schools, or preparing the Fiscal Operations Report and Application to Participate (FISAP); and
- processing enrollment verification for deferment forms or Student Status Confirmation Reports.

### *Excluded activities*

Examples of functions excluded from this definition are:

- performing lockbox processing of loan payments;
- performing normal electronic fund transfers (EFTs);
- publishing ability-to-benefit tests;
- acting as a Multiple Data Entry Processor (MDE);
- financial and compliance auditing;
- mailing documents prepared by a school or warehousing school records;
- participating in written arrangements between eligible schools to make eligibility determinations and FSA program awards under 34 CFR 668.5(d)(2); and
- providing computer services or software.

### *Employees of a school*

An employee of a school is not a third-party servicer. For this purpose, an employee is one who:

- works on a full-time, part-time, or temporary basis,
- performs all duties on site at the school under the supervision of the school,
- is paid directly by the school,
- is not employed by or associated with a third-party servicer, and
- is not a third-party servicer for any other school.

### *Requirements for contracting with a third-party servicer*

A school may only contract with an eligible third-party servicer as specified by the regulatory criteria. Under such a contract, the servicer agrees to comply with all applicable requirements, to refer any suspicion of fraudulent or criminal conduct in relation to FSA program administration to the Department's Inspector General, and, if the servicer disburses funds, to confirm student eligibility and make the required Returns to Title IV funds when a student withdraws.

If the contract is terminated, or the servicer ceases to perform any functions prescribed under the contract, the servicer must return to the school all unexpended FSA funds and records related to the servicer's administration of the school's participation in the FSA programs.

### *Institutional liability*

A school remains liable for any and all FSA-related actions taken by the servicer on its behalf.

### *Notifying the Department of contracts*

Schools are required to notify the Department of all existing third-party servicer contracts. If a school has submitted information regarding its third-party servicers as part of applying for certification or recertification, no additional submission is required. A school is not required to notify the Department if it does not contract with any third-party servicers.

If a school has not notified the Department, the school immediately must do so by completing Section J of the *Application for Approval to Participate in Federal Student Aid Programs (E-App)*. (See the *Federal Student Aid Handbook, Volume 2, chapter 5*).

Schools are required to notify the Department if:

- the school enters into a contract with a new third-party servicer;
- the school significantly modifies a contract with an existing third-party servicer;
- the school or one of its third-party servicers terminates a contract;
- or a third-party servicer ceases to provide contracted services, goes out of business, or files for bankruptcy.

Notification to the Department (which must include the name and address of the servicer and the nature of the change or action) must be made within 10 days of the date of the change or action.

A school must provide a copy of its contract with a third-party servicer only upon request. A school is not required to submit the contract as part of the recertification process.

## INCENTIVE COMPENSATION

*The Department does not review or approve an individual school's payment arrangements. ED developed the 12 permissible payment arrangements found in 34 CFR 668.14(b)(22)(ii) to provide an illustrative framework a school may use to make its own determination about compliance with the HEA. The list is not exhaustive, and schools that have additional questions should consult with their legal counsel when making this determination.*

### Covered employee

One who is involved in recruitment, admissions, enrollment, or financial aid activities

Section 487(a) (20) of the HEA prohibits a school from providing any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any individual or entity engaged in recruiting or admission activities or in making decisions regarding the award of FSA program funds. This statutory prohibition is implemented in 34 CFR 668.14(b) (22).

In response to numerous requests from schools, and after engaging in negotiations with the financial aid community, the Department amended the regulations on November 1, 2002. ED identified 12 types of payment and compensation plans that do not violate the statutory prohibition. These 12 safe harbors are divided into two categories.

The first safe harbor comprises the entirety of the first category, and describes whether a particular compensation payment is an incentive payment. It explains the conditions under which a school may pay compensation without that compensation being considered an incentive payment.

The second category is composed of the remaining 11 safe harbors. It describes the conditions under which a school may make an incentive payment to an individual or entity that could potentially be construed as based upon securing enrollments or financial aid. The safe harbors in this category describe the conditions under which such a payment may be made. If an incentive payment arrangement falls within any one safe harbor, that payment arrangement is not covered by the statutory prohibition.

The payment or compensation plans included in the safe harbors cover the following subjects:

1. adjustments to employee compensation;
2. recruitment into programs that are not eligible for Title FSA program funds;
3. payment for securing contracts with employers;
4. profit-sharing or bonus payments;
5. compensation based upon students completing their programs of study;

6. payments to employees for pre-enrollment activities;
7. compensation paid to managerial and supervisory employees not involved in admissions or financial aid;
8. token gifts;
9. profit distributions;
10. Internet-based recruiting activities;
11. payments to third parties for services to the school that do not include recruitment activities; and
12. payments permitted to third parties for services that include recruitment activities.

### *Adjustments to employee compensation*

This safe harbor strikes a balance between a school's need to base its employees' salaries or wages on merit, and the Department's responsibility to ensure that such adjustments do not violate the statutory prohibition against the payment of commissions, bonuses, and other incentive payments. Under this safe harbor, a school may make up to two adjustments (upward or downward) to a covered employee's annual salary or fixed hourly wage rate within any 12-month period without the adjustment being considered an incentive payment, provided that no adjustment is based solely on the number of students recruited, admitted, enrolled, or awarded financial aid. One cost-of-living increase that is paid to all or substantially all of the school's full-time employees will not be considered an adjustment under this safe harbor. In addition, with regard to overtime, if the basic compensation of an employee is not an incentive payment, neither is overtime pay required under the Federal Labor Standards Act.

### *Enrollments in programs that are not eligible for FSA program assistance*

This safe harbor recognizes that compensation to recruiters based upon their recruitment of students who enroll only in programs that are not eligible for FSA program funds is not covered by the incentive compensation prohibition.

### *Contracts with employers*

In general, the business-to-business marketing of employer-provided education is not covered by the incentive compensation prohibition. This safe harbor addresses the payment of employees' tuition and fees by an employer (either directly to the school or by reimbursement to the employee) under a contract arranged by a recruiter who is paid an incentive.

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#### **Adjustments to employee compensation cite**

34 CFR 668.14(b)(22)(ii)(A)




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#### **Programs that are not eligible for FSA program assistance cite**

34 CFR 668.14(b)(22)(ii)(B)




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#### **Contracts with employers cite**

34 CFR 668.14(b)(22)(ii)(C)



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**Profit-sharing or bonus payments cite**

34 CFR 668.14(b)(22)(ii)(D)




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**Compensation based upon program completion cite**

34 CFR 668.14(b)(22)(ii)(E)




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**Credits must be earned in residence**

For this purpose, a school may not count transfer credits, credits awarded through successful completion of testing, credits for life experience, and any other credits not earned through attendance at that school toward the successful completion of an academic year.

As long as there is no direct contact by the school's representative with prospective students, and as long as the employer is paying at least 50% of the training costs, incentive payments to recruiters who arrange for such contracts are not covered by the incentive payment prohibition, provided that the incentive payments are not based on the number of employees who enroll, or the amount of revenue generated by those employees.

***Profit-sharing or bonus payments***

Profit-sharing and bonus payments to all or substantially all of a school's full-time employees are not incentive payments based on success in securing enrollments or awarding financial aid. As long as the profit-sharing or bonus payments are substantially the same amount or the same percentage of salary or wages, and as long as the payments are made to all or substantially all of the school's full-time professional and administrative staff, compensation paid as part of a profit-sharing or bonus plan is not considered a violation of the incentive payment prohibition. In addition, such payments can be limited to all or substantially all of the full-time employees at one or more organizational level at the school, except that an organizational level may not consist predominantly of recruiters, the admissions staff, or the financial aid staff.

***Compensation based upon program completion***

This safe harbor recognizes that a major reason for the incentive compensation prohibition is to prevent schools from enrolling unqualified students. Completing a program of education or, in the case of students enrolled in a program longer than one academic year, completing the first academic year of that program, is a reliable indicator that the students were qualified to enroll in the program. Therefore, compensation that is based upon students successfully completing their educational programs, or one academic year of their educational programs, whichever is shorter, does not violate the incentive compensation prohibition.

Successful completion of an academic year means that the student has earned at least 24 semester or trimester credit hours or 36 quarter credit hours, or has successfully completed at least 900 clock hours of instruction at the school . (Time may not be substituted for credits earned.) In addition, the 30 weeks of instructional time element of the definition of an academic year does not apply to this safe harbor. Therefore, this safe harbor applies when a student earns, for example, 24 semester credits, no matter how short or long a time that takes.

## Pre-enrollment activities

This safe harbor recognizes that generally, clerical pre-enrollment activities are not considered recruitment or admission activities. Accordingly, individuals whose responsibilities are limited to pre-enrollment activities that are clerical in nature are outside the scope of the incentive payment restrictions.

The Department considers that soliciting students for interviews is a recruitment activity, not a pre-enrollment activity, and individuals may not receive incentive compensation based on their success in soliciting students for interviews. In addition, since a recruiter's job description is to recruit, it would be very difficult for a school to document that it was paying a bonus to a recruiter solely for clerical pre-enrollment activities.

## Managerial and supervisory employees

This safe harbor recognizes that the incentive payment prohibition applies only to individuals who perform activities related to recruitment, admissions, enrollment, or the financial aid awarding process and their immediate supervisors. Direct supervisors are included in this prohibition because their actions generally have a direct and immediate impact on the individuals who carry out these covered activities.

The incentive payment prohibition, therefore, does not extend beyond first line supervisors or managers.

## Token gifts

Under this safe harbor, the regulations have been amended to take into account an increase in the value of what is considered a *token gift*. The Department has increased the maximum cost of a token, noncash gift that may be provided to an alumnus or student to \$100, provided that:

- the gifts are not in the form of money; and
- no more than one gift is provided annually to an individual.

The cost basis of a token noncash gift is what the school paid for it. The value is the fair market value of the item.

## Profit distributions

This safe harbor recognizes that profit distributions to owners are not payments based on success in securing enrollments or awarding financial aid. Therefore any owner, whether an employee or not, is entitled to a share of the organization's profits to the extent they represent a proportionate share of the profits based upon the employee's ownership interest.

### Pre-enrollment activities cite

34 CFR 668.14(b)(22)(ii)(F)



### Buying third-party leads

Although buying leads from third parties for a flat fee is not a clerical pre-enrollment activity under this safe harbor, the activity is not covered under the incentive compensation prohibition.

### Managerial and supervisory employees cite

34 CFR 668.14(b)(22)(ii)(G)



### Token gifts cite

34 CFR 668.14(b)(22)(ii)(H)



### The fair market value of an item

might be considerably greater than its cost. A high value item for which the school paid a minimal cost would not be considered a token gift.

### Profit distributions cite

34 CFR 668.14(b)(22)(ii)(I)



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**Internet-based activities**

34 CFR 668.14(b)(22)(ii)(J)



*Internet-based activities*

This safe harbor recognizes that the Internet is simply a communications medium, much like the U.S. mail, and is outside the scope of the incentive compensation prohibition. This safe harbor permits a school to award incentive compensation for Internet-based recruitment and admission activities that –

- provide information about the school to prospective students;
- refer prospective students to the school ; or
- permit prospective students to apply for admission online.

*Payments to third parties for non-recruitment activities*

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**Payments to third parties for non-recruitment activities**

34 CFR 668.14(b)(22)(ii)(K)



This safe harbor recognizes that the incentive payment prohibition applies only to activities dealing with recruiting, admissions, enrollment, and financial aid. Therefore, payments to third parties for other types of services, including tuition-sharing arrangements, marketing, and advertising are not covered by the incentive compensation prohibition.

*Payments to third parties for recruitment activities*

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**Payments to third parties for recruitment activities**

34 CFR 668.14(b)(22)(ii)(L)



This safe harbor recognizes that the incentive compensation prohibition applies to individuals who work both for the school and to entities outside the school, and that the rules that apply to schools apply equally to outside entities. Thus, if a school uses an outside entity to perform activities for it, including covered activities, the school may make incentive payments to the third party without violating the incentive payment prohibition as long as the individuals performing the covered activities are compensated in a way that would fall within the safe harbors of the regulations.

For example, if a school established a group of employees who provided the school with a series of services, and one of those services was recruiting, the incentive compensation prohibition would preclude only the individuals doing the recruiting from being paid on an incentive basis.

If that school hired a contractor to provide these services, the same rules would apply. The outside entity could not pay the individuals performing the recruiting services on an incentive basis, but it could pay the other employees performing non-recruiting activities on an incentive basis.

## PROHIBITED ACTIVITIES IN THE LOAN PROGRAMS

A school is prohibited from paying points, premiums, payments, or additional interest of any kind to an eligible lender or other party in order to induce a lender to make loans to students at the school or to the parents of the students.

Lenders may not offer, directly or indirectly, points, premiums, payments, or other inducements, to a school or any other party to secure applicants for FFEL loans. Similar restrictions apply to guaranty agencies. In addition, lenders and guaranty agencies are forbidden to mail unsolicited loan application forms to students enrolled in high school or college, or to their parents, unless the prospective borrower has previously received loans guaranteed by that agency.

However, lenders, guaranty agencies, and other participants in the FFEL Program may assist schools in the same way that the Department assists schools under the Direct Loan Program. For example, a lender's representatives can participate in counseling sessions at a school, including initial counseling, provided that school staff are present, the sessions are controlled by the school, and the lender's counseling activities reinforce the student's right to choose a lender. A lender can also provide loan counseling for a school's students through the Web or other electronic media, and it can help a school develop, print, and distribute counseling materials.

## ANTI-DRUG ABUSE REQUIREMENTS

The HEA requires a school to certify to the Department that it operates a drug abuse prevention program that is accessible to its students, employees, and officers. Two other laws added related requirements for postsecondary schools that receive FSA funds.

### *The Drug-Free Workplace Act of 1988*

The Drug-Free Workplace Act of 1988 (Public Law 101-690) requires a federal grant recipient to certify that it provides a drug-free workplace. Because a school applies for and receives its Campus-Based allocation directly from the Department, the school is considered to be a grantee for purposes of the Act. Therefore, to receive Campus-Based funds, a school must complete the certification on ED Form 80-0013, which is part of the FISAP package (the application for Campus-Based funds). This certification must be signed by the school's CEO or other official with authority to sign the certification on behalf of the entire school.

### Prohibited inducements

Schools 34 CFR 682.212

Lenders 34 CFR 682.200

Guarantors 34 CFR 682.401(e)



## Requirements for a drug-free workplace

The certification lists a number of steps that the school must take to provide a drug-free workplace, including:

- establishing a drug-free awareness program to provide information to employees;
- distributing a notice to its employees of prohibited unlawful activities and the school's planned actions against an employee who violates these prohibitions; and
- notifying the Department and taking appropriate action when it learns of an employee's conviction under any criminal drug statute.

A school's Administrative Cost Allowance (ACA) may be used to help defray related expenses, such as the cost of printing informational materials given to employees. (For a complete explanation of the ACA, see the *Federal Student Aid Handbook, Volume 6 – Campus-Based Programs.*)

## Scope of the Act

The drug-free workplace requirements apply to all offices and departments of a school that receives Campus-Based funds. Organizations that contract with the school are considered subgrantees not subject to the requirements of the Drug-Free Workplace Act.

## Drug-Free Schools and Communities Act

The Drug-Free Schools and Communities Act (Public Law 101-226) requires a school to certify that it has adopted and implemented a program to prevent drug and alcohol abuse by its students. Unlike the annual drug-free workplace certification, a school usually will only submit this certification to the Department once (on the E-App). (A school that changes ownership is an exception; it must recertify.)

## Distribution to students and staff

The drug prevention program adopted by the school must include an annual distribution to all students, faculty, and staff of information concerning drug and alcohol abuse and the school's prevention program.

## Development and review of a drug prevention program

A school must review its drug prevention program once every two years to determine its effectiveness and to ensure that its sanctions are being enforced. The development of a drug prevention program, although a condition for receiving FSA funds, is usually undertaken by the school administration at large, not by the financial aid office. The

regulations originally published on this topic (August 16, 1990) were mailed to participating schools at the time; they offer a number of suggestions for developing a drug prevention program.

The effectiveness of a school's drug prevention program may be measured by tracking:

- the number of drug- and alcohol-related disciplinary actions;
- the number of drug- and alcohol-related treatment referrals;
- the number of drug- and alcohol-related incidents recorded by campus police or other law enforcement officials;
- the number of drug- and alcohol-related incidents of vandalism;
- the number of students or employees attending self-help or other counseling groups related to alcohol or drug abuse; and
- student, faculty, and employee attitudes and perceptions about the drug and alcohol problem on campus.

### Consequences of noncompliance

A school that does not certify that it has a drug prevention program, or that fails to carry out a drug prevention program, may lose its approval to participate in the FSA programs.

Resources that schools can utilize in creating drug prevention programs are listed on the chart that follows.

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## Additional Sources of Information

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*The following resources are available for schools that are developing drug prevention programs.*

- ***The Center for Substance Abuse Treatment and Referral Hotline.***  
Information and referral line that directs callers to treatment centers in the local community. (1-800-662-HELP)
  - ***The Drug Free Workplace Helpline.***  
A line that provides information only to private entities about workplace programs and drug testing. Proprietary and private nonprofit but not public postsecondary schools may use this line. (1-800-967-5752)
  - ***The National Clearinghouse for Alcohol and Drug Information.***  
Information and referral line that distributes U.S. Department of Education publications about drug and alcohol prevention programs as well as material from other federal agencies. (1-301-468-2600)
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## ANTI-LOBBYING CERTIFICATION AND DISCLOSURE

In accordance with Public Law 101-121 (and regulations published December 20, 1989), any school receiving more than \$100,000 for its participation in the Campus-Based programs must provide the following to the Department:

- Certification Form (combined with Debarment and Drug-Free Workplace Certifications, ED-80-0013). The school will not use federal funds to pay a person for lobbying activities in connection with federal grants or cooperative agreements. This certification must be renewed each year for a school to be able to draw down Campus-Based funds.
- Disclosure Form (Standard Form LLL). If the school has used nonfederal funds to pay a nonschool employee for lobbying activities, the school must disclose these lobbying activities to the Department. The school must update this disclosure at least quarterly and when changes occur.

Both of these forms are sent to schools with the Campus-Based fiscal report/application (FISAP) each summer. The certification form and the disclosure form must be signed by the CEO or other individual who has the authority to sign on behalf of the entire school. A school is advised to retain a copy in its files.

Primarily, these certifications cover the use of the Campus-Based Administrative Cost Allowance (ACA). **Association membership is not a legitimate administrative cost of the FSA Programs.** Schools may not use the ACA to pay for their membership in professional associations (such as NASFAA, AICS, NACUBO, etc.), regardless of whether the association engages in lobbying activities.

The school is also responsible for payments made on its behalf, and must include the certification in award documents for any subgrantees or contractors (such as need analysis servicers, financial aid consultants, or other third parties paid from the ACA).

# Program Eligibility



*In this chapter, we discuss the effect of program eligibility requirements on institutional eligibility.*

## PROGRAM ELIGIBILITY REQUIREMENTS

To qualify as an eligible institution, a school must offer at least one eligible program. Not all programs at an eligible institution must be eligible, but at least one of the programs at the school must meet the eligible program requirements.

### *Determination of program eligibility*

Except for students enrolled in certain preparatory or teacher certification courses a student must be enrolled in an eligible program to receive FSA funds. (For more information, see the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*.) Because a school's eligibility does not necessarily extend to all its programs, the school must ensure that a program is eligible before awarding FSA program funds to students in that *program*. The school is ultimately responsible for determining that a program is eligible. In addition to determining that the program meets the eligible program definition, the school should make certain that the *program* is included under the notice of accreditation from a nationally recognized accrediting agency (unless the agency does not require that particular programs be accredited). The school should also make certain that it is authorized by the appropriate state to offer the program (if the state licenses individual programs at postsecondary institutions). (Please see the chart on *Eligible Institutions* and the discussion under *Legal authorization by a state* earlier in chapter 1.)

A school's eligibility extends to all eligible programs and locations that were identified on the school's E-App, unless the Department determines that certain programs or locations did not meet the eligibility requirements. In general, the school's eligible nondegree programs and locations are specifically named on the approval notice (Eligibility and Certification Approval Report [ECAR]). Additional locations and programs may be added later, and may not appear on an ECAR issued earlier. (See the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 2*.)

If a program offered through telecommunications or continuing education meets the definition of an eligible program, students enrolled in that program must be considered for FSA program

### Program eligibility cite

34 CFR 668.8



assistance on the same basis as students enrolled in eligible programs offered through traditional modes. With some limitations, if a program offered through correspondence meets the definition of an eligible program, students enrolled in that program will be considered eligible. (See the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 8* for more information.)

When a school offers programs that meet different eligible program definitions, the school is operating as more than one type of institution. For example, a public or private non-profit institution that offers a bachelor's degree program (qualifying the school as an institution of higher education) may also offer a certificate or diploma training program that qualifies it as a postsecondary vocational institution.

### ***Types of eligible programs at an institution of higher education***

A school qualifies as an institution of higher education if (in addition to meeting all other eligibility requirements, including being a nonprofit school) it offers a program that leads to an associate, bachelor's, professional, or graduate degree. For such programs, there are no minimum program length requirements.

A school may also qualify as an institution of higher education if it offers a program of at least two academic years in duration that is acceptable for full credit toward a bachelor's degree, or if it offers a program of at least one academic year in duration that leads to a certificate, degree, or other recognized credential and prepares students for gainful employment in a recognized occupation.

### ***Types of eligible programs at a proprietary or postsecondary vocational institution***

Three types of eligible programs will qualify an otherwise eligible school as a proprietary institution or a postsecondary vocational institution. All of these programs must have a specified number of weeks of instruction, and must provide training that prepares a student for gainful employment in a recognized occupation.

1. The first type of eligible program must provide at least 600 clock hours, 16 semester or trimester hours, or 24 quarter hours of undergraduate instruction offered during a minimum of 15 weeks of instruction. The program may admit as regular students persons who have not completed the equivalent of an associate degree.
2. The second type of eligible program must provide at least 300 clock hours, 8 semester hours, or 12 quarter hours of instruction offered during a minimum of 10 weeks of instruction. The program must be a graduate or professional program or must admit as regular students only persons who have completed the equivalent of an associate degree.

3. The third type of program is known as the *short-term program*. A short-term program qualifies for the FFEL and Direct Loan programs only. This type of program must provide at least 300 but less than 600 clock hours of instruction offered during a minimum of 10 weeks of instruction. The program must admit as regular students some persons who have not completed the equivalent of an associate degree. Short-term programs must also satisfy qualitative factors for completion rates, placement rates, program length, and period of existence of the program. Specifically, these programs must:
- have verified completion and placement rates of at least 70%,
  - not be more than 50% longer than the minimum training period required by the state or federal agency, if any, for the occupation for which the program of instruction is intended, and
  - have been in existence for at least one year.

For the purpose of demonstrating compliance with these qualitative factors, a school must calculate the completion and placement rates for the award year, as explained later. The independent auditor who prepares the school's compliance audit report must attest to the accuracy of the school's calculation of completion and placement rates.

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## Completion Rate Calculation

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*Number of regular students who earned credentials for successfully completing the program within 150% of the length of the program.*

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*Number of regular students enrolled for the year*

*— number of regular students who withdrew with a 100% refund of tuition and fees*

*— number of regular students enrolled at the end of the year*

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The school must document the employment of any student it includes as *employed* in the placement rate calculation. Examples of such documentation include, but are not limited to, a written statement from the employer, signed copies of state or federal income tax forms, or written evidence of payment of Social Security taxes.

The school must reasonably determine whether a related occupation is comparable. For instance, for a student who was trained as an auto mechanic, it is reasonable to determine that a job as a boat mechanic is comparable. However, for a person trained in retail sales management, a counter-service job at a fast-food restaurant is not comparable.

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## Placement Rate Calculation

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*Number of students who obtained employment\* within 180 days of receiving credential and who are employed (or have been employed) for at least 13 weeks following receipt of credential*

*Number of regular students who received credential for successfully completing the program.*

\*in the recognized occupation for which they were trained or in a related comparable occupation

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### *Exceptions to the eligible program definition*

There are two cases (certain types of preparatory coursework and teacher-certification programs) where students may receive FFEL or Direct Loan funds for enrollment in a program even when it does not meet the eligible program definition. In addition, students enrolled in a postbaccalaureate initial teacher-certification program might be eligible for Pell Grants (For more information, see the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*.)

### **ADDITIONAL ELIGIBILITY REQUIREMENTS**

There are additional FSA program eligibility requirements for specific educational programs. For example, only undergraduate educational programs are eligible under the Pell Grant and FSEOG programs. Correspondence programs are not eligible unless they meet the general requirements for an eligible program and are required for the student's regular program of study leading to a degree. Certain telecommunications courses may be considered correspondence courses and may be subject to the same requirements.

### ***ESL Programs***

Students enrolled in a program that consists solely of English as a Second Language (ESL) instruction are eligible **for FSA funds only from the Pell Grant program**. An ESL program must meet the general requirements for an eligible program (for example, it must lead to a degree or other credential). Moreover, **an ESL program may admit only students who need instruction in English to be able to use the knowledge, training, or skills they already have**. The school must document its determination that the ESL instruction is necessary for each student enrolled.

A school that wishes to award FSA assistance to students enrolled in an ESL program must request an eligibility determination for the program from the Department.

A student also may receive FSA program funds for ESL coursework that is part of a larger eligible program. In this case, the ESL coursework is treated as remedial coursework and the student has general FSA program eligibility (though ESL courses are excluded from the one year (30 credit) limitation on remedial coursework). (See the *Federal Student Aid Handbook, Volume 1 – Student Eligibility* for more information.)

If your school permits students to enroll over a series of semesters only in courses that are not applicable to the students' degrees or certificates, you should be judicious in your awarding of education loans to those students. Awarding students education loans over a series of semesters for coursework not applicable to the students' educational objectives can result in the students exhausting their eligibility for FSA loans before the students complete their programs. (For more information, see the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*.)

As part of your school's Satisfactory Academic Progress (SAP) policy, your school is required to define the effect of noncredit remedial courses (including ESL courses) on SAP. That discussion must include the effect of noncredit remedial courses on both the qualitative and maximum timeframe components of SAP.

### Study abroad programs

**A participating institution may establish programs of study abroad through which its students are eligible to receive assistance through the FSA programs.** A study abroad program is an eligible program if

- students studying abroad concurrently remain enrolled at their eligible home school; and
- the eligible home school awards academic credit for the program of study abroad.

While the study abroad program must be considered part of the student's eligible program, it does not have to be a **required** part of the student's eligible degree program in order to be an eligible study abroad program. However, a study abroad program must meet the requirements of consortium and contractual agreements (see the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 7*). Moreover, in the information it provides to students about a study abroad program, a school must inform students about the availability of FSA program assistance.

### Flight school programs

Under the FFEL programs, a flight school program must maintain current valid certification by the Federal Aviation Administration to be eligible.

#### Effect of remedial and ESL courses on SAP cite



34 CFR 668.16(e)(iii)(D)



# Consumer Information



*This chapter describes the requirements for the consumer information that a school must provide to students, the Department, and others as well as a summary of the effects of misrepresentation of school information on a school's FSA participation.*

In addition to the disclosure of general information required under the consumer information regulations, there are specific disclosure and reporting requirements with which schools must comply.

Those requirements include —

- Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Campus Security/Clery Act) – requires an Annual Security Report disclosing a school's security policies and reporting of Crime Statistics;
- The Student Right-to-Know Act requires disclosure of information on Graduation, Completion, and Transfer-Out Rates; and the Graduation, Completion, and Transfer-Out Rates for Student Athletes at schools that award athletically related aid.
- Equity in Athletics Disclosure Act (EADA) – requires disclosure of Athletic Program Participation Rates and Financial Support Data.

Schools that participate in the Campus-Based programs must also comply with disclosure requirements for drug and alcohol abuse prevention. Although some of these disclosure requirements contain common elements, each disclosure is required separately (see the chart *School Disclosure Requirements* at the end of this chapter).

As part of the continuing effort to reduce the number of defaulted federal student loans, it is important to provide students with information necessary for choosing an appropriate academic program and for fully understanding the responsibility of loan repayment.

## Consumer information cites

34 CFR 668.41, 668.42, 668.43, 668.44, 668.45, 668.46, 668.47, & 668.48  
Sec. 485 of the HEA



## General information includes

Financial assistance information pursuant to 34 CFR 668.42, and  
Institutional information pursuant to 34 CFR 668.43



## Civil penalty

In addition to limiting, suspending, or terminating the participation of any school that fails to comply with the consumer information requirements, the Department may impose civil fines of up to \$27,500 for each violation.

## Civil penalty cite

Sec. 487(c)(3)(B) of the HEA



**Reminder**

**An Individual Notice is Required**

You can find a sample notification at ED's FERPA Web site

<http://www.ed.gov/policy/gen/guid/fpco/ferpa/ps-officials.html>

**General information cite**

34 CFR 668.43



**Financial assistance information cite**

34 CFR 668.42



In some cases a school is only required to make information available upon request, while in others the school must directly distribute the required information. You can find a chart summarizing the disclosure requirements at the end of this chapter.

Each year a school must provide to enrolled students a notice containing a list of the consumer information it must disseminate, and the procedures for obtaining this consumer information. **Schools must provide this notice through a one-on-one distribution.**

Schools must also provide a notice (though not an individual notice) of student rights under the Family Educational Rights and Privacy Act (FERPA).

## BASIC CONSUMER INFORMATION REQUIREMENTS

The regulations lists basic information about the school and about financial aid that must be available to enrolled and prospective students. If necessary, the information listed below must be provided by your school. However, much of the required information may already be available in brochures and handouts routinely disseminated by the school or in federal publications such as *The Student Guide*.

### *Financial aid information*

At a minimum, the following information must be provided about financial assistance available at a school:

- the need-based and non-need-based federal financial aid that is available to students;
- the need-based and non-need-based state and local aid programs, school aid programs, and other private aid programs that are available;
- how students apply for aid and how eligibility is determined;
- how the school distributes aid among students;
- the rights and responsibilities of students receiving aid;
- how and when financial aid will be disbursed;
- the terms and conditions of any employment that is part of the financial aid package;
- the terms of, the schedules for, and the necessity of loan repayment and required loan exit counseling; and
- the criteria for measuring satisfactory academic progress, and how a student who has failed to maintain satisfactory progress may reestablish eligibility for federal financial aid.

## General information about the school

The school must provide the following minimum information about itself:

- the names of associations, agencies, and/or governmental bodies that accredit, approve, or license the school and its programs, and the procedures by which a student may receive a copy for review of the school's accreditation, licensure, or approval;
- the special facilities and services available to disabled students;
- the costs of attending the school (tuition and fees, books and supplies, room and board, and applicable transportation costs, such as commuting) and any additional costs of the program in which the student is enrolled or has expressed an interest;
- a statement of the requirements for the return of FSA program funds when a student withdraws from school, information about any refund policy with which the school must comply, and the requirements for officially withdrawing from the school (For more information about the Return of Federal Student aid, see *Appendix G – Overawards, Overpayments, and Withdrawal Calculations, chapter 2.*);
- the degree programs, training, and other education offered;
- the availability of a GED program, if the school admits students who do not have a high school diploma or equivalent;
- the instructional, laboratory, and other physical plant facilities associated with the academic programs;
- a list of the faculty and other instructional personnel;
- whom to contact for information on student financial assistance and whom for general school issues;
- the terms and conditions under which students receiving federal education loans may obtain deferments; and
- information regarding the availability of FSA program funds for study abroad programs.

The school must have someone available during normal operating hours to help persons obtain consumer information. One full-time employee or several persons may be assigned so that someone is always available (with reasonable notice) to assist enrolled or prospective students and their families. Existing personnel may satisfy this requirement. A school may request a waiver of this requirement if it can demonstrate that a waiver is appropriate. A school should contact their School Participation Team for more information. (You can find a chart containing contact information for the School Eligibility channel at the end of chapter 12.)

### The FSA Assessment modules

that can assist you in understanding and assessing your compliance with the provisions of this chapter is "Consumer Information," at



<http://ifap.ed.gov/qamodule/ConsumerModule/ConsumerInformation.html>

Specifically the following sections

"Equity in Athletic Disclosure Act," at

<http://ifap.ed.gov/qamodule/ConsumerModule/ConsumerInformationpage10.html>

"Drug and Alcohol Abuse Prevention Information," at

<http://ifap.ed.gov/qamodule/ConsumerModule/ConsumerInformationpage11.html>

"Campus Security/Clery Act," at

<http://ifap.ed.gov/qamodule/ConsumerModule/ConsumerInformationpage13.html>

and "FERPA," at

<http://ifap.ed.gov/qamodule/ConsumerModule/ConsumerInformationpage18.html>

A school must give applicants selected for verification a written statement explaining

1. Documents required for verification,
2. Student responsibilities – including correction procedures, deadlines for completing any actions required, and the consequences of missing the deadlines.
3. Notification methods – how your school will notify students if their awards change as a result of verification, and the time frame for such notification.

cite 34 CFR 668.53

**Consumer information from the Department**

Sec. 485 of the HEA



**CONSUMER INFORMATION FROM THE DEPARTMENT**

The Department is required to make available to schools, lenders, and secondary schools descriptions of the FSA programs in order to assist students in gaining information through school sources, and to assist schools in carrying out the FSA program requirements. The Department does this through a variety of informational sources such as *The Student Guide*, this *Handbook*, and the Department’s Web page.

The Department, to the extent possible, will also do the following:

- compile and disseminate information describing state and other prepaid tuition and savings programs;
- make clear when ED’s Web products are displayed on a non-federal Web page, that ED is not endorsing that Web page;
- update its Internet site to include direct links to databases with information on public and private financial assistance programs that are accessible without charge, and without any implied or actual endorsement; and
- provide additional direct links to resources from which students may obtain information about fraudulent and deceptive financial aid practices.

Information for schools is available at

**[www.ifap.ed.gov](http://www.ifap.ed.gov)**

Information for students is available at

**[www.studentaid.ed.gov](http://www.studentaid.ed.gov)**

**Student Right-to-Know cite**

Sec. 485(a) of the HEA  
34 CFR 668.45



**STUDENT RIGHT-TO-KNOW DISCLOSURES**

Student Right-to-Know disclosures must be made by July 1 of each year (see chart at the end of this chapter).

The Student Right-to-Know Act requires schools to disclose:

1. Completion or graduation rates and, if applicable, transfer-out rates for a specific cohort of the general student body. This cohort is of certificate- or degree-seeking, full-time, first-time undergraduate students.
2. For schools that offer athletically related student aid, completion or graduation rates and, if applicable, transfer-out rates of students receiving athletically related student aid, if the school offers athletic aid.

Schools must disseminate the information on completion or graduation and, if applicable, transfer-out rates to enrolled and prospective students upon request, through appropriate publications, mailings, or electronic media (for example, school catalogs or admissions literature). Schools are strongly encouraged to provide this information to other interested parties, such as guidance counselors, upon request.

The school must provide student athlete graduation rate information to potential student athletes, their parents, and their high school coaches and guidance counselors upon making an offer of athletic aid.

Schools must make available, to prospective students, no later than July 1, 2005, the rates for the cohort for which the 150% of the normal time for completion elapsed between September 1, 2003 and August 31, 2004.

Important: Schools should not confuse the requirements and methodologies for providing information to students and other consumers with the requirement for reporting similar information to the Department.

**A school such as a community college is required to calculate and disclose its transfer-out rates only if it determines that its mission includes providing substantial preparation for its students to enroll in another eligible school (such as an eligible four-year school).**

In addition to calculating the completion or graduation rates described above, a school **may, but is not required** to calculate:

1. A completion or graduation rate for students who transfer into the school;
2. A completion or graduation rate and transfer-out rate for the students described as *exclusions* to the requirements in this section.

Schools may exclude from all cohorts students who:

- have left school to serve in the armed forces,
  - have left school to serve on official church missions,
  - have left school to serve with a foreign aid service of the federal government, such as the Peace Corps,
  - are totally and permanently disabled; or
  - are deceased.
3. A transfer-out rate (required only if preparing students for transfer is part of the school's stated or implied mission).

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**Determining rate cite**

34 CFR 668.45



## *Determining the cohort for completion or graduation and transfer-out rates*

To calculate completion or graduation and transfer-out rates, a school must identify a group of students each year (a cohort) and review the performance of that cohort over time to determine the percentage of those students who complete their programs or transfer out of the school. The same *snapshot* approach is used to determine rates for both the general student body cohort and those rates related to students receiving athletically related student aid. The regulations specify that the cohorts a school must establish are based on how the school's programs are offered.

### Standard-term schools

A school that offers most of its programs based on standard terms (semesters, trimesters, quarters) must use a fall cohort for these calculations. That is, the school must count all first-time freshmen who are certificate- or degree-seeking, full-time undergraduate students who first enter the school during the fall term.

#### The fall cohort

For a fall cohort, a student has entered the school if he or she enrolled for the fall term (or during the summer immediately preceding the fall term in which the student enrolled full time) and is still enrolled as of October 15, the end of the school's drop-add period for the fall term, or another official reporting date (in the fall) on which a school must report fall enrollment data to either the state, its board of trustees or governing board, or another external governing body. Does not include a student whose first enrollment was during a summer term that did not immediately precede the student's first full-time fall enrollment.

### Nonstandard term or nonterm schools

A school that does not offer most of its programs based on standard terms must count all first-time students who are certificate- or degree-seeking, full-time undergraduate students who enter the school between September 1 of one year and August 31 of the following year. For programs less than or equal to one academic year in length, schools should include in the cohort only students who are enrolled for at least 15 days. For programs longer than one academic year, schools should include in the cohort only students who are enrolled for at least 30 days.

Schools may not include students who transfer into the school from another school as entering students for purposes of these calculations. However, if a school chooses, it may calculate as a separate supplemental rate, a completion rate for students who transfer into the school.

## Definitions

The definitions of certificate- or degree-seeking students, first-time freshman students, and undergraduate students were adopted from the National Center for Education Statistics (NCES) Integrated Postsecondary Education Data System (IPEDS) Graduation Rate Survey (GRS).

*Athletically related student aid* – any scholarship, grant, or other form of financial assistance, offered by a school, the terms of which require the recipient to participate in a program of intercollegiate athletics at the school. Other student aid, of which a student athlete simply happens to be the recipient, is not athletically related student aid.

*Certificate- or degree-seeking student* – a student enrolled in a course for credit who is recognized by the school as seeking a degree or certificate.

*First-time undergraduate student* – an entering undergraduate who has never attended an institution of higher education. Includes a student enrolled in the fall term who attended a postsecondary institution for the first time in the prior summer term, and a student who entered with advanced standing (college credit earned before graduation from high school).

*Undergraduate students* – students enrolled in a bachelor's degree program, an associate's degree program, or a vocational or technical program below the baccalaureate level.

*Transfer/preparatory program* – At least a two-year program that is acceptable for full credit toward a bachelor's degree and qualifies a student for admission into the third year of a bachelor's degree program.

*Completer/Graduate* – A student is counted as a completer or graduate if

- the student completed his or her program within 150% of the normal time for completion of the program, or
- the student has completed a transfer preparatory program within 150% of the normal time for completion of that program.

Schools must use the FSA definition of a *full-time student* that is found in the Student Assistance General Provisions regulations (See the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*.)

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### A first time undergraduate does

not include a student whose first enrollment was during a summer term that did not immediately precede the student's first full-time fall enrollment.

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### Preparatory program cite

34 CFR 668.8(b)(1)(ii)



**Waivers cite**

34 CFR 668.45(e)(1)

**Normal time**

Normal time is the amount of time necessary for a student to complete all requirements for a degree or certificate according to the school's catalog. This is typically –

- four years (8 semesters or trimesters, or 12 quarters, excluding summer terms) for a bachelor's degree in a standard term-based school,
- two years (4 semesters or trimesters, or 6 quarters, excluding summer terms) for an associate degree in a standard term-based school, and
- the scheduled times for certificate programs.

**Transfer-out student**

A student is counted as a transfer-out student if, within 150% of the normal time for completion of the program, the student has transferred out of the program and enrolled in any program of another eligible institution for which the prior program provides substantial preparation. A school is required to report only on those students that the school knows have transferred to another school. A school must document that the student actually transferred.

## Waivers

The regulations provide for waiving the disclosure of completion or graduation rate and transfer-out rate calculations (to coaches and guidance counselors only) for the general student body cohort and for athletic data for any school that is a member of an athletic association or conference that has voluntarily published (or will publish) completion or graduation-rate data that the Department determines are substantially comparable to the data required by the regulations.

The NCAA may distribute graduation rate information to all secondary schools in the United States to satisfy the distribution requirements for prospective student athletes' guidance counselors and coaches. This does not relieve the school of its obligation to provide the information to the prospective student athletes and their parents.

The Department will continue to work with interested agencies to help them develop standards that meet these requirements. If in the future the Department determines that another agency's requirements meet the standards of the Student Right-to-Know Act, the Department will inform schools that those rates may be used to satisfy the Student Right-to-Know disclosure requirements.

### *Disclosing and reporting information on completion or graduation rates for the general student body cohort*

The requirements for disclosing this information have been broken down into four steps: (1) determining the cohort, (2) calculating the rates, (3) disclosing the rates, and (4) reporting the rates to the Department via the *Graduation Rate Survey*.

#### Step 1: Determining the cohort

Schools must determine the cohort as described under *Determining the Cohort for Completion or Graduation and Transfer-Out Rates* to identify students in such a way that it can take a snapshot of those same students at a later time.

#### Step 2: Calculating the rates

Once a school has identified a cohort, it must determine when 150% of the normal time for completion of each program has elapsed for all of the students in the cohort. Then, it must determine how many of those students graduated or completed their program and, if applicable, how many transferred out of their program within that 150% period.

The following formula is used to calculate a completion rate for the general student body cohort.

$$\frac{\text{Number of students in cohort who completed their program within 150\% of normal time for completion}}{\text{Number of students in cohort (minus permitted exceptions)}}$$

The following formula is used to calculate a transfer-out rate for the general student body cohort.

$$\frac{\text{Number of students in cohort who transferred out of their program* within 150\% of the normal time for completion}}{\text{Number of students in cohort (minus permitted exceptions)}}$$

\*to another eligible institution

### Step 3: Disclosing the rates

The information on completion, graduation rates and, if applicable, transfer-out rates must be made available by the July 1 immediately following the 12-month period ending August 31 during which the expiration of 150% of normal time took place for the group of students on which the school bases its completion and transfer-out rate calculation.

Schools must disseminate the information on completion or graduation and, if applicable, transfer-out rates to enrolled and prospective students upon request, through appropriate publications, mailings, or electronic media (for example, school catalogs or admissions literature). Schools are strongly encouraged to provide this information to other interested parties, such as guidance counselors, upon request.

### Step 4: Reporting the rates

The information must be reported to the Department by the Graduation Rate Survey (GRS) deadline.

## **EXAMPLE: Determining completion or graduation and transfer-out rates for the general student body**

### **Step 1: Determining the cohort**

Tower of London College (TLC) has both two-year and four-year degree programs. It operates on a semester basis, so it used a fall cohort.

During its 1998 fall semester, TLC had enrolled 1,000 full-time first-year freshmen in degree programs. It tagged those students as its 1998 cohort.

### **Step 2: Calculating the rates**

In September of 2004 (after the 150% of normal time for completion of the four-year program elapsed), TLC searched its records to see how many of the 1,000 students in the cohort had completed a two-year degree as of August 31, 2001 (when 150% of normal time for completion of the two-year program elapsed). It found that 250 students had completed such a degree. It noted both the number and identity of those students. TLC noted the identity of the students so that it would be able to determine if any of the 250 students also obtained a four-year degree and must be treated as duplicates (see below).

It also found that 35 students from the cohort received a two-year degree between September 1, 2001 and August 31, 2004. TLC was unable to count these students as completors for Student Right-to-Know purposes, as they had completed the program after more than 150% of normal time for completion had elapsed; however, TLC chose to use this data as supplemental information.

Since TLC's mission includes substantial preparation for its students to enroll in another eligible institution, it also determined the number of transfer-out students in the two-year program by ascertaining the number of students in the cohort for which it had documents showing that the student had transferred to, and begun classes at, another eligible school. It found that it had documentation on 50 such students.

On August 31, 2004, 150% of the normal time for completion of the four-year program elapsed. In September of 2004, TLC determined how many of the 1,000 students had received a four-year degree as of August 31, 2004. It found that 450 students had done so.

Because TLC had identified the completors of the two-year program, it was able to determine that 10 of the students it had counted as two-year completors had also received a four-year degree. TLC is not permitted to count these students as completors twice, so instead it

*Example Continued*

deducted the number from the number of two-year degree program completors (it could also have deducted them from the number of four-year completors had it so chosen).

TLC surveyed its records to determine the number of students from the cohort in the four-year program that it could document as having transferred as of August 31, 2004. It found 65 students had done so.

To determine if any of the students could be excluded from the cohort, TLC searched its records for documentation. The records showed that a total of 15 students in the original cohort had left the school for the express purpose of joining a church mission, the armed forces, or a foreign aid program sponsored by the federal government, had died, or become totally and permanently disabled.

TLC calculated its completion rate and transfer-out rate as follows:

$$\sqrt{450 \text{ four-year program completors} + (250 \text{ two-year program completors} - 10 \text{ duplicates}) = 690 \text{ completors}}$$

$$\sqrt{1,000 \text{ students in cohort} - 15 \text{ permitted exclusions} = 985}$$

$$\sqrt{\text{Completion rate} = 690 \div 985 = 70\%}$$

$$\sqrt{\text{Transfers} = 65 \text{ four-year program transfers} + 50 \text{ two-year transfers} = 115}$$

$$\sqrt{\text{Transfer-out rate} = 115 \div 985 = 11.7\%}$$

**Step 3: Disclosing the rates**

On July 1, 2005 (the July 1 following the expiration of 150% of normal time for the entire cohort), TLC published its graduation/completion rate and its transfer-out rate for the students who had entered in the fall of 1998.

TLC decided to provide separate, supplemental information regarding the completion and retention rates of its part-time students because it has a large part-time-student population. It also provided separate, supplemental information on the number of students who completed the two-year program after four years and after five years. It could have also provided separate, supplemental information on students who transferred into the school from another school had it so wished.

**Reporting cite**

34 CFR 668.48

**Reporting to parents**

In cases of separation or divorce, if it is difficult to locate both parents, it is acceptable to provide the required information solely to the parent who acts as the student's guardian

## Reporting information on completion or graduation rates for student athletes

Schools that participate in an FSA program and offer athletically related student aid must provide information on completion or graduation rates, transfer-out rates, if applicable, and other statistics for students who receive athletically related student aid to potential student athletes, and to their parents, high school coaches, and guidance counselors.

The definition of athletically related student aid used here and discussed earlier in this chapter is the same definition that is also used for the Equity in Athletics Disclosure Act (EADA) disclosure requirements. The definitions of certificate- or degree-seeking students, first-time undergraduate students, undergraduate students, and normal time are the same as those used for the calculation of completion or graduation and transfer-out rates for a school's general student body cohort (also discussed above).

In addition to the completion rates and transfer-out rates, schools must report

- the number of students, categorized by race and gender, who attended the school during the year prior to the submission of the report, and
- within each sport — the number of those attendees who received athletically related student aid, categorized by race and gender.

### Step 1: Determining the cohort

A school must determine the cohort as described under *Determining the Cohort for Completion or Graduation and Transfer-Out Rates*.

### Step 2: Calculating the rates for completion or graduation for student athletes

Schools that provide athletically related student aid must report three sets of completion rates and three transfer-out rates:

1. by race and gender — a completion or graduation rate and, if applicable, a transfer-out rate for the general student body;
2. a completion or graduation rate and, if applicable, a transfer-out rate for the members of the cohort who received athletically related student aid (this rate is calculated in the same manner as the rates for the general student body, but must be broken down by race and gender within each sport); and

In addition to the three sets of completion and transfer-out rates, schools must report –

- the number of students, categorized by race and gender, who attended the school during the year prior to the submission of the report; and
- within each sport – the number of those attendees who received athletically related student aid, categorized by race and gender.

3. the *four-year average* completion or graduation rate and, if applicable, the average transfer-out rate for the four most recent completing classes of the cohort categorized by race and gender for the general student population, and for race and gender within each sport. (A school that doesn't have data for four years should report an average completion rate for all the years for which it has data.)

Information that is required to be reported by sport must be broken down into the following categories:

- basketball,
- football,
- baseball,
- cross-country and track combined, and
- all other sports combined.

A school may also exclude from the athletic cohort the student exceptions specified under *Student Right-to-Know Disclosures*.

### Step 3: Disclosing the rates for student athletes

A school must also provide the report to each prospective student athlete and his or her parents, coaches, and counselor when an offer of athletically related student aid is made to the prospective student athlete.

Schools are not required to provide completion rate information for students who entered before the 1996-97 academic year. However, if a school has data on students entering prior to the 1996-97 academic year (as the result of NCAA requirements, for example), the school should report these data in the four-year averages.

Schools that are not yet reporting completion or graduation rates or, if applicable, transfer-out rates because they do not have the necessary data must still disclose the additional data regarding the number of students who attended the previous year, categorized by race and gender, and the number who attended the previous year and who received athletically related student aid, categorized by race and gender within each sport.

There is a *de minimus* exception to the disclosure requirements for the completion or graduation rates or, if applicable, the transfer-out rates of student athletes. Schools with five or fewer student athletes need not disclose their rates.

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### GRS Deadline

Also applies to schools that don't offer athletically related student aid.

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### Equity in athletics cite

Sec.485(e) of the HEA  
34 CFR 668.47



## Reporting the rates for student athletes

The rates for student athletes must be completed and submitted to the Department together with other Student-Right-to-Know data by the Graduation Rate Survey (GRS) deadline.

### Supplemental information

Schools may provide additional information to place their completion or transfer-out rates for both the general student body and those related to athletically related student aid in context. For example, a small school's completion rate may vary greatly from year to year because the school's calculations use a very small cohort. The school may wish to provide prior year's data and an explanation of factors affecting the completion rate.

## EQUITY IN ATHLETICS

The EADA is designed to make prospective students aware of a school's commitment to providing equitable athletic opportunities for its men and women students.

Any coeducational institution of higher education that participates in an FSA program and has an intercollegiate athletic program must prepare an annual EADA report. The report contains participation rates, financial support, and other information on men's and women's intercollegiate athletic programs. Officially, it is *The Report on Athletic Program Participation Rates and Financial Support Data*. It is referred to as the EADA Report (34 CFR 668.47).

### Disclosure of the report

The EADA requires schools to make this report available upon request to students, prospective students, and the public in easily accessible places. For example, a school may make copies of the report physically available in intercollegiate athletic offices, admissions offices, or libraries, or by providing a copy to every student in his or her electronic mailbox.

The EADA Report must be summarized, and its availability described in the **one-on-one disclosure** to all students and prospective students required of the school.

A school must provide the report promptly to anyone who requests the information. For example, a school may not refuse to provide a copy of the report to the news media, and the school may not require an individual requesting the information to come to the school to view the report. A school may not charge a fee for the information.

Reports must be compiled and made available each year by October 15. Schools must submit their Equity in Athletics reports to the Department annually within 15 days of making them available to students, prospective students, and the public. Using passwords supplied to their institutions' chief administrators, schools report EADA data to the Department online at

<http://surveys.ope.ed.gov/athletics>

### *Contents of the Equity in Athletics/EADA Report*

A school must first designate its reporting year. A reporting year may be any consecutive 12-month period of time. For its designated reporting year, a school must report:

1. the number of male and female full-time undergraduate students that attended the school (undergraduate students are those who are consistently designated as such by the school);
2. the total amount of money spent on athletically related student aid (including the value of waivers of educational expenses aggregately) for: (a) men's teams and (b) women's teams;
3. the ratio of athletically related student aid awarded to male athletes to athletically related student aid awarded to female athletes (see the definition of athletically related student aid under *Definitions*);
4. the expenses incurred by the school for:
  - all sports,
  - football,
  - men's basketball,
  - women's basketball,
  - all other men's sports except football and basketball, and
  - all other women's sports except basketball

Expenses not attributable to a particular sport, such as general and administrative overhead, must be included only in the total expenses for all sports.

5. total recruiting expenses aggregately for (a) all men's teams and (b) all women's teams;
6. total annual revenues for – (a) all sports combined, (b) all men's teams, (c) all women's teams, (d) football, (e) men's basketball, (f) women's basketball, (g) all men's sports other than football and basketball, and (h) all women's sports other than basketball;

Additional information on the collection of EADA data will be posted, as it becomes available, on the Department's Web site at:

<http://www.ed.gov/finaid/prof/resources/athletics/eada.html>

The Department has to ensure that the individual school reports and a report to Congress are made available to the public within a reasonable period of time.

The Department is also required to notify secondary schools in all states regarding the availability of information in individual school reports and how such information may be accessed.

### **Alternative reporting**

A school also may report those expenses on a per capita basis for each team and may report combined expenditures attributable to closely related teams, such as track and field or swimming and diving. Those combinations must be reported separately for men's and women's teams.

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### Coach's salary

If a coach had responsibility for more than one team and a school does not allocate that coach's salary by team, the school must divide the salary by the number of teams for which the coach had responsibility and allocate the salary among the teams on a basis consistent with the coach's responsibilities for the different teams.

7. in its total revenues and men's or women's combined revenues, as applicable – revenues not attributable to a particular sport such as untargeted alumni contributions to athletics, investment income, and student activities fees;
8. individually by team **or** by average –
  - a. the annual school salary of non-volunteer head coaches for all offered sports of (1) men's teams and (2) women's teams — this must include the number of persons and full-time equivalent positions used to calculate each average;
  - b. the annual school salary of non-volunteer assistant coaches for all offered sports of (1) men's teams and (2) women's teams. This must include the number of persons and full-time equivalent positions used to calculate each average;
9. a listing of the varsity teams that competed in intercollegiate athletic competition and for each team, the following data –
  - a. total number of participants as of the day of the first scheduled contest of the reporting year for the team, number of those who participated on more than one varsity team, and number of other varsity teams on which they participated;
  - b. total operating expenses (expenditures on lodging and meals, transportation, officials, uniforms, and equipment) attributable to the team;
  - c. whether the head coach was male or female, was assigned to the team on a full-time or part-time basis, and, if assigned on a part-time basis, whether the head coach was a full-time or part-time employee of the school (The school must consider graduate assistants and volunteers who served as head coaches to be head coaches for the purposes of this report.);
  - d. the number of assistant coaches who were male and the number of assistant coaches who were female, and, within each category, the number who were assigned to the team on a full-time or part-time basis, and, of those assigned on a part-time basis, the number who were full-time and part-time employees of the school (The school must consider graduate assistants and volunteers who served as head coaches to be head coaches for the purposes of this report.); and
  - e. an unduplicated head count of the individuals who were listed as participants on at least one varsity team, by gender.

## Definitions

*Expenses* means expenses attributable to intercollegiate athletic activities. This includes appearance guarantees and options, athletically related student aid, contract services, equipment, fundraising activities, operating expenses, promotional activities, recruiting expenses, salaries and benefits, supplies, travel, and any other expenses attributable to intercollegiate athletic activities.

*Recruiting expenses* means all expenses a school incurs attributable to recruiting activities. This includes, but is not limited to, expenses for lodging, meals, telephone use, and transportation (including vehicles used for recruiting purposes) for both recruits and personnel engaged in recruiting, any other expenses for official and unofficial visits, and all other expenses related to recruiting.

*Operating expenses* means all expenses a school incurs attributable to home, away, and neutral-site intercollegiate athletic contests (commonly known as *game-day expenses*), for (a) lodging, meals, transportation, uniforms, and equipment for coaches, team members, support staff (including, but not limited to team managers and trainers), and others; and (b) officials.

*School salary* is all wages and bonuses a school pays a coach as compensation attributable to coaching.

*Varsity team* means a team that (a) is designated or defined by its school or an athletic association as a varsity team; or (b) primarily competes against other teams that are designated or defined by their institutions or athletic associations as varsity teams.

*Participants* on varsity teams include not only those athletes who take part in a scheduled contest but also any student who practices with the team and receives coaching as of the day of the first scheduled intercollegiate contest of the designated reporting year. This includes junior varsity team and freshmen team players if they are part of the overall varsity program. Schools should also include all students who receive athletically related student aid, including redshirts, injured student athletes, and fifth year team members who have already received a bachelor's degree.

*Prospective student* means an individual who has contacted an eligible institution requesting information concerning admission to that institution.

### Definitions cite

34 CFR 668.41(a)

34 CFR 668.47(b)



The General Provisions require that you inform students about the availability of grant aid before awarding loans.

The Perkins Loan regulations require that borrowers receive similar information. You can read more about the Perkins requirements in the Federal Student Aid Handbook, Volume 6 – Campus-Based Programs.”

### Loan counseling in regulations

FFEL: 34 CFR 682.604 (f) and (g)

DL: 34 CFR 685.304

Perkins: 34 CFR 674.16(a)



### Direct Loan counseling materials

Direct Loan schools can order counseling materials by calling:

1-800-848-0978



Online counseling and print materials are also available online at the Direct Loan Web Site:

<http://lo-online.ed.gov>

## LOAN COUNSELING

Before a **first-time** FFEL, or Federal Direct Loan borrower takes out a loan, the school must ensure that entrance counseling is conducted – individually or in a group with other borrowers. Initial counseling must include: an explanation of the use of an MPN; the importance of the repayment obligation; a description of the consequences of default; providing sample repayment schedules; familiarization with a borrower’s rights and responsibilities as well as other terms and conditions. Loan (exit) counseling must also be provided before the borrower completes his or her course of study or otherwise leaves the school. There are similar requirements for the Perkins loan program (See the *Federal Student Aid Handbook, Volume 6 – Campus-Based Programs*).

Loan counseling is particularly important because new students often have little or no experience with repayment and managing debt. Your school must ensure that the student receives comprehensive entrance and exit counseling, even though the counseling may be given by a consultant, servicer, lender, or guarantor (usually on the Web), or online on the Direct Loan Web site. First-time Stafford borrowers must receive entrance counseling before the first disbursement of the loan, and all students who are graduating or withdrawing from school must receive exit counseling. If the counseling is given electronically, you’ll need to make sure that the student receives written counseling materials for any required information that is not provided in the electronic counseling presentation. Your school is also responsible for making knowledgeable staff available to answer student questions.

Here we cover the elements of entrance and exit counseling that are either required by regulation or recommended. However, there are many ways to deliver this information and to reinforce it through continuing contacts with your student borrowers. You have an opportunity at each disbursement to remind students about the importance of academic progress, planning for future employment, and staying in touch with the holder of the loan.

The Direct Loan Program and many FFEL guaranty agencies, lenders, and other organizations offer online counseling through the Web, videos, pamphlets, and other counseling materials. Your school may choose to rely on Web counseling services, if those services provide all of the information required by regulation.

If your staff are conducting in-person counseling sessions, charts, handouts, audiovisual materials, and question-and-answer sessions can help convey the information in a more dynamic manner. We also recommend the use of written tests. Moreover, the regulations require (for any form of counseling) that someone with expertise in the FSA programs be available shortly after the counseling to answer borrowers’ questions about those programs.

Regardless of the counseling methods your school uses, you must be sure to document that the student participated in and completed entrance and exit counseling. You can usually also get confirmation that the student has completed the online counseling session through a printout, electronic message, or other means.

The chart at the end of this section summarizes information to be covered as a part of entrance and exit counseling sessions. The arrows indicate those elements that must be covered in both entrance and exit counseling.

## Entrance counseling

Before a first disbursement may be made to a first-time Stafford borrower, the student must receive *entrance counseling* that explains the loan obligation. The counseling must be conducted in person, by audiovisual presentation, or by interactive electronic means.

### Required elements of entrance counseling

The Direct Loan and FFEL regulations require that certain information be included in entrance counseling. Some of this information is included in the *Borrower's Rights and Responsibilities* statement that must accompany the MPN, but you should review and elaborate on these points as a part of the counseling presentation.

- **Reinforce the importance of repayment.** The regulations also require that entrance counseling *emphasize ... the seriousness and importance of the repayment obligation*. The lender or Direct Loan Servicing Center (DLSC) sends payment coupons or billing statements as a convenience for the borrower. Not receiving them does not relieve the borrower of his or her obligation to make payments. (Direct Loan borrowers are encouraged to set up electronic debiting of a bank account to repay their loans—electronic debiting is also available through many FFEL lenders.)
- **Describe the consequences of default.** The regulations require that entrance counseling *describe the likely consequences of default, including adverse credit reports, federal offset, and litigation*. We also recommend that you tell the borrower of the charges that might be imposed for delinquency or default, such as the lender's or guarantor's collection expenses (including attorney's fees). Defaulters often find that repayment schedules for loans that have been accelerated are more stringent than the original repayment schedule. A defaulter is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Finally, a defaulter's federal and state tax refunds may be seized and wages garnished, and the borrower loses eligibility for any further funding from the FSA programs.

### Entrance counseling cite

FFEL—34 CFR 682.604(f)

DL—34 CFR 685.304(a)



### Counseling materials for overseas or correspondence students

Web-based counseling sites can be particularly useful for borrowers who are participating in off-campus programs such as a school's year-abroad program, correspondence study, and online programs.

If the borrower has not previously received a Stafford loan, the school must document that the student has completed online entrance counseling that meets FSA requirements, or provide entrance counseling information by mail before releasing loan proceeds.

### Counseling as part of a Default Management Plan

A school with a high default rate may be required to implement a Default Management Plan. The sample plan included in the FSA regulations mentions several steps that relate to loan counseling:

- Enhance the borrower's understanding of his or her loan repayment responsibilities through counseling and debt management activities.
- Enhance student loan repayments through counseling the borrower on loan repayment options and facilitating contact between the borrower and the data manager or FFEL Program lender.
- Keep statistics on the number of enrolled borrowers who received default prevention counseling services each fiscal year.

Cite Appendix B to Subpart M of 34 CFR 668

### Alternative entrance counseling approaches

The Direct Loan regulations describe how a school may adopt alternative approaches as a part of its quality assurance plan — see 34 CFR 685.304(a)(4)

- **Explain the use of the Master Promissory Note.** If relevant at your school, explain the use of the multi-year feature of the MPN, and the borrower confirmation process. You should advise students to carefully read the MPN and the Borrower's Rights and Responsibilities statement before signing the MPN. In addition, you should inform borrowers of their right to sign a new promissory note for each loan and *opt out* of the multi-year feature of the MPN.
- **Stress that repayment is required, regardless of educational outcome or subsequent employability.** Entrance counseling information must explain that the student borrower is obligated to repay the full loan even if he or she doesn't finish the program, can't get a job after graduating, or is dissatisfied with the school's educational program or other services.
- **Provide sample monthly repayment amounts.** The student must receive sample monthly repayment amounts for different levels of indebtedness, or for the average indebtedness of Stafford borrowers at your school or in the same educational program at your school.

### Other suggestions for entrance counseling

In addition to the required elements above, counselors often include some of the following information in their sessions. (Some of these items are included in an Appendix B to Subpart M of 34 CFR 668, as *Default Reduction Strategies* for schools that are required to adopt default management plans.)

- **Review terms and conditions of the loan.** As a part of entrance counseling, tell the borrower the current interest rate on his/her loan(s), the applicable grace period, and the approximate date the first installment payment will be due.

Often a student loan is the borrower's first experience in obtaining a loan of any kind, so it helps to clearly explain basic loan terminology to ensure that a borrower understands the process and knows who holds his/her loan. For instance, define terms such as *loan servicer*, the use of contractors to service the loan, and the process of selling loans to other lenders or to *secondary markets*. (A loan servicer is a corporation that administers and collects loan payments for the loan holder. A secondary market is a lender or a private or public agency that specializes in buying student loans.)

- **Review repayment options.** Explain that the exact repayment schedule will not be provided until loan repayment begins. Tell the student that certain fees (the origination fee and, for FFEL, an insurance fee) will be subtracted from the loan amount before the loan is disbursed but that repayment of the full loan amount is required. Review the availability of different repayment plans (standard, extended, graduated, income-sensitive/contingent), as well as loan consolidation. Stress that a borrower must make payments on his or her loans even if the borrower does not receive a payment booklet or a billing notice.
- **Discuss how to manage expenses (budgeting).** It would also be helpful to include general information for the student about budgeting of living expenses and personal financial management. Financial planning includes decisions by the borrower about the amount of student aid that he or she can afford to borrow. Budgeting information can be combined with an assessment of the student's earning potential in his or her chosen career, and with required information about anticipated monthly payments and overall indebtedness.
- **Reinforce the importance of communicating change of status, etc. to the lender:** The counseling should stress the student's obligation to keep the lender (or the Direct Loan Servicing Center) informed about address changes, or changes in enrollment. (Failure to tell the lender about their responsibility to notify the lender or the DLSC is one of the most common reasons why a loan goes into default.) The borrower should always know the most current name and address of the lender, the loan servicer, and the guarantor of the loan.

The student is required to inform the lender when he or she graduates, changes schools, drops below half time, or withdraws from school. The borrower also must tell the DLSC or the lender if his/her address changes (including changes in the permanent address while in school). The student should also be reminded of the importance of notifying the holder of the loan in the event of a name change (including the change of a last name through marriage) or a change in Social Security Number.

- **Review deferments, forbearance, etc.** The borrower should have a general understanding of the deferment, forbearance, and cancellation options, and how to apply for them. The counseling should stress that the borrower needs to contact the lender or DLSC if he or she is having difficulty in repaying the loan, as the lender or DLSC may be able to suggest options that would keep the loan out of default. Inform borrowers that information about deferments and forbearance is contained in their promissory notes.

### Deferment, forbearance and

cancellation options for the Direct Loan program are available at



<http://www.ed.gov/offices/OSFAP/DirectLoan/index.html>

For the FFEL program, lenders and guarantors provide participating schools with counseling materials.

In addition, general FFEL loan information can also be found on our Web site for students:

<http://studentaid.ed.gov>

You can find the Direct Loan Borrower's Rights and Responsibilities at

<http://www.ed.gov/offices/OSFAP/DirectLoan/mpn.html>

You can find the FFEL Borrower's Rights and Responsibilities with the FFEL MPN at

<http://www.ifap.ed.gov/dpcletters/GEN0207.html>

- ***Review Borrower's Rights and Responsibilities.*** The student must receive a statement of Borrower's Rights and Responsibilities with the MPN. This may be provided by the Direct Loan Program or the FFEL lender, but it's a good idea to review the information on the statement with the borrower to make sure that he or she is familiar with that information.
- ***Remind borrowers of the refund and other policies affecting withdrawals.*** The borrower should be aware of the school's academic progress policy and refund policy, and how the return of FSA funds will affect loan repayment.
- ***Reinforce the importance of keeping loan records.*** This would be a good time, if your school has the resources, to provide a student with a folder or other aids to encourage him or her to keep all financial aid materials in one place. The student should keep copies of all records relating to the loan, beginning with the Master Promissory Note and notices showing when the student received loan payments or his/her account was credited. The student should keep the loan repayment schedule provided by the lender or DLSC when repayment begins, as well as records of loan payments—including canceled checks and money order receipts. The student should keep copies of any requests for deferment or forbearance, or any other correspondence with the loan holder or DLSC.
- ***Reminder about exit counseling.*** Because many students leave school before the scheduled end of their academic programs, it's helpful to remind students during entrance counseling that they are obligated to attend exit counseling before they cease to be enrolled **at least half time.**

## Exit counseling

Your school must ensure that students receive exit counseling before they leave school. Counseling may be provided in person, (individually or in groups), or using audiovisual materials. As with entrance counseling, exit counseling is offered on the Web by many guarantors, lenders, and by the Direct Loan Program.

Student borrowers should be advised to complete online exit counseling or sign up for a counseling session (if offered at your school) shortly before graduating or ceasing at least half-time enrollment. As with entrance counseling, knowledgeable financial aid staff at the school must be reasonably available to answer questions from student borrowers. One of a borrower's obligations is to participate in an exit counseling session.

### Required elements of exit counseling

Some of the material presented at the entrance counseling session will again be presented during exit counseling. The emphasis for exit counseling shifts, however, to more specific information about loan repayment and debt-management strategies. The following information must be provided as a part of exit counseling:

- **Review information from entrance counseling** Several topics that were covered in entrance counseling must be reviewed during exit counseling: the consequences of default and the importance of the repayment obligation, the use of the Master Promissory Note, and the obligation to repay the loan even if the borrower drops out, doesn't get a job, or is otherwise dissatisfied with the quality of the school's educational programs and services.
- **Provide an average anticipated monthly repayment amount.** The borrower must be given an estimate of the average anticipated monthly payments based on his/her indebtedness (or on the average indebtedness of Stafford borrowers at your school, or in the same program at your school). We recommend giving the borrower a sample *loan repayment schedule* based on his/her total indebtedness. A loan repayment schedule usually will provide more information than just the expected monthly payment. For instance, it would show the varying monthly amounts expected in a graduated repayment plan.

Note that the lending organization is not required to send the repayment schedule to the borrower until the grace period. Direct Loan borrowers who use the Online Exit Counseling Session ([www.dlsvc.ed.gov](http://www.dlsvc.ed.gov)) can view repayment schedules based on their account balances (using their PIN numbers), select a repayment plan, and update demographic data.

### Exit counseling requirements cites

DL—34 CFR 685.304(b);  
FFEL—34 CFR 682.604(g)



### Exit counseling for correspondence and study abroad students

As an alternative for correspondence programs, or study abroad programs that are approved by the U.S. school for credit, you may send the borrower written counseling materials within 30 days after the borrower completes the program, with a request that the borrower provide the contact and personal information that would ordinarily have been collected through the counseling process.

### Staying in touch with the Direct Loan Servicer

If they keep their PIN numbers handy, Direct Loan borrowers can manage their loans online by going to:



<http://www.dlsonline.com/index.asp>

to check account balances, change address, estimate repayments, or print out forms (deferment, forbearance, electronic debit account).

## Pros and Cons of Consolidation

A Consolidation Loan can lower the borrower's total monthly repayment and simplify loan repayment. Because the repayment period for the Consolidation Loan is often longer than for most Stafford Loans, the monthly payments may be lower. (On the other hand, the total interest that is paid over the longer repayment period is usually greater.) If the borrower has more than one loan, a Consolidation Loan simplifies repayment because there's only one lender and one monthly payment. Consolidation may also be an option for a borrower in default, if certain conditions are met.

The borrower should also be aware that some deferments and other benefits available with his/her current loans (especially Perkins) may be lost through consolidation.

## FSA Ombudsman Office

Toll-free: 1-877-557-2575

<http://fsahelp.ed.gov>

U.S. Department of Education  
FSA Ombudsman  
830 First Street, NE  
Fourth Floor  
Washington, DC 20202

fax: 202-275-0549

In Direct Loans, a school may request that the Servicing Center send the repayment schedule information to the financial aid office 30, 60, or 90 days before the student completes the program. If the school chooses this option, it accepts the obligation to deliver this repayment information to the borrower either in the exit counseling session or by mailing it to the borrower.

- **Review repayment options.** The counseling must review the options for loan repayment, such as the standard, extended, graduated, and income-contingent/income-sensitive plans. The option of consolidating loans must also be discussed.

Both the Direct Loan Program and the FFEL Program offer Consolidation Loans. Direct Consolidation Loans are available from the U.S. Department of Education. FFEL Consolidation Loans are available from participating lenders such as banks, credit unions, and savings and loan associations.

- **Discuss debt management strategies.** A counselor should stress the importance of developing a realistic budget based on the student's minimum salary requirements. It's helpful to have the student compare these costs with the estimated monthly loan payments, and to emphasize that the loan payment is a fixed cost, like rent or utilities.
- **Review forbearance, deferment, and cancellation options.** The counseling should reinforce the availability of forbearance, deferment, and cancellation for certain situations, and emphasize that in most cases the borrower must start the process by applying to the lender or the DLSC.
- **Tell the student about the availability of loan information on NSLDS and the availability of the FSA Ombudsman's office.** The borrower's loan history can be viewed online at the Web site for the National Student Loan Data System (PIN required for access). Students without Internet access can identify their loan holder by calling **1-800-4-FED-AID**.

However, the borrower should be aware that the information on the NSLDS site is updated by lenders and guarantors and may not be as current as the latest information from those loan holders.

The Ombudsman's office is a resource for borrowers when other approaches to resolving student loan problems have failed. Borrowers should first attempt to resolve complaints by contacting the school, company, agency, or office involved. If the borrower has made a reasonable effort to resolve the problem through normal processes and has not been successful, he or she should contact the FSA Ombudsman.

- **Ensure that borrowers understand their rights and responsibilities** (see the discussion under Entrance counseling earlier in this chapter).
- **Collect and update personal and contact information.** During exit counseling, an aid officer must obtain the borrower's expected permanent address after leaving school, the address of the borrower's next of kin, and the name and address of the borrower's expected employer (if known). A school must correct its records to reflect any changes in a borrower's name, address, Social Security Number, or references, and it must obtain the borrower's current driver's license number and state of issuance. Within 60 days after the exit interview, the financial aid office must provide this information to the guarantor (indicated in the borrower's student aid records), or the Direct Loan Servicing Center.

### Further recommendations for exit counseling

It's a good idea to provide the student with the current name and address of the borrower's lender(s), based on the latest information that your school has. The counseling presentation might also explain to the student how to complete deferment forms and prepare correspondence to the lender. **Emphasize that borrowers should always keep copies of all correspondence from and to them about their loans.** Stress that a borrower must make payments on his or her loans even if the borrower does not receive a payment booklet or a billing notice.

### Providing borrower information at separation

The personal and contact information collected at the time of exit counseling must be provided to the guaranty agency or Direct Loan Servicing Center within 60 days. A student authorizes his or her school to release information to lenders as part of the promissory note the student signs as part of the loan application process. No further permission is needed.

### Exit counseling follow up

If the student borrower drops out without notifying your school, you must confirm that the student has completed online counseling, or mail exit counseling material to the borrower at his or her last known address. The material must be mailed within 30 days of your learning that a borrower has withdrawn or failed to participate in an exit counseling session.

If you're mailing these exit materials, you're not required to use certified mail with a return receipt requested, but you must document in the student's file that the materials were sent. If the student fails to provide the updated contact information, you are not required to take any further action.

### Borrower's Rights and Responsibilities at a Direct Loan School

In the Exit Counseling report accessed by the school, a borrower might have a "paper" or an "electronic" submission recorded for the rights and responsibilities information. A paper submission is recorded when the borrower opts to print the checklist. Note that it remains the responsibility of the school to collect that information. However, if the report reflects an electronic submission, all of the necessary information was provided by the borrower during the online session.

### Providing borrower information

A Direct Loan School should mail updated borrower information to

U.S. Department of Education  
PO Box 5609  
Greenville, TX 75403-5609

### Checking completion of online exit counseling

Direct Loan schools can use the program's Web site to confirm which of their students have completed online exit counseling:

<http://www.dlsonline.com/index.asp>

Similar online counseling services are provided by guarantors in the FFEL program.



## Entrance Counseling

## Exit Counseling

### Required Elements:

- Reinforce importance of repayment
- Describe consequences of default
- Explain use of the Master Promissory Note
- Stress that repayment is required regardless of educational outcome and subsequent employability
- Provide sample monthly repayment amounts for different amounts of debt, or for average debt of Stafford borrowers in same year at school or in same program

### Other Suggestions for Counseling:

- Review the availability of state grant aid
- Review terms and conditions of the loan
- Review repayment options
- Discuss how to manage expenses (budgeting) while in school
- Reinforce importance of communicating change of status, etc., with the lender
- Review deferment, forbearance, cancellation options and procedures
- Review Borrower's Rights and Responsibilities
- Review refund and other policies affecting withdrawals from school
- Reinforce importance of keeping loan records
- Remind student of exit counseling requirement

### Required Elements:

- Review these four elements from entrance counseling
  - Provide an average anticipated monthly repayment amount, based on borrower's indebtedness or for average debt of Stafford borrowers in same year at school or in same program
  - Review repayment options (standard repayment, extended, graduated, income-sensitive/contingent) and consolidation
  - Discuss debt management strategies that would facilitate repayment
  - Review forbearance, deferment, and cancellation options and procedures
- Tell the student about the availability of loan information through the NSLDS Web site, and the availability of the FSA Student Loan Ombudsman's Office
- Collect driver's license number and state of issuance, expected permanent address, address of next of kin, and name and address of employer (if known), and update any changes to student's personal information (name, social security number, etc.)

### Other suggestions for counseling:

- Provide student with contact information for lender(s) and reinforce importance of communicating change of status, etc., with the lender
- Remind borrowers to keep copies of all correspondence about their loans

## DRUG AND ALCOHOL ABUSE PREVENTION INFORMATION

A school that participates in the Campus-Based programs must provide information under the Drug-Free Workplace Act of 1988 (Public Law 101-690), including a notice to its employees of unlawful activities and the actions the school will take against an employee who violates these prohibitions. In addition, the Drug-Free Schools and Communities Act (Public Law 101-226) requires a school that participates in any FSA program to provide information to its students, faculty, and employees to prevent drug and alcohol abuse.

### *Information to be included in drug prevention materials*

A school must provide the following in its materials:

- information on preventing drug and alcohol abuse;
- standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of drugs and alcohol by students and employees on the school's property, or as part of the school's activities;
- a description of the sanctions under local, state, and federal law for unlawful possession, use, or distribution of illicit drugs and alcohol;
- a description of any drug and alcohol counseling, treatment, or rehabilitation programs available to students and employees;
- a description of the health risks associated with the use of illicit drugs and alcohol; and
- a clear statement that the school will impose sanctions on students and employees for violations of the standards of conduct (consistent with local, state, and federal law) and a description of these sanctions, up to and including expulsion, termination of employment, and referral for prosecution.

### *Distribution of materials to all students and employees*

The school may include this information in publications such as student or employee handbooks, provided that these publications are distributed to each student and employee. Merely making drug prevention materials available to those who wish to take them is not sufficient. The school must use a method that will reach every student and employee, such as the method used to distribute grade reports or paychecks. The school must distribute these materials annually. If new students enroll or new employees are hired after the initial distribution for the year, the school must make sure that they also receive the materials. (For more information on anti-drug abuse requirements, see chapter 3.)

**Drug and alcohol prevention cite**

34 CFR 668.14(c)



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**Misrepresentation cite**

34 CFR Subpart F  
34 CFR 668.71



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**Prospective student**

Any individual who has contacted an eligible institution for the purpose of requesting information about enrolling at the institution or who has been contacted directly by the institution or indirectly through general advertising about enrolling at the institution.

## MISREPRESENTATION

Under the General Provisions regulations the Department may fine, limit, suspend, or terminate the participation of any school that substantially misrepresents the nature of its educational program, its financial charges, or the employability of its graduates.

### *Definition of misrepresentation*

*Misrepresentation* is any false, erroneous, or misleading statement made to a student or prospective student, to the family of an enrolled or prospective student, or to the Department. This includes disseminating testimonials and endorsements given under duress.

*Substantial Misrepresentation* is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment.

Misrepresentation of the educational program includes, among other things, false or misleading statements about the school's accreditation or the school's size, location, facilities, or equipment. Misrepresentation of financial charges includes, among other things, false or misleading statements about scholarships provided for the purpose of paying school charges. To be considered a scholarship, a grant must actually be used to reduce tuition charges made known to the student before the scholarship was offered to the student. (The tuition charges must be charges that are applied to all students whether or not they are receiving a scholarship.) It is also considered misrepresentation if the school gives false or misleading information as to whether a particular charge is a customary charge for that course at the school.

Misrepresentation includes making any false or misleading statements about the employability of the school's graduates.

The regulatory provisions concerning misrepresentation are given in detail below.

## *Nature of educational program*

Misrepresentation by a school of the nature of its educational program includes, but is not limited to, false, erroneous, or misleading statements concerning:

- the particular types, specific sources, nature, and extent of its accreditation;
- whether a student may transfer course credits earned at the school to any other school;
- whether successful completion of a course of instruction qualifies a student for acceptance into a labor union or similar organization or receipt of a local, state, or federal license or a nongovernment certification required as a precondition for employment or to perform certain functions;
- whether its courses are recommended by vocational counselors, high schools, or employment agencies, or by governmental officials for government employment;
- its size, location, facilities, or equipment;
- the availability, frequency, and appropriateness of its courses and programs to the employment objectives that it states its programs are designed to meet;
- the nature, age, and availability of its training devices or equipment and their appropriateness to the employment objectives that it states its programs and courses are designed to meet;
- the number, availability, and qualifications, including the training and experience, of its faculty and other personnel;
- the availability of part-time employment or other forms of financial assistance;
- the nature and availability of any tutorial or specialized instruction, guidance and counseling, or other supplementary assistance it will provide its students before, during, or after the completion of a course;
- the nature and extent of any prerequisites established for enrollment in any course; or
- any matters required to be disclosed to prospective students under 34 CFR 668.43 (institutional information) and 34 CFR 668.46 (campus security information).

### Misrepresenting educational program cite

34 CFR 668.72



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**Misrepresenting financial charges cite**

34 CFR 668.73



***Nature of financial charges***

Misrepresentation by a school of the nature of its financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning –

- offers of scholarships to pay all or part of a course charge, unless a scholarship is actually used to reduce tuition charges that are applied to all students whether or not receiving a scholarship and are made known to the student in advance; or
- whether a particular charge is the customary charge at the school for a course.

***Employability of graduates***

Misrepresentation by a school regarding the employability of its graduates includes, but is not limited to, false, erroneous, or misleading statements

- that the school is connected with any organization or is an employment agency or other agency providing authorized training leading directly to employment;
- that the school maintains a placement service for graduates or will otherwise secure or assist its graduates to obtain employment, unless it provides the student with a clear and accurate description of the extent and nature of this service or assistance; or
- concerning government job market statistics in relation to the potential placement of its graduates.

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**Employability of graduates cite**

34 CFR 668.74



## CAMPUS SECURITY

### *General information*

The Department of Education is committed to assisting schools in providing a safe environment for students to learn and staff to work, and in keeping parents and students well informed about campus security. The department encourages schools to use the resources available on the following Web sites in making their campuses safer.

Department of Justice Violence Against Women Office

**[www.ojp.usdoj.gov/vawo/](http://www.ojp.usdoj.gov/vawo/)**

Department of Education World Wide Web site on campus safety

**[www.ed.gov/admins/lead/safety/campus.html](http://www.ed.gov/admins/lead/safety/campus.html)**

Department of Education Web Site for Financial Aid Professionals (for further information on regulations and policies related to campus security)

**<http://ifap.ed.gov/IFAPWebApp/index.jsp>**

Higher Education Center for Alcohol and other Drug Abuse and Violence Prevention World Wide Web site

**[www.edc.org/hec/](http://www.edc.org/hec/)**

**The Department is strongly committed to enforcing the provisions of the Campus Security/Cleary Act of 1990 requiring a school to compile and distribute an annual campus security report.**

In its continuing effort to assist schools in fully complying with the Crime Awareness and Security Act of 1990, the Department has developed a The Handbook for Campus Crime Reporting. The handbook is available at

**<http://www.ed.gov/admins/lead/safety/campus.html>**

### *Distribution of the Campus Crime Report*

By October 1 of each year, a school must publish and distribute its annual campus security report.

It must be distributed to all **enrolled students and current employees** directly by publications and mailings, including – direct mailing to each individual through the U.S. Postal Service, campus mail, or electronic mail.

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#### Campus security cite

Sec. 485(f) of the HEA  
34 CFR 668.46




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#### Distribution cite

34 CFR 668.41(e)




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#### Annual submission cite

34 CFR 668.41(e)(5)

Schools are required to submit a web-based statistical report to ED on an annual basis. The survey data is collected through the Department's Campus Crime and Security Web site

[surveys.ope.ed.gov/security](https://surveys.ope.ed.gov/security)

**Important** - Do not send your annual security report to ED.

The use of an electronic format eliminates mailing and processing paper questionnaires, significantly reduces the reporting burden, and improves the timeliness of the data from institutions.

If the school chooses to fulfill this requirement by posting the crime report on an Internet or Intranet Web site, an **individual notice must be distributed to each student and current employee** that includes:

- a statement of the report's availability,
- a list and brief description of the information contained in the report,
- the exact electronic address (URL) of the Internet or Intranet Web site at which the report is posted, and
- a statement saying the school will provide a paper copy upon request.

**Upon request, a school must provide its annual campus security report to a prospective student or prospective employee.** In order to ensure that a prospective student or employee can request the report, the school must provide them with notice of the report's availability. The notice must include a brief description of the report. If a student requests it, the school must provide a hard copy of the report.

### Definition of campus

Institutions must meet the campus security report requirements **individually for each separate campus**. Institutions must provide crime statistics for three discrete categories: campus, non-campus buildings or property, and public property.

*Campus means –*

- any building or property (including residence halls) owned or controlled by a school within the same reasonably contiguous geographic area and used by the school in direct support of or in a manner related to its educational purposes.
- property within the same reasonably contiguous area that is owned by the school but controlled by another person, frequently used by students, and supports the school's purposes (such as a food or other retail vendor).

*Non-campus building or property means –*

- any building or property owned or controlled by a student organization officially recognized by the school; and
- any building or property (other than a branch campus) owned or controlled by the school, that is **not** within the same reasonable contiguous area, is used in direct support of or in relation to the school's educational purpose, and is frequently used by the students.

### Definition of a campus cite

34 CFR 668.46(a)



### Third-party housing

Whether the rent is paid to the third party by the school on behalf of the student or directly by the student, a student housing facility owned by a third party that has a contract with a school to provide housing for the institution's students is considered "under the control" of the school.

*Public property* means all public property including thoroughfares, streets, sidewalks, and parking facilities that is within the same campus or immediately adjacent to and accessible from the campus. This would not include, for example, highways that are adjacent to the campus, but that are separated from the campus by a fence or other man-made barrier.

A school may use a map to visually illustrate the areas included in the definition of its campus.

### *Timely warning*

In addition to the required annual campus security report, schools are required to provide a timely warning to the campus community of any occurrences of the following crimes that are reported to campus security authorities or local police agencies and are considered to represent a serious or continuing threat to students and employees. These crimes are –

- criminal homicide including, (a) murder and nonnegligent manslaughter, and (b) negligent manslaughter;
- forcible and nonforcible sex offenses;
- robbery;
- aggravated assault;
- burglary;
- motor vehicle theft; and
- arson;
- separately by category of prejudice, each crime listed above and any other crime involving bodily injury reported to local police agencies or to a campus security authority that shows evidence of prejudice based on race, gender, religion, sexual orientation, ethnicity, or disability;
- arrests for violations of liquor and drug law violations, and illegal weapons possession; and
- persons not arrested but referred for campus disciplinary action for liquor, drug, and weapons law violations.

A school is not required to provide timely warning with respect to crimes reported to a pastoral or professional counselor as these positions are defined under 34 CFR 668.46(a), and discussed later in this chapter.

**Note:** A school must also include statistical and policy information related to these same crimes in its campus security report; see the discussion on *Campus Security* earlier in this chapter.

### Timely warning cite

34 CFR 668.46(e)



**Campus security authority cite**

34 CFR 668.46(a)

**Complaints against schools**

When a complaint is filed against a school alleging noncompliance with the campus security regulations, the Department will assess the complaint and determine the appropriate response.

Information about submitting reports of noncompliance is available at

[www.ed.gov/admins/lead/safety/campus.html](http://www.ed.gov/admins/lead/safety/campus.html)

Technical assistance to schools in administering the campus security regulations is available from the Department's Customer Support Branch at 1-800-433-7327.

**Campus security authority**

The following are campus security authorities –

1. a campus police or security department;
2. any individual or individuals who have responsibility for campus security but who do not constitute a campus security or police department, such as an individual who is responsible for monitoring entrance into school property (e.g., an access monitor);
3. an individual or organization specified in a school's campus security statement as the individual or organization to which students and employees should report criminal offenses; and
4. an official of a school who has significant responsibility for student and campus activities including, but not limited to, student housing, student discipline, and campus judicial proceedings.

The definition of campus security authority includes others in addition to those individuals working for the school's campus security office or expressly performing a campus security function at the school's request. An official who has significant responsibility for student and campus activities is a campus security authority. For example, a dean of students who oversees student housing, a student center, or student extracurricular activities, has significant responsibility for student and campus activities. Similarly, a director of athletics, team coach, and faculty advisor to a student group also have significant responsibility for student and campus activities.

**Professional and pastoral counselors excluded from reporting requirements**

The act of reporting a statistic is not likely to identify a victim. However, the need to verify the occurrence of a crime and the need for additional information about a crime to avoid double counting can lead to the identification of the victim. Therefore, in order to ensure that victims have access to confidential counseling, professional and pastoral counselors, as defined in the regulations are **not** required to report crimes discussed with them in their roles as counselors when they are functioning within the scope of their license or certification. Other confidential reporting options are encouraged to obtain statistical data without infringing on an individual's expectation of confidentiality.

A *pastoral counselor* is a person who is associated with a religious order or denomination, who is recognized by that religious order or denomination as someone who provides confidential counseling, and is functioning within the scope of that recognition as a pastoral counselor.

A *professional counselor* is a person whose official responsibilities include providing mental health counseling to members of the school's community and who is functioning within the scope of his or her license or certification.

### Daily crime log

Schools that maintain a campus police or security department must make, keep, and maintain daily logs of any crime reported to the campus police or security department, and any crime that occurs on campus, in a noncampus building or property, or public property (as defined by regulations) within the patrol jurisdiction of the campus police or security department. The logs must be written in a manner that is easily understood.

**Note:** Crime log entries include all crimes reported to the campus police or security department, not just Clery Act crimes.

For each crime, the school must record the date it was reported, the nature, date, time, and general location, and the disposition of the complaint, if known. Except where prohibited by law or when disclosure would jeopardize the confidentiality of the victim, the logs must be made public. Schools are required to update logs with new information when available, but no later than two business days after the information is received, unless the disclosure is prohibited by law or would jeopardize the confidentiality of the victim. The school must disclose any information withheld once the adverse effect is no longer likely to occur.

Often time passes between when a crime is committed and when it is discovered, making the date of occurrence unknown or uncertain. In addition, for statistical purposes, the FBI collects crime data based on when crimes are reported to the police. Therefore, **a school must report crime data based on when the crime was reported to campus police or security authorities.**

The school must make the crime log for the most recent 60-day period open to public inspection during normal business hours. The school must make any portion of the log older than 60 days available within two business days of a request for public inspection.

A school may withhold information if (and as long as) the release of the information would jeopardize an ongoing criminal investigation or the safety of an individual, cause a suspect to evade detection, or result in the destruction of evidence. A school may withhold only the information that would cause the aforementioned adverse effects.

#### Crime log cite

34 CFR 668.46(f)



#### Crime log vs. Annual Security Report

The crime log contains records only of incidents reported to the campus police or security department. The annual security report contains records of incidents reported to any campus security authority — a much broader designation.

## The annual security report

The annual security report, due October 1, must contain the required crime statistics for the three calendar years preceding the year in which the report is disclosed. The crime report due October 1, 2005, must include statistics for the 2002, 2003, and 2004 calendar years. Schools must retain records used to create their campus security reports for three years after the due date of the report. Therefore, schools must maintain the information (data from 2002, 2003, and 2004) used in compiling the 2005 report, and make the report available through September 30, 2008. Crimes must be reported for the calendar year in which the crime was reported to a campus security authority rather than the year in which the crime occurred.

## Policies and procedures for reporting crimes

The annual security report provides information regarding campus security policies and campus crime statistics. With limited exceptions, the campus security requirements do not prescribe policies and procedures for schools to follow. Rather, schools are required to make disclosures concerning the policies and procedures implemented by the school.

All schools must compile the required crime statistics in accordance with the definitions used in the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) system, Hate Crime Data Collection Guidelines and the Training Guide for Hate Crime Collection. For further guidance concerning the application of definitions and classification of crimes a school must use either the *UCR Reporting Handbook* or the *UCR Reporting Handbook: NIBRS Edition* depending on the crime.

Except when determining how to report crimes committed in a multiple offense situation, a school must use the hierarchy rule found in the *UCR Reporting Handbook*. Schools are encouraged but not required to participate in the FBI's UCR program.

The statistics required in the annual security report may not include the identification of the victim or the person accused of committing the crime.

A school must make a reasonable, good faith effort to obtain the required statistics and may rely on the information supplied by a local or state police agency. A school making a good faith effort will not be held responsible for the failure of local and state police agencies to supply the required statistics.

### Security report cite

34 CFR 668.46(b)



Copies of UCR publications are available from

FBI Communications Unit  
1000 Custer Hollow Road  
Clarksburg, WV 26306

telephone: (304) 625-2823

The annual security report must include the following:

1. the required school crime statistics, including:
  - a. criminal homicide, including (1) murder and nonnegligent manslaughter, and (2) negligent manslaughter;
  - b. sex offenses, including (1) forcible sex offenses, and (2) nonforcible sex offenses;
  - c. robbery;
  - d. aggravated assault;
  - e. burglary;
  - f. motor vehicle theft;
  - g. arson;
  - h. separately by category of prejudice, each crime listed above and any other crime involving bodily injury reported to local police agencies or to a campus security authority that shows evidence of prejudice based on race, gender, religion, sexual orientation, ethnicity, or disability;
  - i. arrests for violations of liquor and drug law violations, and illegal weapons possession; and
  - j. persons not arrested but referred for campus disciplinary action for liquor, drug, and weapons law violations.

Schools must report crime statistics by means of separate categories:

- on campuses (see *Definition of a campus*);

**Note:** Crimes that occur in dormitories or other residential facilities for students are reported as a subset of crimes on campus and as a separate category.

- in or on a noncampus building or property;
- on public property; and
- dormitories or other residential facilities for students on campus.

### The category of manslaughter

The category of manslaughter, broken into two subcategories, nonnegligent and negligent manslaughter. "Murder and nonnegligent manslaughter" is the willful (nonnegligent) killing of one human being by another. "Manslaughter by negligence" is the killing of another person through gross negligence. Collectively the two categories are referred to as "criminal homicide" consistent with the FBI's definitions.

### Arson defined

"Arson" is any willful or malicious burning or attempt to burn, with or without intent to defraud, a dwelling, house, public building, motor vehicle or aircraft, personal property of another, etc.

### Liquor law, drug, and weapons violations

The period for which liquor law, drug law and weapons possession violations must be reported has changed from the most recent year to the most recent three years. In addition, the school must disclose not only the number of arrests for these crimes but also the unduplicated number of persons who were referred for campus disciplinary action for these activities.

**Institutions should not include students referred for campus disciplinary action for alcohol, drug, and weapons possession unless those violations were also violations of law.** For example, if a student of legal drinking age in the state where the school is located violates the institution's dry campus policy and is referred for disciplinary action, that statistic should not be included in the institution's crime statistics. If a student was both arrested and referred for campus disciplinary action for the same violation, the new regulations require that the school report the statistic only under arrests.

2. a statement of current campus policies regarding procedures for reporting crimes and other emergencies occurring on campus and the policies for the school's response to these reports, including:
  - a. policies for making timely reports of the above described crimes to members of the campus community;
  - b. policies for preparing the annual disclosure of crime statistics; and
  - c. a list of the titles of each person or organization to whom the criminal offenses described above should be reported for the purpose of making timely warning reports and the annual statistical disclosure.

This statement must also describe any school policies or procedures that allow voluntary or confidential reports made by victims or witnesses to be included in the annual disclosure of crime statistics.

3. a statement of the school's policies concerning the security of, and access to, all campus facilities, including residences, and security considerations used in the maintenance of campus facilities,
4. a statement of the school's policies concerning campus law enforcement, including
  - a. the enforcement authority of campus security personnel, their working relationship with state and local police and other law enforcement agencies, and whether the security personnel have the authority to arrest individuals; and
  - b. policies that encourage accurate and prompt reporting of crimes to campus police and the appropriate police agencies; and
  - c. procedures that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform their clients of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.
5. descriptions of the type and frequency of programs that
  - a. inform students and employees about campus security procedures and practices; and
  - b. encourage students and employees to be responsible for their own security and the security of others.

6. a description of school crime prevention programs;
7. a statement of the policies concerning the monitoring and recording (through local police agencies) of criminal activity at off-campus locations of student organizations officially recognized by the school, including student organizations with off-campus housing facilities (see the *Definition of a campus*);
8. the policies concerning the possession, use, and sale of alcoholic beverages, including the enforcement of state underage drinking laws;
9. a statement of school policies concerning the possession, use, and sale of illegal drugs including the enforcement of state and federal drug laws;
10. a description of the drug and alcohol-abuse education programs available to students and employees, as required under section 120(a) through (d) of the Higher Education Act;
11. a statement of the sexual assault prevention programs available and the procedures to be followed when a sex offense occurs, including:
  - a. a description of educational programs to promote the awareness of rape, acquaintance rape, and other forcible and nonforcible sex offenses;
  - b. procedures a student should follow if a sex offense occurs (whom to contact, how to contact them, the importance of preserving evidence for proof of a criminal offense, and to whom to report);
  - c. options for the notification of local law enforcement officials (including on-campus and local police) and a statement that school personnel will assist the student in notifying these authorities, if requested by the student;
  - d. availability of on- and off-campus counseling, mental health, or other student services for victims of sex offenses;
  - e. notice to students that the school will change a victim's academic and living situations after the alleged sex offense and of the options for changes, if changes are requested by the victim and are reasonably available;

- f. procedures for campus disciplinary actions in cases of an alleged sex offense, including a clear statement that both the accuser and the accused
  - are entitled to the same opportunities to have others present during a disciplinary proceeding;
  - will be informed of the school's final determination of any school disciplinary proceeding with respect to the alleged sex offense and any sanction that is imposed against the accused;
- g. sanctions the school may impose following a final determination of a school disciplinary proceeding regarding rape, acquaintance rape, or other forcible or nonforcible sex offenses; and
- h. a statement advising the campus community where to find law enforcement agency information concerning registered sex offenders who might be present on campus.

## CAMPUS SECURITY AND THE FAMILY EDUCATIONAL RIGHTS AND PRIVACY ACT (FERPA)

The provisions of the Family Educational Rights and Privacy Act (FERPA) do not prohibit a school from complying with the campus security regulations. First, FERPA does not generally prohibit the disclosure of statistical, non-personally identifiable information. Second, as a matter of law, FERPA does not preclude a school's compliance with the timely warning requirement. The Department has concluded that as a later enacted, more specific statute, the Campus Security/Clery Act takes precedence over FERPA's requirements against the release of personally identifiable information from a student's education record. Thus, institutions may make a timely warning report to the campus community on criminal activity, and even if the school discloses the identity of an individual, the school has not violated the requirements of FERPA.

**Records created and maintained by a campus law enforcement unit for a law enforcement purpose are not education records and may be disclosed without a student's consent.** In contrast, records of a disciplinary action or proceeding, even if maintained by a campus law enforcement unit, are considered education records of a student, and cannot be made available to the public without the consent of the student or under one of the exceptions to FERPA's general prior consent rule.

FERPA does allow a postsecondary school to disclose the *final results* of disciplinary proceedings under the following circumstances:

- **to anyone**, if the violation was a crime of violence or a nonforcible sexual offense, and the school concludes that **a violation of the institution's rules or policies did occur**; and
- **to a victim** of a crime of violence or a nonforcible sexual offense, when the proceedings were in reference to that crime, the school may disclose the results of the proceedings, **regardless of whether the school concluded that a violation was committed**.

The offenses to which this permissible disclosure applies are listed in the FERPA regulations (34 CFR 99.39).

A school is not relieved of compliance with the reporting requirements of the campus security regulations when the school refers a matter to a disciplinary committee, rather than to the school's law enforcement unit or directly to the local authorities.

**A school cannot require a student to execute a non-disclosure agreement as a precondition to accessing judicial proceeding outcomes and sanction information under the Clery Act.**

### FERPA cites

Public Law 107-56; 115 Stat. 272  
20 U.S.C. 1232g(a)(4)(A)(i) and (ii)



### Disclosure

34 CFR 99.31 (a)(13) and (14)

### FERPA Information

For additional guidance on provisions of FERPA contact the Family Policy Compliance Office (FPCO) at

Family Policy Compliance Office  
U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, D.C. 20202-5901

(202) 260-3887 – Telephone  
(202) 260-9001 – Fax  
FERPA@ED.Gov. – Email

The Web site address is

[www.ed.gov/policy/gen/guid/fpc/index.html](http://www.ed.gov/policy/gen/guid/fpc/index.html)



**Important**

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**Disciplinary actions cite**

34 CFR 99.3



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**Law enforcement unit cite**

34 CFR 99.8



### **Disciplinary action or proceeding**

The investigation or imposition of sanctions by a agency or institution with respect to an infraction or violation of the internal rules of conduct applicable to students of the agency or institution.

### **Law enforcement unit**

Any individual, office, department, division or other component of an education agency or institution, such as a unit of commissioned police officers or noncommissioned security guards, that is officially authorized or designated by that agency or institution to

- ◆ enforce any local, state, or federal law, or refer to appropriate authorities a matter for enforcement of any state or federal law against any individual or organization other than the agency of institution itself; or
- ◆ maintain physical security and safety of the agency or institution.

## School Disclosure Requirements

Who Receives the Information	What They Receive	How It Must Be Provided	When It Must Be Provided
Currently enrolled students and current employees	The institution's annual campus security report in its entirety (pursuant to 668.46)	Through publications, mailings, or electronic media sent directly to individuals. If a school chooses to post its annual security report to a Web site it must send each individual a notice through U.S. mail, campus mail, or directly to an e-mail address that <ol style="list-style-type: none"> <li>1. provides a brief summary of the information required to be disclosed;</li> <li>2. provides the inter- or intra-net Web site address where the information can be found;</li> <li>3. states that, upon request, the individual is entitled to a paper copy; and</li> <li>4. informs the individual how to request a paper copy.</li> </ol>	The school must prepare and make available its security report annually by October 1.
Currently enrolled students	<p>Notice about the availability of the following —</p> <ol style="list-style-type: none"> <li>1. information on financial assistance available to students enrolled in the school (pursuant to 34 CFR 668.42);</li> <li>2. information on the school (pursuant to 34 CFR 668.43);</li> <li>3. the institution's completion or graduation rate, and, if applicable, its transfer-out rate (pursuant to 34 CFR 668.45);</li> <li>4. information about students' rights under FERPA (pursuant to 34 CFR 99.7); and</li> <li>5. information about athletic program participation rates and financial support (EADA) (pursuant to 34 CFR 668.47).</li> </ol> <p>The notices must be sufficiently detailed to allow students to understand the nature of the disclosures and make an informed decision whether to request the full reports.</p>	<p>A school must provide <b>direct individual notice</b> to each person.</p> <p>A school may provide the required notice through direct mailing to each individual through the U.S. Postal Service, campus mail, or electronically directly to an e-mail address.</p> <p>The individual notice provided to enrolled students must</p> <ol style="list-style-type: none"> <li>1. provide a brief summary of the information required to be disclosed;</li> <li>2. provide the inter- or intra-net Web site address where the information can be found;</li> <li>3. state that upon request the student is entitled to a paper copy; and</li> <li>4. inform the student how to request a paper copy.</li> </ol>	<p>Annually, a school must provide notice to each enrolled student. Immediately, upon request, the school must provide the full reports.</p> <p>The school must prepare its completion or graduation rate, and, if applicable, its transfer-out rate report by July 1, immediately following the point in time at which the 150% point for the cohort has elapsed.</p> <p>Institutions must prepare and make available information about athletic program participation rates and financial support (EADA) by October 15.</p> <p>Information on the school and its financial assistance programs must be current.</p>
The general public	<p>A school that</p> <ol style="list-style-type: none"> <li>1. participates in any Title IV, HEA program and</li> <li>2. has an intercollegiate athletic program</li> </ol> <p>must provide a report on athletic program participation rates and financial support (EADA) (pursuant to 34 CFR 668.47).</p>	Through appropriate publications, mailings, or electronic media.	Annually, for the preceding year, the school must prepare the report and make it available by October 15.

## School Disclosure Requirements (CONTINUED)

Who Receives the Information	What They Receive	How It Must Be Provided	When It Must Be Provided
Prospective students	<ol style="list-style-type: none"> <li>Information on financial assistance available to students enrolled in the school (pursuant to 34 CFR 668.42);</li> <li>Information on the school (pursuant to 34 CFR 668.43);</li> <li>Information about students' rights under FERPA.</li> <li>Notice about the availability of the institutions annual campus security report (pursuant to 34 CFR 668.46). The notice must include:               <ol style="list-style-type: none"> <li>a list of the information in the report;</li> <li>brief descriptions of the required disclosures that are sufficient to allow students to understand the nature of the disclosures and make an informed decision whether to request the full report; (Please see the NPRM of 8/10/99, page 43583 for an example) and</li> <li>an opportunity to request a copy.</li> </ol> </li> <li>The institutions completion or graduation rate, and, if applicable, its transfer-out rate (pursuant to 34 CFR 668.45).</li> <li>Information about athletic program participation rates and financial support (pursuant to 34 CFR 668.47).</li> </ol>	<p>Directly to prospective students through appropriate publications, mailings, or electronic media a school must provide individual notice of the availability of items 1 through 6.</p> <p>Upon request, institutions must provide their complete report on completion, graduation and, if applicable, transfer-out rates.</p> <p>Upon request, a school must provide a copy of its full annual security report to a prospective student.</p> <p>If provided electronically, notices and reports must be sent directly to an e-mail address.</p>	<p><b>Prior</b> to a prospective student's enrolling or entering into any financial obligation with a school, the school must provide its report on completion, graduation, and transfer-out rates.</p> <p>Notice about the availability of the other reports should be included in the materials a school provides to prospective students.</p> <p>Immediately, upon request, the school must provide its security report on a direct, individual basis.</p>
Prospective student athletes and their <ol style="list-style-type: none"> <li>parents,</li> <li>high school coaches, &amp;</li> <li>guidance counselors</li> </ol>	<p>A school that is attended by students receiving athletically related student aid must produce a report on the completion and graduation rates of student athletes pursuant to 34 CFR 668.48.</p>	<p>The information must be provided <b>directly</b> to the respective parties. It may be provided in writing (on paper) or through electronic mail but <b>not</b> simply by posting it to a Web site.</p> <p>If the NCAA provides an institutions completion and graduation rates of student athletes to high school coaches and counselors, the school is deemed to be in compliance with that portion of this requirement.</p>	<p>The school must provide the report <b>at the time it makes an offer of athletically related student aid</b> to a prospective student athlete.</p> <p>Annually by July 1, institutions that are attended by students receiving athletically related student aid must produce the report and make it available.</p>

### School Disclosure Requirements (CONTINUED)

Who Receives the Information	What They Receive	How It Must Be Provided	When It Must Be Provided
<p>Everyone who requests information about employment at the school.</p>	<p>A <b>notice</b> about the availability of the annual campus security report. The notice must include a list of the information from the institution's annual security report to which employees and prospective employees are entitled. The list must include brief descriptions of the required disclosures. The descriptions should be sufficient to allow employees and potential employees to understand the nature of the disclosures and make an informed decision whether to request the full report.</p>	<p>In response to an inquiry about employment, a school must provide <b>direct individual notice</b> to each prospective employee. A school may provide the required notice through direct mailing to each individual through the U.S. Postal Service, campus mail, or electronically directly to an e-mail address.</p> <p>If the school makes the information available by posting it to its Web site, then the notice provided must</p> <ol style="list-style-type: none"> <li>1. identify the information required to be disclosed;</li> <li>2. provide the inter- or intra-net address where the information can be found;</li> <li>3. state that, upon request, individuals are entitled to a paper copy; and</li> <li>4. inform individuals how to request a paper copy.</li> </ol>	<p>The school must prepare its report annually by October 1.</p> <p>Immediately, upon request, the school must provide the full report.</p>
<p>Faculty, students, and employees</p>	<p>Drug and alcohol prevention information pursuant to Public Law 101-226.</p>	<p>Schools must use a method that ensures that the information will reach every student, faculty member, and employee.</p>	<p>The school must ensure that students who enroll and employees who are hired after the initial distribution for the year, also receive the information.</p>

## HELP PREVENT FINANCIAL AID/ SCHOLARSHIP FRAUD

Every year, millions of high school graduates seek creative ways to finance the markedly rising costs of a college education. In the process, they sometimes fall prey to scholarship and financial aid scams. On November 5, 2000, Congress passed the College Scholarship Fraud Prevention Act of 2000 (CSFPA). This CSFPA enhances protection against fraud in student financial assistance by establishing stricter sentencing guidelines for criminal financial aid fraud. It also charged the Department, working in conjunction with the Federal Trade Commission (FTC), with implementing national awareness activities, including a scholarship fraud awareness site on the ED website.

You can help prevent financial aid/scholarship fraud by, in your consumer information, alerting students to the existence of financial aid fraud, informing students and their parents of telltale pitch lines used by fraud perpetrators, and by providing appropriate contact information.

According to the FTC, perpetrators of financial aid fraud often use these telltale lines –

- ◆ The scholarship is guaranteed or your money back.
- ◆ You can't get this information anywhere else.
- ◆ I just need your credit card or bank account number to hold this scholarship.
- ◆ We'll do all the work.
- ◆ The scholarship will cost some money.
- ◆ You've been selected by a 'national foundation' to receive a scholarship" or "You're a finalist," in a contest you never entered.

To file a complaint, or for free information, students or parents should call

**1-877-FTC-HELP (1-877-382-4357)**

or visit

**<http://www.ftc.gov/scholarshipscams>**

# Written Agreements Between Schools



*Two or more institutions may enter into a consortium or contractual agreement so that a student can continue to receive FSA funds while studying at a school or organization other than his or her “home” school. (The home school is the one that will grant the student’s degree or certificate.) This chapter discusses the specific requirements for such agreements.*

Under a consortium or contractual agreement (including those for study-abroad programs), the home school must give credit for courses taken at the other schools on the same basis (in terms of instructional time) as if it provided the training itself. The underlying assumption of such an agreement is that the home school has found the other school’s or organization’s academic standards to be equivalent to its own, and a completely acceptable substitute for its own instruction.

A home school may decline to give credit for courses in which a student earns a grade that is not acceptable at the home school even though the host school has a policy of accepting that grade for its resident students. In addition, even though grades received through consortium or contractual agreements do not have to be included in the calculation of the student’s grade point average (GPA), they must be included when calculating the quantitative component (the percentage of credits earned vs. attempted) of a student’s satisfactory academic progress (SAP).

If not written for an individual student or group of students, agreements between schools can go on indefinitely. These agreements do not have to be renewed unless the terms of the agreement change.

## DEFINITIONS

*Consortium agreement* — a written agreement between two or more eligible schools.

*Contractual agreement* — a written agreement between an eligible school and an ineligible school.

*Home school* — the school where the student is enrolled in a degree or certificate program.

### Arrangements between institutions cite

34 CFR 668.5



### The FSA Assessment module

that can assist you in understanding and assessing in your compliance with the provisions of this chapter is “Institutional Eligibility,” at



<http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentA.html>

There are sections on consortia and contractual agreements.

*Host school* — the school where the student is taking part of his or her program requirements through either a consortium or contractual agreement.

*Two plus two program* — a partnership between a two-year and four-year school that facilitates a student's completing the last two years of the student's four-year degree.

### Consortium agreement cite

34 CFR 668.5



## CONSORTIUM AGREEMENT

**A consortium agreement can apply to all FSA programs.** Under a consortium agreement, students may take courses at a school other than the *home* school and have those courses count toward the degree or certificate at the home school. **A student can only receive FSA assistance for courses that are applicable to the student's certificate or degree program.**

### *Elements of a consortium agreement*

A consortium agreement can be a blanket agreement between two or more eligible schools, or it can be written for a specific student. Such an agreement is often used when a student takes related courses at neighboring schools or when a student is enrolled in an exchange program with another eligible school for a term or more. A school could have –

- one agreement for each student;
- a separate agreement with each host school; or
- a blanket agreement with a group of schools.

In a consortium agreement there is no limit on the portion of the eligible program that may be provided by eligible schools other than the home school. Agreement contents can vary widely and will depend upon the interests of the schools involved and the accrediting or state agency standards. The Department does not dictate the format of the agreement (which can be executed by several different offices) or where the agreement is kept. However, the following information should be included in all agreements:

- the school that will grant the degree or certificate;
- the student's tuition, fees, and room and board costs at each school;
- the student's enrollment status at each school;
- the school that will be responsible for disbursing aid and monitoring student eligibility; and
- the procedures for calculating awards, disbursing aid, monitoring satisfactory progress and other student eligibility requirements, keeping records, and distributing FSA refunds.

Usually, the home school is responsible for disbursing funds, but if the student is enrolled for a full term or academic year at the host school, it may be easier for the host school to monitor the student's eligibility and make payments.

When there is a written arrangement between eligible institutions, any of the institutions participating in the written arrangement may make FSA calculations and disbursements without that school being considered a third-party servicer. This is true even if the student is not currently taking courses at the school that is calculating and disbursing the aid.

The school that disburses an FSA award is responsible for maintaining information on the student's eligibility, how the award was calculated, what money has been disbursed, and any other documentation associated with the award (even if some of that documentation comes from other schools). Moreover, the school paying the student must return FSA funds if required (for example, in refund/return or overpayment situations). For details on how agreements affect Federal Pell Grant calculations, see the *Federal Student Aid Handbook, Volume 3 – Calculating Awards and Packaging*.

## CONTRACTUAL AGREEMENT

Provided the limitations in the following paragraphs are adhered to, an *eligible* school may enter into a *contractual agreement* with an *ineligible school or organization* under which the ineligible school or organization provides part of the educational program of students enrolled at the eligible school.

Eligible institutions are prohibited from entering into contracts with ineligible schools or organizations if the ineligible school or organization –

- has had its eligibility to participate in the FSA programs terminated by the Department; or
- has voluntarily withdrawn from participation in the FSA programs under a termination, show-cause, suspension, or similar type proceeding initiated by the institution's state licensing agency, accrediting agency, guarantor, or by the Department.

### *Limitations on contractual agreements*

**Under a contractual agreement, the eligible school is always the home school.** The home school performs all the aid processing and disbursement functions for its students attending the ineligible school or organization. The home school is responsible for maintaining all records necessary to document student eligibility and receipt of aid (See the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 7.*)

**For schools in a contractual agreement, there is a limit on the portion of the program that can be offered by the ineligible school.** If both the home and ineligible schools are owned or controlled by the same individual, partnership, or corporation, no more than 25% of the educational program can be provided by the ineligible school. If the two schools are separately owned or controlled, the ineligible school can provide up to 50% of the educational program. However, in the case of separately owned schools, if the contracted portion is more than 25% of the program, the home school's accrediting agency or state agency (in the case of a public postsecondary vocational institution) must determine and confirm in writing that the agreement meets its standards for contracting out education services.

## STUDY ABROAD OR DOMESTIC EXCHANGE PROGRAMS

A study abroad program must be part of a written contractual or consortium agreement between two or more schools. The home school must be located in the United States. The study abroad program does not have to be a required part of the eligible program at the home school in order for the student to be eligible to receive FSA funds. However, the credits earned through the study abroad or exchange program must be acceptable toward graduation in the student's program by the home school.

Study abroad program configurations include:

1. A home school sends students to a study abroad program at an eligible or ineligible foreign (host) school. (The home school must have a consortium or contractual agreement with the foreign school.)
2. A home school allows a student to complete a portion of the student's program at an eligible host school in the United States and that host school offers a study abroad program in conjunction with either an eligible or ineligible foreign school.
  - The home and host schools in the United States must have a consortium agreement.
  - The host school in the United States must have a consortium or contractual agreement with the foreign school.
3. A home school has a written arrangement with a study abroad organization that represents one or more foreign institutions instead of a separate agreement directly with each foreign school that its students are attending.

**Arrangements with a study  
abroad organization cite**



34 CFR 668.5

For purposes of administering the FSA programs, the written agreement between the eligible school and the study abroad organization must adequately describe the duties and responsibilities of each entity and meet the requirements of the regulations.

A variant of the study abroad program occurs when a home school sends faculty and students to a foreign site. This does not represent a consortium or contractual study abroad program. Rather, the foreign site is considered *an additional location* under 34 CFR 600.32.

When there is a written arrangement between eligible schools, any of the institutions participating in the written arrangement may make FSA program calculations and disbursements without that school being considered a third-party servicer. This is true even if the student is not taking courses at the school that is calculating and disbursing the aid.

Students enrolled in study abroad programs with costs of attendance higher than those of the home school should have those costs reflected in the COA on which their aid is based. This may result in a student being eligible for additional Federal Student Aid, including a higher Pell award, not to exceed the Pell award maximum.

### ***Students in approved study abroad programs are entitled to FSA***

Some eligible students have had problems receiving FSA program funds for study abroad or domestic-exchange programs, because neither the student's home school nor the school the student is temporarily attending considered the student enrolled in an eligible program of study. These circumstances have caused otherwise eligible students to be denied financial assistance at both schools.

**The law states that a student participating in a study abroad program approved by the home school is eligible for FSA funds, regardless of whether the program is required for the student's regular, eligible program of study, as long as**

- the student is an eligible regular student enrolled in an eligible program at the home school; and
- **the eligible school approves the program of study abroad for academic credit.**

The Program Participation Agreement (PPA) requires participating institutions to establish procedures that ensure that its students participating in study abroad programs receive the FSA funds to which they are entitled.

#### **Eligibility of students in a study abroad program cite**

34 CFR 668.39





# Recordkeeping and Disclosure



*In this chapter, we discuss the requirements for maintaining and disclosing records for the FSA programs.*

The General Provisions regulations require schools to maintain records related to their participation in the FSA programs. These records must be made available by schools to representatives of the Department and other specified individuals or organizations in the course of audits, program reviews, investigations, or other authorized reviews.

In addition to the general institutional recordkeeping requirements discussed here, a school must also comply with all program-specific recordkeeping requirements contained in the individual FSA program regulations.

This chapter also describes the rules governing disclosure, including a discussion of the Family Educational Rights and Privacy Act (FERPA). FERPA restricts the disclosure of student records to other parties and requires the school to give a student the opportunity to review his or her records.

## REQUIRED RECORDS

A school must keep comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear *audit trail* for FSA program expenditures. For example, **records for each FSA recipient must clearly show that the student was eligible for the funds received, and that the funds were disbursed in accordance with program regulations.**

### The FSA Assessment module

that can assist you in understanding and assessing in your compliance with the provisions of this chapter is "Reporting and Reconciling," at

<http://ifap.ed.gov/qamodule/ReportingReconciling/AssessmentFpage4.html>



### Recordkeeping cite

34 CFR 668.24



### ***Program records***

A school must establish and maintain on a current basis any application the school submitted for FSA program funds. A school must also maintain on a current basis program records that document:

- the school's eligibility to participate in the FSA programs,
- the FSA eligibility of the school's programs of education,
- the school's administration of the FSA programs,
- the school's financial responsibility,
- information included in any application for FSA program funds, and
- the school's disbursement of FSA program funds.

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## **Program Records a School Must Maintain**

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The program records that a school must maintain include, but are not limited to:

- ✓ Program Participation Agreement
- ✓ Application portion of the FISAP
- ✓ Accrediting and licensing agency reviews, approvals, and reports
- ✓ State agency reports
- ✓ Audit and program review reports
- ✓ Self-evaluation reports
- ✓ Other records, as specified in regulation, that pertain to factors of financial responsibility and standards of administrative capability

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### ***Fiscal records***

A school must keep fiscal records to demonstrate its proper use of FSA funds. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements. Schools are required to account for the receipt and expenditure of all FSA program funds in accordance with generally accepted accounting principles.

A school must establish and maintain on a current basis:

- financial records that reflect each FSA program transaction, and
- general ledger control accounts and related subsidiary accounts that identify each FSA program transaction and separate those transactions from all other school financial activity.

## Fiscal Records a School Must Maintain

The fiscal records that a school must maintain include, but are not limited to:

- ✓ Records of all FSA program transactions
- ✓ Bank statements for all accounts containing FSA funds
- ✓ Records of student accounts, including each student’s institutional charges, cash payments, FSA payments, cash disbursements, refunds, returns, and overpayments required for each enrollment period
- ✓ General ledger (control accounts) and related subsidiary ledgers that identify each FSA program transaction (FSA transactions must be separate from school’s other financial transactions)
- ✓ Federal Work-Study payroll records
- ✓ FISOP portion of the FISAP
- ✓ Records that support data appearing on required reports, such as:
  - Pell Grant Statements of Accounts
  - GAPS cash requests and quarterly or monthly reports
  - FSA program reconciliation reports
  - Audit reports and school responses
  - State grant and scholarship award rosters and reports
  - Accrediting and licensing agency reports
  - Records used to prepare the *Income Grid* on the FISAP

### Loan Program Records

There are special record keeping requirements in the Direct and FFEL loan programs. A school must maintain —

- A copy of paper or electronic loan certification or origination record, including the amount of the loan and the period of enrollment.
- The cost of attendance, estimated financial assistance, and estimated family contribution used to calculate the loan amount (and any other information that may be required to determine the borrower’s eligibility, such as the student’s Federal Pell Grant eligibility or ineligibility).
- The date(s) the school disbursed the loan funds to the student (or to the parent borrower), and the amount(s) disbursed. (For loans delivered to the school by check, the date the school endorsed each loan check, if required.)

#### Loan program record cite

34 CFR 668.24, 34 CFR 682.610, and  
34 CFR 685.309(c)



- Documentation of the confirmation process for each academic year in which the school uses the multi-year feature of the Master Promissory Note. This may be part of the borrower's file, but acceptable documentation can also include a statement of the confirmation process that was printed in a student handbook or other financial aid publication for that school year. The documentation may be kept in paper or electronic form. There is no retention limit for this documentation; you must keep it indefinitely because it may affect the enforceability of loans.

A school must keep records relating to a student or parent borrower's eligibility and participation in the Direct Loan or FFEL program for three years after the end of the award year in which the student last attended the school. A school must keep all other records relating to the school's participation in the Direct Loan or FFEL program for at least three years after the end of the award year in which the records are submitted.

### ***Records of the schools administration of the FSA programs***

A school must maintain the records that pertain to its administration of FSA program funds (listed on the chart on the following page.)

In addition, participants in the:

- Perkins Loan Program must follow procedures in Section 674.19 for documenting the repayment history for each borrower for that program (see Volume 6 – Campus-Based Programs); and
- FWS Program must follow procedures established in Section 675.19 for documentation of work, earnings, and payroll transactions for the program (see Volume 6 – Campus-Based Programs).

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## Records of the school's administration of the FSA programs

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**A school must maintain records for each FSA recipient that include, but are not limited to:**

- ✓ The Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine a student's eligibility for FSA program funds
- ✓ Application data submitted to the Department, lender, or guaranty agency by the school on behalf of the student or parent
- ✓ Documentation of each student's or parent borrower's eligibility for FSA program funds (e.g., records that demonstrate that the student has a high school diploma, GED, or the ability to benefit)
- ✓ Documentation of all professional judgment decisions
- ✓ Financial aid history information for transfer students
- ✓ Cost of attendance information
- ✓ Documentation of a student's satisfactory academic progress (SAP)
- ✓ Documentation of student's program of study and the courses in which the student was enrolled
- ✓ Data used to establish student's admission, enrollment status, and period of enrollment
- ✓ Required student certification statements and supporting documentation
- ✓ Documents used to verify applicant data, and resolve conflicting information
- ✓ Documentation relating to each student's or parent borrower's receipt of FSA program funds, including but not limited to:
  - The amount of the grant, loan, or FWS award; its payment period; its loan period, if appropriate; and the calculations used to determine the amount of grant, loan, or FWS award;
  - The date and amount of each disbursement of grant or loan funds, and the date and amount of each payment of FWS wages;
  - The amount, date, and basis of the school's calculation of any refunds/returns or overpayments due to or on behalf of the student; and
  - The payment of any refund/return or overpayment to the FSA program fund, a lender, or the Department, as appropriate.
- ✓ Documentation of and information collected at any initial or exit loan counseling required by applicable program regulations

**In addition, a school must maintain records that include, but are not limited to:**

- ✓ Reports and forms used by the school in its participation in an FSA program, and any records needed to verify data that appear in those reports and forms
- ✓ Documentation supporting the school's calculation of its completion or graduation rates, and transfer-out rates (see chapter 5).

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### Records cite

34 CFR 668.24  
34 CFR 668.27



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### Retaining FISAP records

**Schools must keep the Fiscal Operations Report (FISAP) and any records necessary to support their data (e.g., the source data for the income grid) for three years from the end of the award year in which the FISAP is submitted.**

The most current FISAP, which will contain 2004-2005 data, must be submitted during the 2005-2006 award year, will request 2006-2007 funds, and has a submission date of October 2005. Because this FISAP will be submitted during the 2005-2006 award year, records must be kept until at least June 30, 2009, three years from the last day of the 2005-2006 award year.



If an additional location or branch of a school closes and borrowers who attended the school obtain loan discharges by reason of the closure of the location or branch (or improper ATB or loan certifications), the Department will pursue recovery against the larger school.

If a school has an additional location or branch that closes, the school might want to maintain its loan records beyond the end of the three-year record retention requirement in order to respond to the Department or to refute borrower claims of eligibility for discharge.

## RECORD RETENTION PERIODS

Schools must retain all required records for a minimum of three years from the end of the award year. However, the starting point for the three-year period is not the same for all records. For example, some Campus-Based program records must be kept for three years from the end of the award year in which the funds were awarded and disbursed.

Different retention periods are necessary to ensure enforcement and repayment of FSA loans. Perkins Loan repayment records, including cancellation and deferment records, must be kept for three years from the date that the loan was assigned to the Department, cancelled, or repaid. Perkins original promissory notes and original repayment schedules must be kept until the loan is satisfied or needed to enforce the obligation (for more information, see *Volume 6 – Campus-Based Programs*). Records relating to a borrower's eligibility and participation in the FFEL and Direct Loan programs must be kept for three years from the last day of the award year in which the student last attended the school.

There are also additional record retention requirements that apply to schools granted waivers of the audit submission requirements.

The chart on the next page illustrates the required minimum retention periods for records under the various FSA programs.

A school may retain records longer than the minimum period required. Moreover, a school may be required to retain records involved in any loan, claim, or expenditure questioned in any FSA program review, audit, investigation, or other review, for more than three years (see chapter 8 for information on program reviews and audits). If the three-year retention period expires before the issue in question is resolved, the school must continue to retain all records until resolution is reached.

## Minimum Record Retention Periods

FSA Program	<i>End of the award year in which the report was submitted</i>	<i>End of the award year for which the aid was awarded</i>	<i>End of the award year in which the student last attended</i>	<i>The loan is satisfied or the documents are needed to enforce the obligation</i>	<i>The date on which a loan is assigned to the Department, cancelled, or repaid</i>
Campus-based and Pell Grant		3 YEARS			
<b>Except:</b>					
• Fiscal Operations Report (FISAP) and supporting records	3 YEARS				
• Perkins repayment records (after 12/87, includes original repayment schedule, though manner of retention remains same as promissory note)					3 YEARS
• Perkins original promissory notes (before 12/87, included original repayment schedule)				UNTIL	
<b>FFEL and Direct Loans</b>					
• Records related to borrower's eligibility and participation			3 YEARS		
• All other records, including any other reports or forms	3 YEARS				

## RECORD MAINTENANCE

### Acceptable formats

A school must maintain all required records in a systematically organized manner. Unless a specific format is required, a school may keep required records in

- hard copy
- optical disk
- microform
- CD-ROM
- computer file
- other media formats

Record retention requirements for the Institutional Student Information Record (ISIR) are discussed later in this chapter. All other record information, regardless of the format used, must be retrievable in a coherent hard copy format (for example, an easily understandable printout of a computer file) or in a media format acceptable to the Department. The requirement providing for other media formats acceptable to the Department allows for the use of new technology as it is developed. The Department will notify schools of acceptable media formats; schools should not apply for approval of a media format.

### Closed-school records

If a school closes, stops providing educational programs, is terminated or suspended from the FSA programs, or undergoes a change in ownership that results in a change of control, it must provide for the retention of required records. It must also provide for access to those records for inspection and copying by the Department. For a school that participates in the FFEL Program, the school must also provide access for the appropriate guaranty agency.

## Safeguarding electronic records

As schools begin developing plans for using electronic recordkeeping in administering other FSA programs, they should keep in mind the safeguards required for electronic certification in the FWS program. Those safeguards include:

- password protection,
- password changes at set intervals,
- access revocation for unsuccessful log-ins,
- user identification and entry point tracking,
- random audit surveys with supervisors, and
- security tests of the code access.

**Any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be maintained in its original hard copy or in an imaged media format.** This includes tax returns, verification statements, and Student Aid Reports (SARs) used to determine eligibility, and any other document when a signature seal, etc., contained on it is necessary for the document to be used for the purposes for which it is being retained.

A school may maintain a record in an imaged media format only if the format is capable of reproducing an accurate, legible, and complete copy of the original document. When printed, the copy must be approximately the same size as the original document.

Please note that promissory notes that are signed electronically, must be maintained electronically in accordance with the requirements of 34 CFR 668.24(d)(3)(i) through (iv).

## *Special requirements for SARs and ISIRs*

Special maintenance and availability requirements apply for SARs and ISIRs used to determine eligibility. It is essential that these basic eligibility records be available in a consistent, comprehensive, and verifiable format for program review and audit purposes.

Because the SAR is a hard copy document, it must be maintained and available in its original hard copy format or in an imaged media format. The ISIR, an electronic record, must be maintained and available in its original format, i.e., as it was supplied by the Department to the school on a magnetic tape or cartridge, or as it was archived using EDEExpress software supplied to the school. A school that uses EDEExpress has the ability to preserve the ISIR data that it has maintained during the applicable award year by archiving the data to a disk or other computer format. A school that receives ISIRs on magnetic tapes or cartridges may make a copy of the file received from the Department.

## THE GRAMM-LEACH-BLILEY (GLB) ACT

The Gramm-Leach-Bliley (GLB) Act applies to all non-public customer (student) information in a school's possession, regardless of whether the information pertains to future, current, or past students, or information related to a student that has been provided to a post-secondary school from financial institutions. This includes the ISIR data the Department provides to institutions for use in administering student financial aid.

The GLB act requires post-secondary schools to develop and maintain comprehensive, written information security programs that include administrative, technical, and physical safeguards designed to –

- insure the security and confidentiality of student information;
- protect against any anticipated threats or hazards to the security or integrity of such information; and
- protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

To be in compliance with the GLB Act, institutions of higher education should:

1. designate an employee or employees to coordinate the information security program;
2. identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of student information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks. At a minimum, the risk assessment should include consideration of risks in each relevant area of an institution's operations, including –
  - a. employee training and management;
  - b. information systems, including network and software design, information processing, storage, transmission, and disposal; and
  - c. detecting, preventing, and responding to attacks, intrusions, or other systems failures.

### Gramm-Leach-Bliley (GLB) Act, cites



CFR 16, part 314 – Standards for Safeguarding Customer Information  
 15 U.S.C. 6801(b), 6805(b)(2).  
 67 FR 36493, May 23, 2002





3. design and implement information safeguards to control the identified risks, and regularly test/monitor the effectiveness of the safeguards' key controls, systems, and procedures.
4. oversee service providers, by;
  - a. taking reasonable steps to select and retain service providers that are capable of maintaining appropriate safeguards for the customer (student) information at issue; and
  - b. requiring service providers, by contract, to implement and maintain such safeguards.
5. evaluate and adjust information security programs in response to the results of testing and monitoring required under the Act; any material change to operation or business arrangements; or any other circumstances that an institution knows of and has reason to know of may have a material impact on the information security program.

## EXAMINATION OF RECORDS

### *Location*

A school must make its records available to the Department at a location of the school designated by the Department. These records must be readily available for review, including any records of transactions between a school and the financial institution where the school deposits any FSA funds.

A school is not required to maintain records in any specific location. For example, it may be more appropriate for a school to maintain some records in the financial aid office while maintaining others in the business office, the admissions office, or the office of the registrar. The responsible administrator in the office maintaining the records should be aware of all applicable record retention requirements.

### *Cooperation with agency representatives*

A school that participates in any FSA program, and the school's third-party servicers, if any, must cooperate with the agencies and individuals involved in conducting any audit, program review, investigation, or other review authorized by law. This cooperation must be extended to the following individuals and their authorized representatives: an independent auditor, the Secretary of the Department of Education, the Department's Inspector General, and the Comptroller General of the United States. A school must also provide this cooperation to any guaranty agency in whose program the school participates, and to the school's accrediting agency.

### *Timely access*

A school must cooperate by providing timely access to requested records, pertinent books, documents, papers, or computer programs for examination and copying by any of the agents listed above. The records to which timely access must be provided include, but are not limited to, computerized records and records reflecting transactions with any financial institution with which the school or servicer deposits or has deposited any FSA program funds.

### *FSA recipient information*

If requested by the Department, a school or servicer must provide promptly any information the school or servicer has regarding the last known address, full name, telephone number, enrollment information, employer, and employer address of a recipient of FSA program funds who attends or attended the school. A school must also provide this information, upon request, to a lender or guaranty agency in the case of a borrower under the FFEL Program.

## REASONABLE ACCESS TO PERSONNEL

A school must also provide reasonable access to all personnel associated with the school's or servicer's administration of the FSA programs so that any of the agents listed above may obtain relevant information.

A school or servicer has not provided reasonable access to personnel if the school or servicer

- refuses to allow those personnel to supply all relevant information,
- permits interviews with those personnel only if the school's or servicer's management is present, or
- permits interviews with those personnel only if the interviews are tape-recorded by the school or servicer.

## FSA RECIPIENT INFORMATION

If requested by the Department, a school or servicer must provide promptly any information the school or servicer has respecting the last known address, full name, telephone number, enrollment information, employer, and employer address of a recipient of FSA program funds who attends or attended the school. A school must also provide this information, upon request, to a lender or guaranty agency in the case of a borrower under the FFEL Program.

## DISCLOSING STUDENT INFORMATION

### *The Family Educational Rights and Privacy Act (FERPA)*

To protect the privacy of students and families, federal law sets certain conditions on the disclosure of personal information from records kept by schools that participate in the FSA programs. The relevant law is the Family Educational Rights and Privacy Act of 1974. Do not confuse FERPA with the Privacy Act of 1974 that governs the records kept by government agencies, including the application records in the federal processing system.

FERPA restrictions on disclosure of records that are created and maintained by campus law enforcement units (for law enforcement purposes) are discussed in chapter 5.

Department regulations set limits on the disclosure of personally identifiable information from school records, define the responsibilities of the school, and define the rights of the student to review the records and request a change to the records. Under FERPA, a school is required to provide a student with an opportunity to inspect and review his or her education records within 45 days of the receipt of a request. A school is required to provide the student with

The FERPA library located at



<http://www.ed.gov/policy/gen/guid/fpco/ferpa/library/index.html>

contains significant letters of interest issued on FERPA.

### Conditions for disclosure under FERPA cite

34 CFR 99.30



### Third-party housing records

Whether the rent is paid to the third party by the school on behalf of the student or directly by the student, a student housing facility owned by a third party that has a contract with a school to provide housing for the school's students is considered "under the control" of the school. Therefore, records (maintained by either the third-party or the school) related to the students living in that housing are subject to FERPA.

copies of education records, or make other arrangements to provide the student access to the records, if a failure to do so would effectively prevent the student from obtaining access to the records. While the school may not charge a fee for retrieving the records, it may charge a reasonable fee for providing copies of the records, provided that the fee would not prevent access to the records.

In certain situations, a school may disclose personally identifiable information from an education record of a student without the student's consent. A school may disclose personally identifiable information without prior consent if the disclosure is —

- to other school officials, including teachers, within the school whom the school has determined to have legitimate educational interests; or,
- subject to the requirements of 34 CFR 99.34, to officials of another school, school system, or institution of postsecondary education where the student seeks or intends to enroll.

The graphic below notes several important elements of the school's responsibilities and the rights of the student. The regulations apply to all education records the school keeps, including admissions records (only if the student was admitted) and academic records as well as any financial aid records pertaining to the student. Therefore, the financial aid office is not usually the office that develops the school's FERPA policy or the notification to students and parents, although it may have some input.

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### Prior consent not required cite

34 CFR 99.31




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### A school is required to —

- ◆ annually notify students of their rights under FERPA;
- ◆ include in that notification the procedure for exercising their rights to inspect and review education records; and
- ◆ maintain a record in a student's file listing to whom personally identifiable information was disclosed and the legitimate interests the parties had in obtaining the information (does not apply to school officials with a legitimate educational interest or to directory information).

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### A student has the right to —

- ◆ inspect and review any education records pertaining to the student;
  - ◆ request an amendment to his/her records; and
  - ◆ request a hearing (if the request for an amendment is denied) to challenge the contents of the education records, on the grounds that the records are inaccurate, misleading, or violate the rights of the student.
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### Request to disclose information cite

34 CFR 99.30



### HIPPA and FERPA

HIPPA applies to - health care providers, private benefit health plans, and health care clearinghouses. It does not apply to other types of organizations whose receipt or maintenance of health records is incidental to their normal course of business.

FERPA does not limit what records a school may obtain, create, or maintain. It provides safeguards for education records.

Your schools' Office of Disability Services (ODS) normally obtains and maintains health records for each student who applies for services or waivers. So, the receipt and maintenance of health records by students services' units is well established.

If a health record is used to make a decision in regard to a student's education program, (e.g., whether a student should - receive extended time for testing; or be exempt from an academic requirement, such as SAP) the health record may be construed to be an education record. In that case the normal FERPA provisions for safeguarding the record would apply.



In most cases, a student receiving a waiver from a school's SAP rules would also have applied for services from the ODS. Since most financial aid offices are not used to handling medical records, why not have the ODS maintain the record? That way all you have to do is reference the ODS record in the FA file. (Of course, you will have to ensure that the record maintenance requirements are complied with.)

## What constitutes written consent

Except under one of the special conditions described below, a student must provide a signed and dated written consent before an education agency or school may disclose personally identifiable information from the student's education records.

The written consent must

- state the purpose of the disclosure;
- specify the records that may be disclosed;
- identify the party or class of parties to whom the disclosure may be made; and
- be signed and dated.

Recently, the FERPA regulations have been amended to allow that request to be made electronically. In addition to the aforementioned information, the consent form must

- identify and authenticate a particular person as the source of the electronic consent; and
- indicate that person's approval of the information contained in the electronic consent.

## Additional Privacy Requirements

The Federal Trade Commission has ruled that most colleges are subject to the provisions of the Financial Services Act's Security Provisions (also known as the Financial Services Modernization Act). In the regulation, the commission created a definition of financial institutions that includes most colleges on the basis of the financial relationships they have with students, donors, and others. Consequently, colleges must draft detailed policies for handling financial data covered by the law, such as parents' annual income, and must take steps to protect the data from falling into the wrong hands.

Financial institutions, including postsecondary institutions, are required to have adopted an information security program by May 23, 2003, under the FTC rule.

Thus, while schools have maximum flexibility in choosing a system that provides for electronic requests for release of personally identifiable information, they must ensure that their systems provide adequate safeguards.

## Education Records and their release

The term *education record* does **not** include records that are kept in the sole possession of the maker of the record (often called sole possession records). Sole possession records are

1. used as a memory or reference tool,
2. not accessible or revealed to any other person except a temporary substitute for the maker of the record, and
3. typically maintained by the school official unbeknownst to other individuals.

Records that contain information taken directly from a student or that are used to make decisions about the student are not sole possession records.

The FERPA regulations also establish rules governing the disclosure of student information to parties other than the student. The regulation lists a number of conditions under which *personally identifiable information* from a student's education record may be disclosed without the student's prior written consent. Several of these conditions are of particular interest to the financial aid office.

- Disclosure may be made if it is in connection with financial aid that the student has received or applied for. Such a disclosure may only be made if the student information is needed to determine the amount of the aid, the conditions for the aid, the student's eligibility for the aid, or to enforce the terms or conditions of the aid.
- Disclosure may be made to employees of the Department's Office of Federal Student Aid, Office of the Inspector General, and other federal, state, and local education authorities in connection with financial aid and for the enforcement of FSA laws and regulations relating to student aid.
- Disclosure may be made to authorized representatives of the Department of Education, including employees of the Department as well as research firms under contract with the Department, to evaluate financial aid procedures using student information provide by the schools selected for the study (including FSA Public Inquiry Contractor (PIC)).

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### Financial aid application cite

34 CFR 99.31(a)(4)




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### Government offices cite

34 CFR 99.31(a)(4).




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### ED's representatives

34 CFR 99.31(a)(3).



## Reminder

### FERPA and Subpoenas

In contrast to the exceptions to the notification and recordkeeping requirements granted for law enforcement purposes and described in chapter 5, educational agencies or institutions may disclose information pursuant to any other court order or lawfully issued subpoena only if the school makes a reasonable effort to notify the parent or eligible student of the order or subpoena in advance of compliance, so that the parent or eligible student may seek protective action. Additionally, schools must comply with FERPA's recordkeeping requirements under 34 CFR 99.32 when disclosing information pursuant to a standard court order or subpoena.

### Disclosure to parents cite

34 CFR 99.31(a)(8)-Health and safety exception cite



34 CFR 99.31(a)(10) & 34 CFR 99.36

## Reminder

- An educational institution may release personally identifiable information on an F, J, or M nonimmigrant student to the Department of Homeland Security (formally the Immigration and Naturalization Service (INS)) in compliance with the Student Exchange Visitor Information System (SEVIS) program without violating FERPA.
- FERPA permits educational agencies and institutions to disclose — without consent or knowledge of the student or parent (if applicable) — personally identifiable information to the Attorney General of the United States or his designee in response to an *ex parte* order in connection with the investigation of a crime of terrorism. An *ex parte* order is an order issued by a court without notice to the adverse party.

When information is supplied to the Attorney General or his designee pursuant to an *ex parte* order, a school is not required to record the disclosure of information from the student's education record or notify the student. Rather, the school may respond to the specific requirements contained in the *ex parte* order. Moreover, a school that supplies information pursuant to an *ex parte* order is not liable for that disclosure.

- A health and safety exception permits the disclosure of personally identifiable information from a student's record in case of an immediate threat to the health or safety of students or other individuals.
- Generally speaking, FERPA provides parents or eligible students with the right to access, amend, and provide consent for disclosure of education records. Eligible students are those who are at least 18 or who are attending a postsecondary institution. Thus, when a student turns 18 or attends a postsecondary institution, these collective rights under FERPA transfer to the student.

However, the law makes a limited exception for parents of dependent students as defined by the IRS. **Note that the IRS definition of a dependent is quite different from that of a dependent student for FSA purposes.** For IRS purposes, students are dependent if they are listed as dependents on their parent's income tax returns. The limited exception permits a school to disclose education records of an eligible student to parents if that student is a dependent student under the IRS laws. **(If the student is a dependent as defined**

**by the IRS, disclosure may be made to either parent, regardless of which parent claims the student as a dependent).**

Though for students over the age of 18 parents may obtain the student's education records, they do not have the right to amend or provide consent for the release of such records. Those rights pass to the student exclusively when he or she turns 18 or begins attendance at a postsecondary institution.

There are two different FERPA provisions concerning the release of records relating to a *crime of violence*. One concerns the release to the *victim* of any *outcome* involving an *alleged* crime of violence (34 CFR 34 CFR 99.31(a)(13)). A separate provision (34 CFR 99.31(a)(14)) permits a postsecondary institution to disclose to anyone the final results of any disciplinary hearing against an alleged perpetrator of a crime of violence where that student was *found in violation* of the school's rules or policies with respect to such crime or offense.

### **Disclosure of requests for information**

Schools are required to keep a record of each request for access and each disclosure of personally identifiable student information. The record must identify the parties who requested the information and their legitimate interest in the information. This record must be maintained in the student's file as long as the educational records themselves are kept. There are some exceptions to this requirement, and you can find them in the FERPA regulations at 34 CFR 99.32(d).

Schools are not required to notify a student in advance or keep a record of the disclosure when the disclosure of education records is made in compliance with subpoenas or court orders issued for certain law enforcement purposes. The waiver of the advance notification requirement applies only when the law enforcement subpoena or court order contains language that specifies that the subpoena or court order should not be disclosed. While 34 CFR 99.32 of the FERPA regulations generally requires that an educational institution maintain a record of all requests for access to and disclosures from education records, such recordation would not be required so long as the school was successful in its attempt to notify the student of a court order or lawfully issued subpoena in advance of compliance.

#### **Recordkeeping requirement cite**

34 CFR 99.32



#### **Exception to prior disclosure and recordation requirements**

Schools are not required to notify a student in advance or keep a record of the disclosure when the request is received in conjunction with ex parte orders and when this is specifically stated in the ex parte order. In addition, schools are not required to notify a student in advance or keep a record of the disclosure made in conjunction with a grand jury subpoena, and other law enforcement subpoenas when this is specifically stated in the subpoena.

**Reminder**

## Sample disclosure statement

If student records are requested by Department reviewers in the course of a program review, for instance, the school **must document in each student's file** that the student's records were disclosed to representatives of the Department. The easiest way for the school to do this is to photocopy a statement to this effect and include it in each student's file. A statement such as the following would be appropriate for a review of the FSA programs conducted by a Department regional office.

*These financial aid records were disclosed to representatives of the U.S. Department of Education, Region \_\_, on (Month/Day/Year) to determine compliance with financial aid requirements, under 34 CFR Part 99.31(a)(4).*

## Redisclosure to other authorized parties

When student information has been disclosed under 99.31(a)(4) concerning a student's financial aid, that party may generally not redisclose that information to additional parties, unless the disclosure is made on behalf of the school and meets one of the conditions listed in 34 CFR 99.31 and the redisclosure is recorded by the school. However, when a program review finds evidence that a student may have fraudulently obtained aid, this information may be redisclosed to the Department's Office of Inspector General (OIG) under FERPA's provision permitting disclosures in connection with financial aid in order to enforce the terms and conditions of the aid (34 CFR 99.31(a)(4)). (Thus, the OIG would not have to make a separate request to the school for the same information.)

When redisclosure is anticipated, the additional parties to whom the information will be disclosed must be included in the record of the original disclosure. For instance, to continue the example for an FSA program review, the following statement might be added: *The School Eligibility Channel may make further disclosures of this information to the Department's Office of Inspector General, and to the U.S. Department of Justice, under 34 CFR 99.33(b).* Schools should check with the program review staff to find out if any redisclosure is anticipated.

As mentioned earlier, the financial aid office is usually not responsible for developing the school's FERPA policy. However, anyone involved in developing a school's policy or anyone who would like a copy of the Department's model notification for postsecondary schools, may review and download the notification from the Family Policy Compliance Office Web site at

[www.ed.gov/policy/gen/guid/fpco/index/html](http://www.ed.gov/policy/gen/guid/fpco/index/html)

### Limitations on redisclosure cite

34 CFR 99.33



**Reminder**

## Ex Parte Orders

The recent amendment to FERPA permits educational agencies and institutions to disclose – without the consent or knowledge of the student or parent – personally identifiable information from the student’s education records to the Attorney General of the United States or to his designee in response to an *ex parte* order in connection with the investigation or prosecution of terrorism crimes specified in sections 2332b(g)(5)(B) and 2331 of title 18, U.S. Code. An *ex parte* order is an order issued by a court of competent jurisdiction without notice to an adverse party.

## Lawfully issued subpoenas and court orders

FERPA permits educational agencies and institutions to disclose, without consent, information from a student’s education records in order to comply with a *lawfully issued subpoena or court order* in three contexts. These three contexts are:

1. Grand Jury Subpoenas – Educational agencies and institutions may disclose education records to the entity or persons designated in a Federal Grand Jury subpoena.
2. Law Enforcement Subpoenas – Educational agencies and institutions may disclose education records to the entity or persons designated in any other subpoena issued for a law enforcement purpose.

For these subpoenas, the court may order the school not to disclose to anyone the existence or contents of the subpoena or the school’s response. If the court so orders, then neither the prior notification requirements of 34 CFR 99.31(a)(9) nor the recordation requirements at 34 CFR 99.32 would apply. (In the case of an agency subpoena, the educational school has the option of requesting a copy of the good cause determination.)

3. Ex parte orders – Educational agencies and institutions may disclose, without consent or knowledge of the student or parent, personally identifiable information to the Attorney General of the United States or his designee in response to an *ex parte* order in connection with the investigation of a crime of terrorism. An *ex parte* order is an order issued by a court without notice to the adverse party.

### Recordkeeping change pursuant to an ex parte order

In addition to allowing disclosure without prior written consent or prior notification, this provision amends FERPA’s recordkeeping requirements (20 U.S.C. 1232g(b)(4); 34 CFR 99.32). As a result, FERPA, as amended, does not require a school official to record a disclosure of information from a student’s education record when the school makes that disclosure pursuant to an “*ex parte*” order. Rather, the school may respond to the specific requirements contained in the “*ex parte*” order.

Furthermore, an educational agency or school that, in good faith, produces information from education records in compliance with an “*ex parte*” order issued under the amendment “shall not be liable to any person for that production.”

### Subpoena cites

20 U.S.C. 1232g(b)(1)(J)(i) and (ii), (b)(2)(B);  
34 CFR. 99.31(a)(9)



### All other subpoenas

In contrast to the exception to the notification and recordkeeping requirements described here, educational agencies or institutions may disclose information pursuant to any other court order or lawfully issued subpoena only if the school makes a reasonable effort to notify the parent or eligible student of the order or subpoena in advance of compliance, so that the parent or eligible student may seek protective action. Additionally, schools must comply with FERPA’s recordkeeping requirements under 34 CFR. 99.32 when disclosing information pursuant to a standard court order or subpoena.

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### **Recordkeeping requirements for health and safety exceptions**

FERPA's recordkeeping requirements apply to disclosures made pursuant to the health or safety exception.

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### **Dear Colleague Letter**

A Dear Colleague Letter on recent changes to FERPA is available at



<http://www.ed.gov/policy/gen/guid/fpco/pdf/hterrorism.pdf>

## ***Health or safety emergency***

The health or safety exception permits educational agencies and institutions to disclose personally identifiable information from a student's education record without the written consent of the student in the case of an immediate threat to the health or safety of students or other individuals. Typically, law enforcement officials, public health officials, and trained medical personnel are the types of parties to whom information may be disclosed under this FERPA exception.

The Department consistently has limited the health and safety exception to a specific situation that presents imminent danger or to a situation that requires the immediate need for information from education records in order to avert or diffuse serious threats to the safety or health of a student or other individuals. Any release must be narrowly tailored considering the immediacy, magnitude, and specificity of information concerning the emergency. Moreover, this exception is temporarily limited to the period of the emergency and generally will not allow for a blanket release of personally identifiable information from a student's education records.

## THE DEPARTMENT'S ROLE

One of the Department's functions is to oversee the FSA programs to ensure that they are administered properly. Here we discuss the two major types of oversight activities – audits and program reviews.

Program reviews and audits are conducted to identify procedural problems at the school and recommend solutions. If a school is cited in a program review or audit for improperly disbursing FSA program funds, the school must restore those funds as appropriate.

If a school is cited in a program review or audit for other serious program abuses, the school may be subject to corrective action and sanctions, such as fines, emergency action, or limitation, suspension, or termination discussed later in this chapter.

## FSA AUDIT REQUIREMENTS FOR SCHOOLS

A school that participates in any FSA program, including participating foreign schools, generally must have an independent auditor conduct, at least once a year, an audit of the school's compliance with the laws and regulations that are applicable to the FSA programs in which the school participates (a *compliance audit*), and an audit of the school's financial statements (a *financial statement audit*).

An *independent auditor* is a certified public accountant or a government auditor who meets the *Government Auditing Standards* qualifications and independence standards. A recent major revision to *Government Auditing Standards* provides that independent auditors may not audit their own work. Therefore, schools that engage a certified public accountant to perform significant non-audit services (such as maintaining their accounting records) may not engage that certified public accountant to perform their independent audits. Schools and auditors should consult the Government Accountability Office (GAO) website at [www.gao.gov](http://www.gao.gov) for full details on these standards.

### Integrity of the HEA Programs cite

Part H of the HEA



### The FSA Assessment module

that can assist you in understanding and assessing your compliance with the provisions of this chapter is "Institutional Eligibility," at

<http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentApage3.html>



### Audit submission cite

34 CFR 668.23(a)(4)



### Audit requirements for schools cite

Sec. 487(c)A(1) of the HEA  
34 CFR 668.23(a)(1)  
34 CFR 668.23(a)(5)



### Independent auditor

An independent auditor or government auditor, except that a government auditor must meet the Government Auditing Standards qualification and independence standard, including standards related to organizational independence.

**Clarification**

### Financial Statements and Audits for Foreign Schools

Foreign schools must also submit annual compliance and financial audits.

Because financial responsibility requirements vary for foreign schools based on the amount of federal student financial aid funds a school receives, the requirements for preparing the financial statement also vary.

A school that received less than \$500,000 (in U.S. dollars) in Title IV funds during its most recently completed fiscal year must have its financial statements prepared according to the accounting principles of the school's home country.

ED Regulations require that a foreign school that received \$500,000 (in U.S. dollars) or more in Title IV funds during its most recently completed fiscal year must have its financial statements translated into U.S. Generally Accepted Accounting Principles.

Audits of foreign schools must be conducted in accordance with the "Foreign School Audit Guide."

A *compliance audit* provides an assessment of how well a school complies with federal requirements for administering federal student aid programs, and must be conducted according to ED regulations and *Government Auditing Standards*.

A *financial audit* provides an opinion on the school's financial statements. The financial statements must be prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) and audited by an independent auditor in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards*, and other applicable provisions of ED regulations and Office of Management and Budget (OMB) circulars. A financial statement audit provides the Department with information necessary to evaluate a school's status vis-a-vis the financial standards. (See the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 11.*)

Audits of for-profit institutions are to be conducted in accordance with the FSA Audit Guide. Audits of public and non-profit institutions are to be conducted in accordance with OMB Circular A-133 using the OMB Compliance Supplement (A-133 Audit). Audits of foreign schools must be conducted in accordance with the *Foreign School Audit Guide*.

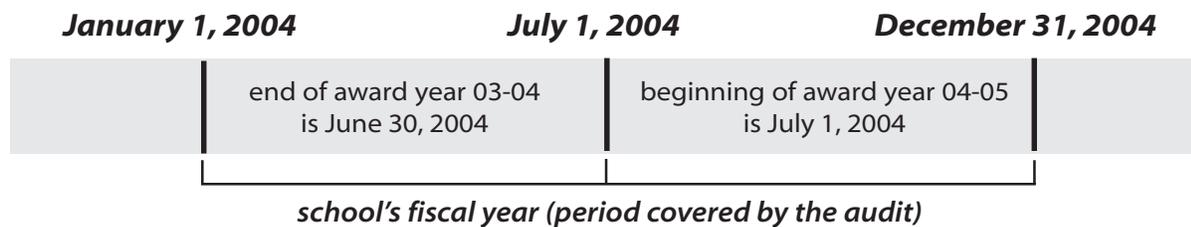
The Office of Inspector General (OIG) also conducts audits, usually in cases where there is concern over a school's administration of the FSA programs. An OIG or other federal audit does not satisfy the requirement that a school have annual compliance and financial statement audits performed by an IPA.

### Simultaneous FSA audit submissions

A school that has an audit performed under the FSA Audit Guide must submit **both** the compliance audit and the audited financial statements within six months of the end of the school's fiscal year. Both the compliance audit and the financial statement audit must be performed on a fiscal-year basis. In addition, both audits must be prepared by an independent public accountant (IPA) in accordance with the Generally Accepted Accounting Principles (GAAP) and audited in accordance with the Generally Accepted Government Auditing Standards (GAGAS). The compliance audit and financial statement audit may be performed by different auditors. However, the audits must be submitted as one package.

The compliance audit of a school that has a fiscal year that does not coincide with an award year will cover parts of two award years. (See examples on facing page.)

## Fiscal Year Not Equal to Award Year Example



### Waivers of the FSA audit requirement

A school may request a waiver of the annual audit requirement if it disburses less than \$200,000 dollars a year in FSA program funds. If such a waiver is approved, the school must submit a compliance audit (covering each individual fiscal year in the waiver period) and a financial statement audit (for the last year of the waiver period) at the end of the waiver period.

The regulations do **not** waive the requirement that a school audit its administration of the FSA programs; they waive the requirement that these audits be submitted on an annual basis. Therefore, if a school is granted a waiver for three years, when the waiver period expires and the school must submit its next compliance audit, that audit must cover the institution's administration of the FSA programs since the end of the period covered by its last submitted compliance audit. In that audit, the auditor must audit, and attest to, the institution's annual 90/10 determination for the waived period.

To qualify for a waiver, a school must demonstrate that it –

- is not a foreign school;
- disbursed less than \$200,000 in FSA program funds during each of the two completed award years prior to the audit period;
- agrees to keep records relating to each award year in the unaudited period for two years after the end of the regular record retention period for the award year;
- has participated in the FSA programs under the same ownership for at least three award years preceding the school's waiver request;
- is financially responsible under the general requirements of financial responsibility, and does not rely on the alternative standards and requirements of exceptions to participate in the FSA programs;
- is not receiving funds under the reimbursement or cash monitoring system of payment;
- has not been the subject of a limitation, suspension, fine or termination proceeding, or emergency action initiated by

#### Waiver cite

34 CFR 668.27(c)



#### 90/10 Disclosure

At the end of the waiver period, **for each individual year in the waiver period** (in accordance with 34 CFR 668.23(d)(4)), the auditor for a proprietary school must disclose whether the school met the 90/10 requirement of 34 CFR 600.5 and the conditions of institutional eligibility in 34 CFR 600.7 and 34 CFR 600.8(e)(2).

The school must also submit a financial statement audit for the last year of the waiver period.

the Department or a guaranty agency in the three years preceding the school's waiver request;

- has submitted its compliance audits and audited financial statements for the previous two fiscal years, and no individual audit disclosed liabilities in excess of \$10,000; and
- submits a letter of credit in the amount as determined below, which must remain in effect until the Department has resolved the audit covering the award years subject to the waiver.

For purposes of this section, the letter of credit amount is 10% of the total FSA program funds the school disbursed to or on behalf of its students during the award year preceding the school's waiver request.

The Department rescinds a waiver if the school:

- disburses \$200,000 or more of FSA program funds for an award year;
- undergoes a change in ownership that results in a change of control; or
- becomes the subject of an emergency action or a limitation suspension, fine, or termination action initiated by the Department or a guaranty agency.

This exception to the annual audit requirement may not be granted for the award year preceding a school's required recertification.

If the Department grants the waiver, the school does not have to submit its compliance or audited financial statement until six months after

- the end of the third fiscal year following the fiscal year for which the school last submitted a compliance audit and audited financial statement; or
- the end of the second fiscal year following the fiscal year for which the school last submitted compliance and financial statement audits if the award year in which the school will apply for recertification is part of the third fiscal year.

An institution's waiver request may include the fiscal year in which that request is made, plus the next two fiscal years. That request may not include an already completed fiscal year.

A school remains liable for repaying any FSA program funds it improperly expends during the waiver period. A compliance audit is the vehicle for discovering improper expenditures. Therefore, a school will be required to pay any liabilities when the school eventually submits a compliance audit for the fiscal years in which it made improper expenditures.

## Examples of Effects of Waivers

*Example 1:* The school is still required to have its administration of the FSA programs audited for the waiver period. If a school is granted a waiver for three years, when the waiver period expires, the next audit must cover the school's administration of the FSA programs since the end of the period covered by its last submitted compliance audit. For example, if a school's fiscal year coincides with an award year (July 1 – June 30). It submits a compliance audit for its fiscal year that ends on June 30, 2002, and then receives a waiver so that its next compliance audit is due six months after the end of its 2004-2005 fiscal year. When it submits that audit, it must cover the 2002-2003, 2003-2004, and 2004-2005 fiscal years.

*Example 2:* If a school's fiscal year is based on an award year (July 1 – June 30), and the school requests a waiver on May 1, 2002, that waiver request may include its 2001-2002 fiscal year (July 1, 2001 through June 30, 2002) plus its 2002-2003 and 2003-2004 fiscal years. If the school's fiscal year was a calendar year, the school's waiver request could include its calendar 2002 fiscal year plus its 2003 and 2004 fiscal years.

### Submission dates for FSA audits

A school's or servicer's (discussed under *Audits for third-party servicers*) annual compliance and financial statements audits performed under the FSA Audit Guide must be based upon the fiscal year and submitted to the Department within six months after the end of the school's or servicer's fiscal year. (These requirements do not apply to audits performed under the Single Audit Act that are due as specified in OMB Circular A-133.)

The following chart lists audit due dates and the period the audit must cover for audits due in 2005 and 2006. (The chart provides information for the most common institutional fiscal-year-end dates.)

Generally, a school's first audit performed under these requirements must cover the entire period of time since the school began to participate in the FSA programs. Each subsequent audit must cover the period since the end of the period covered by the preceding audit that is accepted by the Department.

#### Submission dates cite

34 CFR 668.23(a)(4)



### Audit Submission Due Dates for 2005 and 2006

<i>School's fiscal year end date</i>	<i>Both audits due</i>	<i>Period audited (financial and compliance)</i>	<i>School's fiscal year end date</i>	<i>Both audits due</i>	<i>Period audited (financial and compliance)</i>
September 30, 2004	March 31, 2005	October 1, 2003 through September 30, 2004	September 30, 2005	March 31, 2006	October 1, 2004 through September 30, 2005
December 31, 2004	June 30, 2005	January 1, 2004 through December 31, 2004	December 31, 2005	June 30, 2006	January 1, 2005 through December 31, 2005
March 31, 2005	September 30, 2005	April 1, 2004 through March 31, 2005	March 31, 2006	September 30, 2006	April 1, 2005 through March 31, 2006
June 30, 2005	December 31, 2005	July 1, 2004 through June 30, 2005	June 30, 2006	December 31, 2006	July 1, 2005 through June 30, 2006

### **FSA Compliance audit submission requirements**

Compliance audits must be conducted in accordance with:

- the general standards and the standards for compliance audits contained in the U.S. General Accountability Office's (GAO's) Government Auditing Standards; and
- applicable audit guides from the Department's Office of the Inspector General.

In conducting an audit, a for-profit school or servicer and its auditor should use the Department of Education's latest FSA Audit Guide, the accounting and recordkeeping manual for the FSA programs (known as The Blue Book), and the *GAPS Users Guide*, as applicable.

Audits must be performed by an independent auditor and conducted in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*. The auditor or auditing firm used for a compliance audit may be the same one used to audit a school's other fiscal activities. The auditor must, however, be independent of the school, and of any person or firm authorizing a school's expenditure of Title IV program funds. An audit conducted by a state auditor who meets applicable standards for auditor qualifications and independence satisfies the nonfederal compliance-audit requirement.

The Department may require a school to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, the Department of Veterans Affairs, or accrediting agencies.

The FSA Audit Guide is available on the Internet at:

<http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html>

The Gaps Users Guide is available at

<http://gapsweb.ed.gov>

## ***FSA Audited financial statement requirements***

A school's audited financial statement must cover the school's most recently completed fiscal year. The Department uses the information in a school's audited financial statement to evaluate the school's status vis-a-vis the financial standards (See the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 11.*) In addition to a school's audited financial statement, the Department may require that the school submit additional information. For example, the Department may require a school to submit or provide access to the accountant's work papers. Also, if the Department finds it necessary to evaluate a particular school's financial condition, the Department can require a school to submit audited financial statements more frequently than once a year.

Financial statements must be prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP), and audited by an independent auditor in accordance with GAGAS and other guidance contained in OMB Circular A-133, or in audit guides from the Department's Office of the Inspector General, as applicable.

## ***FSA Consolidated statements***

In some cases, a school's relationship with another entity may cause the Department to require a school to submit additional financial statements both of the school and the entity, such as audited consolidated financial statements; audited full consolidated financial statements; audited combined financial statements; or, under certain circumstances, audited financial statements of one or more related parties. This occurs when the Department determines that the activities or financial health of another entity may impact upon the school's total financial health. So that the Department can make this determination, a school must include in its audited financial statements a detailed description of related entities based on the definition of a related entity in the Statement of Financial Accounting Standards (SFAS) 57. In addition, the description must include all related parties and a level of detail that would enable the Department to readily identify the related party. This information may include, but is not limited to, the name, location, and description of the related entity, including the nature and amount of any transaction between the related party and the school, financial or otherwise, regardless of when it occurred.

**90/10 Rule cite**

34 CFR 600.5 and  
34 CFR 668.23(d)(4)



Circular A-133 is titled "Audits of States, Local Governments, and Nonprofit Organizations" and is applicable to nonprofit postsecondary schools, states, local governments, and Indian tribal governments. For many schools, this is a combined audit of all the federal programs at that school. OMB circular A-133 is available through the OMB Home Page at

<http://www.whitehouse.gov/omb/circulars/index.html>

or by calling OMB's Publication Office at

**(202) 395-3080.**

## Required disclosure of 90/10 revenue test

A proprietary school must disclose the percentage of its revenues derived from the FSA programs that the school received during the fiscal year covered by the audit as a footnote to its audited financial statements. The calculation of this percentage and the funds included must be arrived at using the **cash basis of accounting**. A school that converts from a *for-profit* to a *nonprofit* status must report its compliance with the 90/10 revenue test for the first year after its conversion. Guidance on footnote disclosures can be found in the FSA Audit Guide, in 34 CFR 600.5, and in appropriate accounting references. Information regarding the calculation of the 90/10 Rule percentage is found in the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 1*.

## A-133 audit guidelines

In lieu of audits performed under the FSA Audit Guide, some schools are required to have audits performed under the guidelines of the Single Audit Act (chapter 75 of Title 31, U.S.C.). Audits performed under the Single Audit Act satisfy the Department's audit requirements.

Audits performed under the Single Audit Act have distinct auditing and submission requirements. A school submitting an audit under the guidelines of the Single Audit Act must use the submission deadlines established by the Single Audit Act.

Under the requirements of Circular A-133, a school that expends less than \$500,000 of federal funds during a fiscal year is exempt from submitting an annual A-133 audit. (The former criteria of \$300,000 was increased for fiscal years ending after December 31, 2003.) However, if that school has compiled, reviewed, or prepared an audited financial statement for any purpose for that fiscal year, the school must submit that financial statement to the Department.

Circular A-133 permits the submission of program-specific audits if an entity expends funds in only one federal program **and** the program's regulations do not require a financial statement audit. The FSA program regulations require a financial statement audit. Therefore, **a school may not submit a program-specific audit to satisfy the Department's audit submission requirements.**

Circular A-133 also now allows an independent auditor to use professional judgment to determine whether certain federal programs must be included in the scope of an audit. An independent auditor can exclude certain program components, such as FSA program funds, if they fall below a predetermined dollar and risk threshold.

The independent auditor must make an annual assessment of the dollar and risk conditions, determine whether such exclusions are appropriate, and whether any FSA programs must be included within the scope of the audit. You can find additional information on this topic in the latest *Compliance Supplement* to Circular A-133.

### ***Audits for third-party servicers***

There are also annual audited financial statements and compliance audit requirements for third-party servicers. A third-party servicer must submit an annual compliance audit. However, if a servicer contracts with only one FSA school and that school's own audit sufficiently covers the functions performed by the servicer, the servicer does not have to submit a compliance audit. If a servicer contracts with several FSA schools, a single compliance audit can be performed that covers its administrative services for all schools. A servicer must submit its compliance audit within six months after the last day of the servicer's fiscal year. The Department may require a servicer to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, the Department of Veterans Affairs, or accrediting agencies.

In addition to submitting a compliance audit, a servicer that enters into a contract with a lender or guaranty agency to administer any aspect of the lender's or guaranty agency's programs must submit annually audited financial statements. The financial statements must be prepared on an **accrual basis** in accordance with GAAP and audited by an independent auditor in accordance with GAGAS and any other guidance contained in audit guides issued by the Department's Office of the Inspector General.

If the Department determines that, based on audit findings and responses, a third-party servicer owes a liability for its administration of the FSA programs, the servicer must notify each school that it contracts with of the liability. Generally, unless they submit an appeal, schools and servicers owing liabilities must repay those liabilities within 45 days of being notified by the Department.

A school may never use a third-party servicer's audit in place of its own required audit, because the school is ultimately liable for its own violations as well as those incurred by its third-party servicers. (See chapter 3 for more information on third-party servicers.)

#### **Third party servicers cite**

34 CFR 668.23(a)(3) and (c)  
34 CFR 668.23(d)(5)



Guidance for audits of third-party servicers is found in the January 2000 Department of Education's "Audit Guide, Audits of Federal Student Aid Programs at Participating Institutions and Institution Servicers."

## Having the audit performed

The school or servicer must make its program and fiscal records, as well as individual student records, available to the auditor. (Required recordkeeping is discussed in chapter 7.) Both the financial aid and business offices should be aware of the dates the auditors will be at the school, and make sure that someone is on hand to provide requested documents and answer questions during that period.

At the end of the on-site review, the auditor conducts an exit interview. At a school, this exit interview is usually conducted with the personnel from the school's financial aid and other relevant offices. The exit interview is not only an opportunity for the auditor to suggest improvements in procedures, but it also gives the school or servicer a chance to discuss the draft report and review any discrepancies cited in the report. The exit interview is a good time to resolve any disagreements before the final report is prepared.

The final report is prepared by the auditor and submitted to the school or servicer.

### eZ-Audit

eZ-Audit is the web-based application, launched by the Department on April 1, 2003. It provide a paperless single point of submission for financial statements and audits (i.e., compliance reports). eZ-Audit provides automatic error checking as you enter the data and before submission. In addition, it gives you instant acknowledgment of receipt.

Since June 16, 2003, all schools that participate in the Federal Student Aid Programs have been required to submit financial statements and compliance audits to FSA electronically through the eZ-Audit process (including copies of the A-133 reports that non profit and public institutions file with the Federal Audit Clearinghouse).

Non profit and public institutions are still required to submit their A-133 audits to the Federal Clearinghouse, and the Clearinghouse will process the audits for the Department.

### Applicability

This requirement applies to any compliance audits or financial statements required under 34 CFR 600.20(a) or (b) to begin or continue participating in the FSA programs, any financial statements required due to a change in ownership resulting in a change in control as provided under 34 CFR 600.20(g), any compliance audits and financial statements required annually under 34 CFR 668.23, and any compliance audits and financial statements required when a school ceases to participate in the FSA programs as provided under 34 CFR 668.26(b).

Non profit and public institutions submit their A-133 audits to the Federal Clearinghouse at—

**Federal Audit Clearinghouse  
Bureau of the Census  
1201 East 10th Street  
Jeffersonville, Indiana 47132**

## The eZ-Audit process

To access the eZ-Audit Web site you must be a registered user. Each school must select an *eZ-Audit Institution Administrator* who will be responsible for managing your school's access to the eZ-Audit Web site. This Institution Administrator will receive the user name and password necessary for your school's access, and will be responsible for granting access to others you name as additional users.

Each registered user must sign and retain the eZ-Audit Rules of Behavior. (For registration instructions and to download the *Rules of Behavior* please visit <http://ezaudit.ed.gov>).

Once you have obtained your school ID, you will access the appropriate page on the audit-Audit Web site, and —

1. enter general information about your school's compliance audit and financial statement;
2. enter specific financial data directly from its audited financial statement; and
3. attach authentic electronic copies of the audit originals.

After you have entered the required information, you must attach a copy of the audit prepared and signed by the independent auditor. The copy must be in a PDF, non-editable format created using Adobe Acrobat version 5.0 or higher.

## Review of FSA audit submissions

For an audit performed under the Department's FSA Audit Guide, the Department reviews the audit report for format, completeness, and to ensure that it complies with the government's auditing standards.

We will use the general information to make an initial determination of whether the audits are materially complete and conducted in accordance with applicable accounting standards. Based on the financial data, we will also make a preliminary determination as to whether your school is financially responsible with respect to the financial responsibility ratios, or in the case of a change in ownership resulting in a change in control, whether the school satisfies the financial ratio requirements under 34 CFR 668.15. Later, the Department will review submissions to determine whether the school must provide additional information or ED should take further action.

Based on the audit findings and the school's or servicer's written explanation, the Department will determine if any funds were spent improperly. Unless the school or servicer has properly appealed the decision, the school or servicer must repay any improperly spent funds within 45 days.

### Information about eZ-audit

You can find everything you need to know about it on IFAP at



<http://ifap.ed.gov>

and

<http://ezaudit.ed.gov>

A Step-by-Step Users Manual is available online and on IFAP. If you have questions, please send an email to

[fsaezaudit@ed.gov](mailto:fsaezaudit@ed.gov)

or call the eZ-Audit Help Desk at

**877-263-0780.**

Schools and school servicers submit their audits and any required Corrective Action Plan (CAP) to the Department's Data Management and Analysis Division through eZ-Audit.

If your school finds that it cannot use the eZ-Audit system, it may be asked to send a written copy of its audit and financial statements to

**U.S. Department of Education  
School Eligibility Channel  
Data Management and Analysis  
Division  
Document Receipt and Control  
Center  
830 First Street, NE  
Room 71-I-1  
Washington, DC 20002- 5042**

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**Access includes the right to copy**

records (including computer records), to examine computer programs and data, and to interview employees without the presence of management or the presence of the school's or a servicer's tape recorder.

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**Access and examination cite**

34 CFR 668.24(f)

**Reminder**

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**Administrative subpoena authority**

The Amendments of 1998 give the Department the authority to issue administrative subpoenas to assist in conducting investigations of possible violations of the provisions of FSA programs. In addition, the law authorizes the Department to request the Attorney General to invoke the assistance of any court of the United States for purposes of enforcing a subpoena if necessary

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**Administrative subpoena authority cite**

Sec. 490A of the HEA



## ACCESS TO RECORDS

Once the audit is complete, the school or servicer must give the Department and the OIG access to all records and documents needed to review the audit. A school that uses a third-party servicer must give the Department and the OIG access to all records and documents needed to review a third-party servicer's compliance or financial statement audit. In addition, the school's or servicer's contract with the auditor must specify that the auditor will give the Department and the OIG access to the records and documents related to the audit, including work papers. Cooperation includes providing timely and reasonable access to records (including computer records) for examination and copying, and to personnel for the purpose of obtaining relevant information.

**Throughout the audit process, and for other examinations such as program reviews and state reviews, the school or servicer is required to cooperate fully with its independent auditor, the Department and its Inspector General, the Comptroller General of the United States, the appropriate guaranty agency and accrediting agency.**

## PROGRAM REVIEWS

The Department conducts program reviews to identify possible problems in a school's FSA administration. A program review covers many of the same areas as an audit, including fiscal operations and accounting procedures, as well as the school's compliance with the specific program requirements for student eligibility and awards. However, program reviews tend to focus more on regulatory requirements that are specific to the FSA programs. For example, the program review team will examine student records and admissions and records, fund requests and transfers, records pertaining to due diligence. ED will base penalties arising from a program review on the seriousness of the violations.

### *Unannounced Program Reviews*

Occasionally, it may be necessary for Department officials to perform an unannounced program review. The General Provisions regulations stipulate that Department officials provide a school with a written request for a program review, but do not preclude the Department from providing such a request at the time the reviewers arrive at the school.

In an unannounced program review, the Department reviewers will present a written request to school officials before beginning the review. The school is expected to have its records organized and readily available, without objection to providing access to those records. However, because certain school officials may not be immediately available during the review, the school may be afforded additional time to submit information required in the review. The Department has regulatory authority to take an emergency action if a school denies access to the reviewers performing an unannounced program review. (See discussion under *emergency action*.) School officials will be informed if an emergency action is to be taken.

### Program Reviews

The Department gives priority in program reviews to schools that meet criteria specified in the law as follows —

- a school has a cohort default rate in excess of 25% or a rate that places the school in the highest 25% of such schools;
- a school has a default rate in dollar volume that places the school in the highest 25% of such schools;
- a school has a *significant* fluctuation in Federal Stafford Loan volume, Direct Stafford Loan volume, or Federal Pell Grant awards, that is not accounted for by changes in the programs (significant fluctuations in amounts of aid received by schools are those that do not relate to programmatic changes and added Direct Loans to the list of programs);
- a school is reported to have deficiencies or financial aid problems by the appropriate state agency or accrediting agency;
- a school has high annual dropout rates; and
- it is determined by the Department that the school may pose a significant risk of failing to comply with the administrative capability or financial responsibility requirements.

In addition, the Department is required to:

- establish guidelines designed to ensure uniformity of practice in the conduct of program reviews;
- make copies of all review guidelines and procedures available to all participating schools;
- permit schools to correct administrative, accounting, or recordkeeping errors if the errors are not part of a pattern and there is no evidence of fraud or misconduct; and
- inform the appropriate state and accrediting agency whenever it takes action against a school.

## Written report

After the Department performs a program review of a school, the program review team prepares a written report that will be sent to the school within approximately 60 days of the review. The school may respond to this report if it wishes to offer additional information to support its position or if it disagrees with any of the report's conclusions. When the Department has fully considered the school's response and any additional documentation provided by the school, the Department will send a copy of the final program review determination to the school.

## APPEALING AUDIT AND PROGRAM REVIEW DETERMINATIONS

### Appeals cite

34 CFR 668.34, Subpart H



The law allows for appeals of final audit or program review determinations. Note that only a final determination may be appealed. The letter conveying a final audit determination is clearly identified as a *Final Audit Determination Letter (FADL)* and explains the appeals procedures. For a program review, the final determination letter is marked *Final Program Review Determination Letter (FPRD)*.

If a school or servicer wants to appeal an audit or program review determination, it must appeal, in writing, to the Departmental official identified in the FPRD within 45 days. If the school or servicer makes such a request, the determination will be reviewed by an impartial hearing official appointed by the Department. In most cases, an oral hearing will not be required. The school or servicer and the Department must submit briefs with any accompanying materials to the official, and provide the other party with a copy of its submission at the same time. If the final decision is appealed by either party, the Department will review it.

If the hearing official (or the Secretary) finds that the school or servicer improperly expended funds or otherwise failed to comply with applicable program rules and requirements, the Department will collect the liability owed, if any. The school or servicer must repay the funds within 45 days of the Department's notification of the liability, unless the Department grants an extension. At its option, the Department may elect to use an administrative offset to collect the funds owed.

## REVIEWS CONDUCTED BY GUARANTY AGENCIES

The FFEL Program regulations require guaranty agencies to conduct program reviews at postsecondary schools. A guaranty agency must conduct biennial (once every two years) on-site reviews of **at least all schools** for which it is the principal guaranty agency *that have a cohort default rate for either of the two preceding fiscal years that exceeds 20%*. Schools that the Department requires to take specific default reduction measures and schools where the total amount of loans entering repayment in each of those fiscal years does not exceed \$100,000 are exempted. Alternatively, a guaranty agency may use its own criteria to select schools for the biennial on-site reviews if the Department approves the agency's proposed alternative selection methodology. A program review conducted by a guaranty agency is similar to a Department program review, consisting of an entrance interview, a review of student records, an exit interview, and a written report. However, the guaranty agency's review will focus on how the school meets FFEL-specific requirements, such as –

- certification of the loan application;
- maintenance of records supporting the student's loan eligibility;
- processing procedures and payment of loan monies; and
- prompt lender notification when the student changes enrollment status, such as complete withdrawal.

Two copies of the guaranty agency's report are forwarded to the Department, including the school's payment if liabilities were assessed.

## CASE MANAGEMENT

Case Management is the Department's approach to oversight of schools that participate in the FSA programs. School Participation Management conducts program reviews, reviews compliance audits and financial statements and provides the Department with a picture of a school's overall compliance through the use of School Participation Teams.

FSA's School Eligibility Channel (SEC) coordinates the case management approach. School Participation Teams are staffed by personnel in the regions and in Washington, DC, and each is assigned a portfolio of schools. Each team is responsible for oversight functions for the schools in its portfolio. These functions include audit resolution, program reviews, financial statement analysis, and recertification. There are Institutional Improvement Specialists for each School Participation Team. Institutional Improvement Specialists are responsible for improving compliance by offering targeted technical assistance and presentations on important FSA topics.

Each school is assigned a case manager who leads the team in its evaluation of that school. The entire team will evaluate information on the school from a variety of sources to identify any compliance issues at the school. The team can then assess potential risk to the FSA programs and determine appropriate action. Once appropriate actions are decided upon, the case manager assigned to the school ensures that the recommended actions are taken.

School Participation Teams will collect and review information on a school from many sources including, but not limited to

- applications for recertification,
- financial and compliance audits,
- state agencies,
- accrediting agencies and licensing boards,
- student complaints, and
- Department databases.

### ***Possible actions***

A School Participation Team may decide to take actions that include, but are not limited to

- reviewing recertification or awarding only provisional certification;
- initiating a program review;
- establishing liabilities;
- developing a strategy for providing technical assistance,

- transferring the school to the reimbursement payment method (See the *Federal Student Aid Handbook, Volume 4 – Processing Aid and Managing FSA Funds.*);
- requiring a letter of credit; and
- referring the school for an enforcement action.

Actions do not always have to be negative. For example, the School Participation Team can recommend a school for participation in the Quality Assurance Program.

The Department will use a system of risk analysis as well as other tools to identify schools with the greatest need for oversight. The Department will use analysis by various Department data systems to generate a risk score for a school. This will enable the Department to target resources to those schools that present the highest risk to the government.

Case management provides the additional benefit of permitting a school to contact one team that will have all information on the school available in one place. (For a list of phone numbers for the regional School Participation Teams, see the chart at the end of this chapter.)

## CORRECTIVE ACTIONS AND SANCTIONS

### Sanctions

Sanctions include emergency actions, fines, limitations, suspensions, and terminations.

The Department will sanction any school that:

- violates the law or regulations governing the FSA programs, its PPA, or any agreement made under the law or regulations; or
- substantially misrepresents the nature of its educational programs, its financial charges, or its graduates' employability. For details on misrepresentation, see the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 6.*

Similarly, the Department may also sanction a third-party servicer that performs functions related to the FSA programs. Further, the Department has the authority to sanction a group of schools or servicers if it finds that a person or entity with substantial control over all schools or servicers within the group has violated any of the FSA program requirements or has been suspended or debarred from program participation. (See the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapters 1 and 3.*)

For details on steps that a school should follow in any of these situations, see Subpart G of the General Provisions regulations and Section 600.41 of the Institutional Eligibility regulations.

## ***Actions due to program violations or misrepresentation***

If a school has violated the FSA program regulations, the Department may allow the school to respond to the problem and indicate how it will correct it. If this informal approach fails to correct the situation, or if the school has repeatedly violated the law or regulations, the Department may take an emergency action, fine the school, or initiate a limitation, suspension, or termination of FSA program participation.

In addition, the Department has the authority to terminate a school or program that no longer meets the eligibility criteria given in the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapters 1, 3, and 4*.

### ***Emergency action***

The Department may take an emergency action to withhold FSA program funds from a school or its students if the Department receives information, determined by a Department official to be reliable, that the school is violating applicable laws, regulations, special arrangements, agreements, or limitations. To take an emergency action, the Department official must determine that:

- The school is misusing federal funds.
- Immediate action is necessary to stop this misuse.
- The potential loss outweighs the importance of using established procedures for limitation, suspension, and termination.

The school is notified by registered mail (or other expeditious means) of the emergency action and the reasons for it. The action becomes effective on the date the notice is mailed.

An emergency action suspends the school's participation in all FSA programs and prohibits the school from disbursing FSA program funds or certifying FFEL applications. The action may not last more than 30 days unless a limitation, suspension, or termination proceeding is initiated during that period. In that case, the emergency action is extended until the proceeding, including any appeal, is concluded. The school is given an opportunity to *show cause* that the action is unwarranted.

## ***Fine***

The Department may fine a school up to \$27,500 for each statutory or regulatory violation. (The Department first notifies the school of its intent to fine so the school can, if it chooses, request a hearing.) If the school is found guilty of any violations, it may appeal to the Department for a compromise on the amount of the fines imposed at the hearing. In determining the amount owed by the school, the Department will consider the school's size and the seriousness of its violation or misrepresentation.

## ***Limitation***

Under a limitation, a school agrees to abide by certain specific conditions or restrictions as it administers FSA program funds; by doing so, it is allowed to continue participating in the FSA programs. A limitation lasts for at least 12 months. If the school fails to abide by the limitation's conditions, a termination proceeding may be initiated.

## ***Suspension***

A suspension removes a school from participation in the FSA programs for a period not to exceed 60 days (unless a limitation or termination proceeding has begun). A suspension action is used when a school can be expected to correct an FSA program violation in a short time.

## ***Corrective action***

As part of any fine, limitation, or suspension proceeding, the Department may require a school to take corrective action. This may include making payments to eligible students from its own funds or repaying illegally used funds to the Department. In addition, the Department may offset any funds to be repaid against any benefits or claims due the school.

## ***Termination***

A termination ends a school's participation in the FSA programs. A school that has violated the law or regulations governing the FSA programs, its PPA, or any other agreement made under FSA regulations and was terminated from participating in the FSA programs generally may not apply to be reinstated for 18 months. A school that substantially misrepresented the nature of its educational programs, its financial charges, or the employability of its graduates may not be reinstated for at least three months.

## Possibility of reinstatement

A school requesting reinstatement in the FSA programs must submit a fully completed E-App to the Department and demonstrate that it meets the standards in Subpart B of the General Provisions. As part of the reinstatement process, the school must show that it has corrected the violation(s) on which its termination was based, including repaying all funds (to the Department or to the eligible recipients) that were improperly received, disbursed, caused to be disbursed, or withheld. The Department may approve the request, deny the request, or approve the request subject to limitations (such as granting the school provisional certification). If the Department approves the reinstatement request, the school will receive a new ECAR and enter into a new PPA.

### Criminal penalties cite

Sec. 490 of the HEA



## Criminal penalties

The law provides that any person who knowingly and willfully embezzles, misapplies, steals, obtains by fraud, false statement, or forgery, or fails to refund any funds, assets, or property provided or insured under Title IV of the Higher Education Act, or *attempts* to commit any of these crimes will be fined up to \$20,000 or imprisoned for up to five years, or both. If the amount of funds involved in the crime is \$200 or less, the penalties are fines up to \$5,000 or imprisonment up to one year, or both.

Any person who knowingly and willfully makes false statements, furnishes false information, or conceals material information in connection with the assignment of an FSA program loan or attempts to do so, will, upon conviction, be fined up to \$10,000 or imprisoned for up to one year, or both.

Any person who knowingly and willfully makes, or attempts to make, an unlawful payment to an eligible lender of loans as an inducement to make, or to acquire by assignment, a loan insured under such part will, upon conviction, be fined up to \$10,000 or imprisoned for up to one year, or both.

Any person who knowingly and willfully destroys or conceals, or attempts to destroy or conceal, any record relating to the provision of FSA program assistance with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under this part, will, upon conviction, be fined up to \$20,000 or imprisoned up to five years, or both.

## REQUIREMENTS WHEN A SCHOOL CEASES TO BE AN ELIGIBLE INSTITUTION

A school loses its eligibility to participate in the FSA programs when it no longer meets the requirements of 34 CFR Part 600, certain requirements of Part 668, or when the Department terminates the school under Subpart G of the General Provisions.

In general, a school that ceases to be eligible must notify the School Eligibility Channel within 30 days of its loss of eligibility to participate in the FSA programs. Requirements for notifying the Department are in 34 CFR 600.40.

### *Loss of accreditation*

When a school loses its school-wide accreditation, the Department generally may not certify or recertify that school to participate in any FSA program for two years after the school has had its accreditation withdrawn, revoked, or otherwise terminated for cause or after a school has voluntarily withdrawn under a *show cause* or suspension order. If a school wishes to be reinstated, it must submit a fully completed E-App to the Department.

The Department will not recertify a school that has lost its school-wide accreditation in the previous two years unless the original accrediting agency rescinds its decision to terminate the school's accreditation. In addition, if a school voluntarily withdrew from accreditation during the last two years under a *show cause* or suspension order, the Department will not recertify the school unless the original order is rescinded by the accrediting agency. Finally, a school may not be recertified on the basis of accreditation granted by a different accrediting agency during the two-year period.

There are two exceptions to the *two-year* rule.

1. If the Department determines that loss of school-wide accreditation was due to the school's religious mission or affiliation, the school can remain certified for up to 18 months while it obtains alternative accreditation.
2. If a school's school-wide accrediting agency loses its Department recognition, the school has up to 18 months to obtain new accreditation.

Note that it is possible for accreditation to be withdrawn from one of the programs at a school without affecting the accreditation (and eligibility) of other programs at the school.

If an additional location or branch of a school closes and borrowers who attended the school obtain loan discharges by reason of the closure of the location or branch (or improper ATB or loan certifications), the Department will pursue recovery against the larger school, its affiliates, and its principals.  
(20 USC 1087(c)(1)).

## REQUIREMENTS WHEN A SCHOOL'S FSA PARTICIPATION ENDS

A school may stop participating in the FSA programs voluntarily or it may be required to leave involuntarily. In either situation, there are required closeout procedures to follow.

A separate closeout audit is not required if a school closes an additional location or a branch campus because the next due compliance audit for the school must report on the use of FSA program funds at the closed location. However, the school must notify the Department of the additional location or branch closure. See the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 5* for information on reporting information to the Department.

## VOLUNTARY WITHDRAWAL FROM FSA PARTICIPATION

For any number of reasons, a school may voluntarily withdraw from participating in one or all of the FSA programs. For instance, a school might wish to withdraw from the Perkins Loan Program to work on lowering high student-loan cohort default rates. To withdraw from one or all of the FSA programs, the school must notify the Department via the electronic application. For more information on these requirements and procedures, contact the appropriate School Participation Team.

**Note:** A school that withdrew voluntarily (for instance, to lower its default rate) can request to participate again without the waiting period required for a school that was terminated from the program involuntarily or withdrew voluntarily while under a show-cause or suspension order.

**Withdrawing from the FSA programs while under a termination order or other sanction — or to avoid being placed under them — is not considered a voluntary withdrawal.**

## INVOLUNTARY WITHDRAWAL FROM FSA PARTICIPATION

A school's participation ends in the following circumstances:

- the school closes or stops providing instruction (for a reason other than normal vacation periods or as a result of a natural disaster that directly affects the school or its students);

**Note:** If the school closes its main campus or stops providing instruction on its main campus, its loss of eligibility includes all its locations and programs.

If a school ceases to provide educational instruction in all FSA programs, the school should make arrangements for its students to complete their academic programs. If the school chooses to enter into a formal teachout arrangement, the school should contact the appropriate School Participation Team for guidance.

- the school loses its accreditation;
- the school loses its state licensure;
- the school loses its eligibility;
- the school's PPA expires;
- the school's participation is terminated under Subpart G;
- the school's provisional certification is revoked by the Department;
- the school's cohort default rate exceeds allowable limits; or
- the school files a petition for bankruptcy or the school, its owner, or its CEO is responsible for a crime involving FSA funds.

### *When participation ends*

When a school's participation in an FSA program ends—for whatever reason—the school must immediately notify the Department and comply with the following minimum requirements:

- within 45 days of the effective ending date of participation, submit to the Department all financial reports, performance reports, and other reports required by each appropriate FSA program regulation, as well as a dated letter of engagement for an audit by an independent public accountant (IPA) of all FSA program funds received. The completed audit report must be submitted to the Department within 45 days after the date of the letter of engagement.

- report to the Department on the arrangements for retaining and storing (for the remainder of the appropriate retention period described in 34 CFR 668.24) all records concerning the school's management of the appropriate FSA programs. (See chapter 7.)
- tell the Department how the school will provide for collecting any outstanding FSA program student loans held by the school.
- refund students' unearned FSA student assistance. (See *Appendix G.*)

### ***Additional closeout procedures***

In addition, a school that closes must refund to the federal government or, following written instructions from the Department, otherwise distribute any unexpended FSA program funds it has received (minus its administrative cost allowance, if applicable). The school must also return to the appropriate lenders any loan proceeds the school received but has not disbursed to students. If the school's participation in the Leveraging Educational Assistance Partnership (LEAP) Program ends, the school must inform the state and follow the state's instructions.

If a school's participation ends during a payment period (or enrollment period for FFEL programs), but the school continues to provide education in the formerly eligible program until the end of the payment or enrollment period, the school may use the FSA program funds in its possession to —

- satisfy unpaid Pell Grant or Campus-Based program commitments made to students for that payment period or for previously completed payment periods before the school's participation ended;

**Note:** The school may request additional funds from the Department to meet these commitments.

- satisfy any unpaid FFEL commitments made to students for that period of enrollment by delivering subsequent FFEL disbursements to the students or by crediting them to the students' accounts (only if the first disbursement already was delivered or credited before the school's participation ended);

- use the FSA program funds in its possession to satisfy unpaid Direct Loan commitments made to students for that period of enrollment before participation ended by delivering subsequent Direct Loan disbursements to the students or by crediting them to their accounts (if the first disbursement already was delivered or credited to the students' accounts before the school's participation ended).

**Note:** The school may request additional funds from the Department to fulfill this commitment.

If you need additional information, contact the staff of the Department's appropriate regional office for guidance in fulfilling these requirements and responsibilities.

## LOSS OF ELIGIBILITY OR WITHDRAWAL FROM LOAN PROGRAMS

If a school is notified that it has lost its eligibility to participate in the Direct Loan or FFEL programs and the school does not intend to appeal the decision, it must immediately inform all current and *prospective* students of its loss of eligibility. The school must also explain that it can no longer certify Stafford and PLUS loans for students or parents. If the school appeals its loss of eligibility within the required timeframe, the school may continue certifying Stafford and PLUS loans during the appeal process. Once a final decision on the appeal is made, the school must take the actions described in the Department's final appeal determination letter.

A student enrolled at a school that loses eligibility or discontinues participation in the Direct or FFEL programs, can continue to receive interest subsidies if the student enrolls and remains enrolled at an eligible school.

If a school plans to withdraw from participation in the Direct Loan and/or FFEL programs, it must notify the appropriate guaranty agency or agencies (for FFEL schools) and the Department (for schools with either loan program) of its decision in writing. Once the effective date of withdrawal has been established, the school is prohibited from disbursing loan funds to the student. However, if your school made a first disbursement to the student before it lost eligibility, it may still be able to make a subsequent disbursement to that student. (See the conditions in 34 CFR 668.26(d).)

## School Participation Teams School Participation Management School Eligibility Channel

*The School Eligibility Channel (formerly Case management and Oversight) contains three School Participation Management Divisions. These divisions perform similar functions, and each division is responsible for a separate section of the United States. Each division implements the following school participation team functions: audit resolution, program review, financial statement analysis, and recertification. The three divisions are:*

- *School Participation Management Division Northeast*
- *School Participation Management Division Southcentral*
- *School Participation Management Division Northwest*

*The division functions are performed by teams headed by an Area Case Director and composed of staff from Washington, D.C. and the region. Each division contains two or more of these teams. Listed below are the teams, their telephone numbers, and the states each team is responsible for.*

<b>Team</b>	<b>Telephone #</b>	<b>States Covered</b>
<b>School Participation Management Division Northeast</b>		
Boston Team	617-289-0133	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
New York Team	646-428-3750	New Jersey, New York, Puerto Rico, and Virgin Islands
Philadelphia Team	215-656-6442	Delaware, Maryland, Pennsylvania, Virginia, W. Virginia, and the District of Columbia
<b>School Participation Management Division Southcentral</b>		
Atlanta Team	404-562-6315	Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina
Kansas City Team	816-268-0410	Iowa, Kansas, Kentucky, Missouri, Nebraska, and Tennessee
Dallas Team	214-661-9490	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
<b>School Participation Management Division Northwest</b>		
Chicago Team	312-886-8767	Illinois, Minnesota, Ohio, and Wisconsin
San Francisco Team	415-556-4295	Arizona, California, Hawaii, Nevada, American Samoa, Guam, Republic of Palau, Republic of the Marshall Islands, Northern Marianas, and the Federated States of Micronesia
Denver Team	303-844-3677	Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, and Wyoming
Seattle Team	206-615-2594	Alaska, Idaho, Oregon, Washington, and Indiana

*The School Participation Management Division Northeast is also responsible for certification and monitoring of foreign schools. For information on foreign schools you should contact 202-377-3168.*

# Fiscal Standards



*The regulations establish standards of financial responsibility a school must meet in order to participate in the FSA programs. In this chapter we discuss those financial standards that relate to a school's fiscal operations.*

In order to participate in the FSA programs a school must demonstrate that it is financially responsible. To provide the Department with the information necessary to evaluate a school's financial responsibility, schools are required to submit financial information to the Department every year. A school must provide this financial information in the form of an audited financial statement as part of a combined submission that also includes the school's compliance audit. For-profit schools have six months from the end of the schools' fiscal year to provide the combined submission; other schools have nine months.

The Department determines whether a school is financially responsible based on the school's ability to:

- provide the services described in its official publications and statements;
- properly administer the FSA programs in which the school participates; and
- meet all of its financial obligations.

The financial responsibility standards can be divided into two categories: (1) general standards, which are the basic standards used to evaluate a school's financial health, and (2) performance and affiliation standards, which are standards used to evaluate a school's past performance and to evaluate individuals affiliated with the school.

For complete information about the financial responsibility standards schools should refer to Subpart L of the Student Assistance General Provisions and *the Federal Student aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 11. Here we will discuss only the those standards that are related to the functions of the business office.

## Financial responsibility cites

Sec. 498(c)  
34 CFR 668 Subpart L



## School Participation Teams

For information regarding accounting and compliance issues, a school should contact its School Participation Team (see chart at the end of chapter 8 or on the Web at



<http://ifap.ed.gov/iposguidance/attachments/ipos-org.pdf>

## Use of eZ-AUDIT required

Since June 16, 2003 schools have been required to submit their compliance audits, audited financial statements, and letters confirming their status as public schools through the Department's eZ-AUDIT Electronic Financial Reporting System. See the "Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations," chapter 12 for more information on required audit submissions.

## The FSA Assessment modules

that can assist you in understanding and assessing your compliance with the provisions of this chapter are at

<http://ifap.ed.gov/qamodule/FiscalManagement/FiscalManagementModulepage2.html>



**Refund reserve standard cite**

34 CFR 668.173



**Returning funds cite**

34 CFR 668.172(c).



**For withdrawn students, returns funds in a timely manner cite**

34 CFR 668.22



**Federal bank account cite**

34 CFR 668.163(a)



**Making new awards with returned funds**

After a school has returned unearned funds to its federal account, provided those funds were originally received from the Department or from an FFEL lender under a process that allows the school to reuse the unearned funds, the school can use the funds to make disbursements to other eligible students.

## REFUND RESERVE STANDARDS

One of the standards that a school must satisfy, in order to be considered financially responsible, is that it must have sufficient cash reserves to return Title IV funds when a student withdraws. A school is considered to have sufficient cash reserves if it:

- satisfies the requirements of a public school (see the discussion of public schools under *General Standards*); or
- is located in a state that has a tuition recovery fund approved by the Department and the school contributes to that fund; or
- for a student who withdrew, returns unearned Title IV funds in a timely manner.

The Department considers that a school has sufficient cash reserves if, for its two most recently completed fiscal years, the school made all required returns in a timely manner. (See *Appendix G*, for more information on returns, including timely payment.)

### *Returning funds in a timely manner*

Unearned funds must be returned no later than 30 days after the date of the school's determination that the student withdrew. ED considers the school to have returned funds, depending upon the method it uses to return them.

Specifically, the regulations provide that a school has returned funds when it has:

1. deposited or transferred the funds into the bank account it maintains for federal funds no later than 30 days after the date it determines that the student withdrew;

A school that maintains a separate federal bank account must deposit to that account, or transfer from its operating account to its federal account, the amount of unearned program funds, as determined under the Return of Title IV funds regulations. The date the school makes that deposit or transfer is the date used to determine whether the school returned the funds within the 30-day timeframe permitted in the regulations.

Unless the Department requires a school to use a separate account, the school may use its operating account for FSA purposes. In this case, the school must designate that account as its federal bank account, and have an auditable system of records showing that the funds have been allocated properly and returned in a timely manner. If there is no clear audit trail, the Department can require the school to begin maintaining FSA funds in a separate bank account.

2. initiated an electronic funds transfer (EFT) no later than 30 days after the date it determines that the student withdrew;
3. initiated an electronic transaction, no later than 30 days after the date it determines that the student withdrew, that informs an FFEL lender to adjust the borrower's loan account for the amount returned; or
4. issued a check no later than 30 days (as supported by the school's records) after the date it determines that the student withdrew.

If a check is used to return unearned funds, the Department requires that the check be endorsed by the bank used by the Department or FFEL Program lender no later than 45 days after the school's determination that a student withdrew in order to be considered a timely return.

### ***Compliance thresholds***

The Department provides for a small margin of error in determining that a school has paid all required refunds and returns on time. The Department considers a school to have paid returns in a timely manner if:

- there is less than a 5% error rate in a sample of returns (composed of students for whom the school was required to return unearned funds) examined in a compliance audit conducted under 34 CFR 668.23, an audit conducted by the Office of the Inspector General (OIG), or a program review conducted by the Department or guaranty agency; or
- there are no more than two late returns in the sample (regardless of the number or percentage of late returns in the sample).

In addition, if the reviewer or auditor finds a material weakness or reportable condition in the school's report on internal controls relating to the return of unearned Title IV program funds, the Department considers the school to have not paid Returns in a timely manner.

Letters of credit are submitted to:

U.S. Department of Education  
School Eligibility Channel  
Data Management and  
Analysis Division  
Document Receipt and Control Center  
830 First Street, NE  
Room 71-I-1  
Washington, DC 20002-5402

## Letter of credit

If any other school exceeds the compliance thresholds in either of its two most recently completed fiscal years, the school must submit an irrevocable letter of credit acceptable and payable to the Department. (Public schools and schools covered by a state tuition recovery fund are not subject to the letter of credit requirements.) The letter of credit must be equal to 25% of the returns the school made or should have made during its most recently completed fiscal year.

Public institutions and institutions covered by state tuition recovery funds are not subject to the letter of credit requirements. A school that is required to submit a letter of credit must do so no later than 30 days after the earlier of the date that:

1. the school is required to submit its compliance audit;
2. the OIG issues a final audit report;
3. the designated department official issues a final program review determination;
4. the Department issues a preliminary program review report or draft audit report, or a guaranty agency issues a preliminary report showing that the school did not return unearned funds for more than 10% of the sampled students;  
or
5. ED sends a written notice to the school requesting the letter of credit that explains why the school has failed to return unearned funds in a timely manner.

If the finding in the preliminary report is that the school did not return unearned funds in a timely manner for 10% or fewer of the sampled students, a school would generally be required to submit the letter of credit only if the final report shows that the school did not return unearned funds in a timely manner for 5% or more of all students for whom returns were required. If the final report indicates that a letter of credit is required, the school would have to submit it no later than 30 days after the final report is issued.

## Exceptions to the letter of credit requirement

A school is not required to submit a letter of credit of less than \$5,000. However, to meet the reserve requirement, such a school would need to demonstrate that it has available at all times cash reserves of at least \$5,000 to make required returns.

In addition, a school may delay submitting a letter of credit while it asks for reconsideration of a finding that it failed to return unearned Title IV program funds in a timely manner. A school may request that the Department reconsider its finding if the school submits documents showing that:

1. the unearned Title IV program funds were not returned in a timely manner solely because of exceptional circumstances beyond the school's control and that the school would not have exceeded the applicable threshold had it not been for the exceptional circumstances; or
2. it did not fail to make timely returns.

A school that submits an appeal, together with all required supporting documents by the date the letter of credit would be due is not required to submit a letter of credit unless the Department notifies the school that its request has been denied.

## *Tuition Recovery Funds*

When a state submits a tuition recovery fund for evaluation by the Department, the Department will consider the extent to which the recovery fund:

- provides returns to both in-state and out-of-state students;
- complies with Title IV program requirements for the order of return of funds to sources of assistance; and
- will be replenished if any claims arise that deplete the fund.

## CURRENT IN DEBT PAYMENTS

A school is not current in its debt payments if

- it is in violation of any existing loan agreement at its fiscal year end, as disclosed in a note to its audited financial statements or audit opinion; or
- fails to make a payment in accordance with existing debt obligations for more than 120 days, and at least one creditor has filed suit to recover funds under those obligations.

## PAST PERFORMANCE AND AFFILIATION STANDARDS

In addition to meeting the numeric standards of financial responsibility and fulfilling all its financial obligations, a school must demonstrate that it properly administers the FSA programs in which it participates. Past actions of the school or individuals affiliated with the school may reveal mismanagement of FSA program funds, thereby demonstrating that a school is not financially responsible. Therefore, in evaluating the way a school administers the FSA programs, the Department considers the past performance of both the school and individuals affiliated with the school.

### *Past performance of a school*

A school is not financially responsible if the school:

- in the last five years, has been subject to a limitation, suspension, or termination action or has entered into an agreement to resolve a limitation, suspension, or termination action initiated by the Department or a guaranty agency;
- in either of its two most recent FSA program reviews or audits, has had findings for the current fiscal year or two preceding fiscal years that required repayment of more than 5% of the FSA program funds received by the school;
- has been cited during the last five years for failing to submit audits as required; or
- has failed to satisfactorily resolve any compliance issues identified in program reviews or audit reports, upheld in a final decision of the Department.

## ***Past performance of persons affiliated with a school***

A school is not financially responsible if any person who exercises substantial control over the school (or any members of the person's family alone or together) owes a liability for an FSA program violation or has ever exercised substantial control over another school (or a third-party servicer) that owes a liability for an FSA program violation, unless that person, family member, school, or servicer demonstrates that the liability is being repaid in accordance with an agreement with the Department.

The Department may consider a school that does not meet this requirement to be financially responsible if the school:

- notifies the Department that the individual repaid to the Department an acceptable portion of the liability, in accordance with the regulations;
- notifies the Department that the liability is currently being repaid in accordance with a written agreement with the Department; or
- demonstrates to the satisfaction of the Department: (1) why the person who exercises substantial control should nevertheless be considered to lack that control, or (2) why the person who exercises substantial control and each member of that person's family does not or did not exercise substantial control over the school or servicer that owes the liability.

In the past, schools were required to maintain fidelity bond coverage for their employees. This is no longer a federal requirement for schools that participate in the FSA programs. However, by state law some schools are still required to maintain fidelity bond coverage. Even if a school is not required to do so, it may choose to maintain fidelity bond coverage to protect itself when losses occur because of a lack of integrity, on the part of the school's employees or officers.

A school must report any changes of control under which a person acquires the ability to affect substantially the actions of the school. Such changes in control trigger a review to determine if the school is financially responsible (*the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, chapter 5.).



# Administrative Standards



*To be certified to participate in the FSA programs, a school must demonstrate that it is administratively capable of properly managing the FSA programs. This chapter discusses those administrative standards applicable to a school's fiscal operations. For a complete treatment of the standards of administrative capability, see "the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations," chapter 10.*

## REQUIRED ELECTRONIC PROCESSES

The regulations require that a school be able to use the FSA electronic processes in order to be considered administratively capable of participating in the FSA programs. Your school may use software provided by the Department, such as *EDConnect* or *EDEExpress*, or develop its own software, or rely on a third-party software vendor.

From time to time ED modifies the minimum system requirements schools must meet in order to participate in the Department's electronic processes. The Technical Specifications Table in the next section lists the minimum configurations required beginning in the 2005-2006 award year. When reviewing these specifications, a school should be aware that its system requirements (processor speed, RAM, hard-drive storage, etc.) will depend on which FSA functions the school uses, the number of records processed, and school database interfaces.

In order for a school to exchange data with the FSA Systems, it must have Internet access through its network or through an Internet Service Provider. If you use a third-party servicer to manage your student aid activities, you should ensure that the servicer apprises you of all new requirements posted on IFAP.

### Summary of Required Processes

To be in compliance the administrative capability requirements of 34 CFR 668.16(o), a school must –

1. participate in the Student Aid Internet Gateway (SAIG);
2. use the E-App to submit and update the school's eligibility information;

#### Administrative capability cite

34 CFR 668.16



#### Electronic processes cite

34 CFR 668.16 (o)

DCL GEN-04-08, September 2004

Federal Register, 09-14-2004,

55418-55420



#### The FSA Assessment modules

that can assist you in understanding and assessing in your compliance with the provisions of this chapter are "Administrative Capability," at



<http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentApage4.html>

"Satisfactory Academic Progress," at

<http://ifap.ed.gov/qamodule/SAPModule/SAPModulepage2.html>

and "Default Management," at

<http://ifap.ed.gov/qamodule/DefaultManagement/DefaultManagementpage21.html>

## Questions

If you have questions about EDConnect or EDEExpress, you may contact CPS/SAIG Technical Support at

**(800) 330-5947**

**TDD (800) 511-5806**

Or you can email them a question at

**CPSSAIG@ed.gov.**

The email address for NSLDS Customer Service is –

**NSLDS@pearson.com**

You can email all COD questions to

**CODSupport@acs-inc.com**

### Optimal configurations

Although all of the designated electronic processes can be performed using the minimum configuration, we strongly recommend the optimal configuration, particularly in cases where a school sends or receives 4,000 or more records in an XML document (batch). This is because the new XML file formats used by EDEExpress and COD (and in the future by CPS) are larger and require greater storage and computing power. For the same reason, we would encourage a school to consider moving away from “Dial-up” and instead use a high-speed Internet connection. Doing so will significantly reduce both transmission time and transmission interruptions.

3. use the FISAP Web site to file required reports for the Campus-Based programs (see the *Federal Student Aid Handbook, Volume 6*);
4. electronically receive Institutional Student Information Records (ISIRs) from the Central Processing System (CPS) using the SAIG;
5. use the SAIG or FAA Access to submit a Free Application for Federal Student Aid (FAFSA) to the CPS on behalf of an applicant, or to submit corrections or updates to FAFSA data, (e.g. adding the school’s federal school code to a student record);
6. submit to the National Student Loan Data System (NSLDS) the school’s Federal Perkins Loan data, student enrollment records, FSA program overpayments, and NSLDS Transfer Student Monitoring records;
7. use the Information for Financial Aid Professionals (IFAP) Web site to review Dear Colleague Letters, announcements, or Federal Registers;
8. electronically submit the school’s annual compliance and financial statement audits, and any other required audits; and
9. use the Default Management Web site to receive its draft and official cohort default rate data electronically.

Beginning with the 2005-2006 award year, schools must use the SAIG and the Extensible Markup Language (XML) common record that complies with the published schema for the corresponding award year to send and receive origination and disbursement data for the Federal Pell Grant Program and the Federal Direct Loan Program.

### **Information for Financial Aid Professionals (IFAP)**

Program information such as Dear Colleague/Partner letters, announcements, and Federal Registers, previously mailed to participating institutions, is now communicated, for the most part, through our IFAP Web site. One of the features of this Web site is its notification service, which makes it possible for you sign up to receive an email summarizing recent postings to IFAP. (Go to “Member Services” on IFAP.)

The IFAP Web site is located at

**<http://ifap.ed.gov/>**

Once you’ve registered and obtained a password, you can register for the notification service under *Subscription Options*.

SYSTEM CONFIGURATIONS		
	Minimum Configuration	Optimal Configuration
IBM or Fully IBM compatible PC	1.2 GHz Processor	2.8 GHz/333 MHz Processor
	512 MB RAM	1 GB RAM
	60 GB Hard Drive	80 GB Hard Drive
	48x CD-ROM Drive (CD-RW recommended)	48x CD-ROM Drive (CD-RW recommended)
	Windows compatible keyboard and mouse	Windows compatible keyboard and mouse
Monitor and Video Card	Capable of Super Video Graphics Adapter (SVGA) resolution (800x600) or higher	Capable of Super Video Graphics Adapter (SVGA) resolution (800x600) or higher
Internet Connection	56 Kbps Modem (meets or is upgradable to V.90 standard)	High speed Internet connection (e.g., DSL, cable)
Printer	Laser printer capable of printing on standard paper (8.5" x 11")	Laser printer capable of printing on standard paper (8.5" x 11")
Operating System	Windows 2000 or Windows XP Professional recommended (FSA will support Windows 98/98SE/ ME only until June 30, 2006.)	Windows 2000 or Windows XP Professional recommended (FSA will support Windows 98/98SE/ ME only until June 30, 2006.)

## ADMINISTRATIVE REQUIREMENTS FOR THE FINANCIAL AID OFFICE

### *Coordinating official*

A participating school must designate a capable individual to administer the FSA programs and to coordinate aid from these programs with all other aid received by students attending the school. To properly package and most effectively use the various types of student assistance (federal, school, state, private, etc.), the coordinating official must be aware of all aid received by students attending the school, regardless of the source. When creating a student's financial aid package, in order to ensure that a student's aid does not exceed his or her need, an aid administrator must include aid the student is receiving from external sources as well as institutional aid and FSA program assistance. Therefore, **a school's operations must be administered in a way that ensures all the information the school receives that might affect a student's FSA eligibility is communicated to the coordinating official and to the financial aid office.**

### **Capable individual defined**

An individual is "capable" if he or she is certified by the state in which the school is located, if state certification is required. Other factors affecting capability include the individual's successful completion of FSA program training provided or approved by the Department, and previous experience and documented success in FSA program administration.

**Conflicting information does not include such things as –**

1. a household size that differs from number of exemptions on a tax return;
2. dependency under IRS rules vs. ED definition of dependency;
3. a roster of candidates for an outside scholarship, as opposed to a list of recipients;
4. privacy protected information, such as information from professional counselors, chaplains, doctors, etc.;
5. assumptions made by the CPS;
6. a FAFSA filed using estimated income; and
7. a student who has an expired INS document, but secondary confirmation match is successful.

**Death of a student**

If a student dies during the award year, the school isn't required to resolve conflicting information.

**Clarification**

**Conflicting information may include information related to a student's eligibility such as –**

- citizenship status,
- accuracy of SSN,
- default or overpayment status,
- changes in student's academic status (including grade level progression),
- COA elements,
- other student financial assistance or resources, and
- inconsistent information used in calculating the student's EFC.

**Consistency of information**

A school must have a system of identifying and resolving discrepancies in all FSA-related information received by any school office. **A school must resolve discrepancies for all students, not just those selected for verification.**

Resolution includes —

- ◆ determining what information is correct, and
- ◆ documenting the school's findings in the student's file.

Such a system must include a review of —

1. all student aid applications, need analysis documents, MRRs, POPs from COD, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;

Even if a school has previously verified the information on a student's SAR/ISIR, the school must review all information on subsequent SARs/ISIRs, and resolve discrepancies.

2. any documents, including any copies of state and federal income tax returns, that are normally collected by the school to verify information received from the student or other sources; and
3. any other information submitted or normally available to the school regarding a student's citizenship, previous educational experience, documentation of the student's social security number or other factors relating to the student's eligibility for funds under FSA programs.

For instance, if a student receives veterans benefits through one school office, that office must notify the aid administrator of these benefits to ensure that the amounts are correctly reported on the student's aid application and are counted as a resource for the Campus-Based programs and estimated financial assistance for the Direct Loan and FFEL programs. Other examples include –

- a school's admissions or registrar's office must provide the aid office with any information it has that might affect a student's eligibility such as the student's enrollment in an ineligible program, or enrollment in summer classes immediately preceding a fall term of enrollment; and
- a school's business office must inform the aid office whenever it receives information about a student receiving an outside scholarship.

There is a distinction between how long you need to be alert for conflicting information and how long you have to actually resolve a conflict. Even if the processing year has ended, you must continue to resolve conflicting information unless —

1. all aid for period of enrollment has been disbursed, and
2. at the time of disbursement, there was no conflicting information, and
3. student is no longer enrolled at the school (and is not intending to reenroll).

**You may not ignore a document in your files unless a student is no longer enrolled. If you have conflicting information in your files, you must resolve it as expeditiously as possible.**

If you become aware of conflicting information for a student who is no longer enrolled, and there is aid to be disbursed, you must resolve the conflict before making the late or postwithdrawal disbursement.

If aid (that school was unaware of) is received after the end of a period of enrollment for a student who is intending to reenroll, assuming the student reenrolls in the next award year, that aid must be treated as resource/EFA for the subsequent period of enrollment.

Remember, if any office at your school has information that might affect a student's eligibility for FSA funds, it must provide that information to the school's designated coordinating official. That individual in turn must forward it to the financial aid office where procedures must be in place to ensure that any conflicting information is resolved and documented before the student receives any (or any additional) FSA funds.

### Sources of conflicting information include –

- unsolicited tax returns or schedules,
- information provided by the student to the financial aid office,
- supplemental financial aid applications,
- other offices within the school,
- offices at other educational institutions (not just aid offices),
- ED,
- scholarships and information from outside sources,
- state agencies such as Vocational Rehabilitation, WIA, State Scholarship Agencies, etc.,
- tips from outside sources,
- transcripts from other postsecondary institutions,
- SARs or ISIRs,
- verification,
- C Flags,
- Reject Codes, and
- Comment Codes

### Discrepant tax data

Because conflicting data often involve tax information, FAAs must have a fundamental understanding of tax issues that can affect need analysis. You should know –

1. whether an individual is required to file a tax return;
2. an individual's correct filing status; and
3. only one person can claim another as an exemption.

Publication 17 of the IRS, "Your Federal Income Tax," is a useful resource for the aid office. You can view it on the Web at

**[www.irs.gov](http://www.irs.gov)**

or you can call the IRS at

**800-829-3676**

to order a copy.

For additional information on resolving tax issues, please see the Federal Student Aid Handbook, Volume 1 – Student Eligibility."

### Schools must sign up to receive Roster Files through

<https://www.fsawebenroll.ed.gov/PMEnroll/index.jsp>

### Enrollment Reporting Requirements



34 CFR 682.610 FFEL

34 CFR 685.309(b) Direct Loans

"Dear Colleague" letter GEN-96-5

"Dear Colleague" letter GEN-96-17

### Enrollment Reporting/SSCR Technical References



For more information on reporting enrollment information to NSLDS, including record layouts, error codes, etc., see the **Enrollment Reporting Guide** (formerly the SSCR User's Guide), which is available online on the [ifap.ed.gov](http://ifap.ed.gov) site (listed alphabetically under "Current Publications by Title").

If you will be using the SSCR software package for Enrollment Reporting, see the **SSCR Technical Reference**, which includes record layouts, error codes, etc. and is available in Word and PDF formats at: [www.fsadownload.ed.gov](http://www.fsadownload.ed.gov)

### Updating enrollment information on the Web

You can create or update student enrollment status by using the "Enroll" tab on the NSLDS Web site for aid professionals:

<https://www.nslsdfap.ed.gov/>



Support: **1-800-999-8219**

### Enrollment Status Codes

These codes are listed in the Record Layouts in the SSCR Technical Reference. Data submitted to the Student Loan Clearinghouse uses most of these codes.

- A = Approved Leave of Absence
- D = Deceased
- F = Full time
- G = Graduated
- H = Half time or more, but less than full time
- L = Less than half time
- W = Withdrawn (voluntary or involuntary)
- X = Never attended
- Z = Record not found

## Exchanging information on borrowers

All schools participating (or approved to participate) in the FSA programs **must** have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through a Roster file (formerly called the Student Status Confirmation Report or SSCR). Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

At scheduled times during the year, not less than semiannually, NSLDS sends Roster files electronically to your school (or its designated servicer) through its SAIG mailbox. The file includes all of the school's students who are identified in NSLDS as Stafford (Direct and FFEL) borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at your school—you also must report information for students who received some or all of their FSA loans at other schools but are currently attending your school.

Your school (or servicer) must certify the information and return the Roster file within 30 days of receiving it. You may also go to [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov) and update information for your students online. You're required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half time, graduated or withdrawn must be reported within 30 days. However, if a Roster file is expected within 60 days, you may provide the data on that roster file.

If the Roster file that you are returning contains records that don't pass the NSLDS Enrollment Reporting edits, you will receive a response file with the records that didn't pass. Within 10 days, you'll need to make the necessary corrections to these records and resubmit them. If you are using a servicer, you may need to assist the servicer in correcting these errors. Please remember that your school is ultimately responsible for notifying NSLDS of student enrollment changes.

If your school reports enrollment data to the NSLDS, it does not have to complete SSCRs received directly from guaranty agencies. (Receiving an SSCR report from a guaranty agency may be an indication that your school has not reported to NSLDS within the last six months.) However, you must still respond to requests for borrower information from guaranty agencies, lenders, and loan servicers. You must continue to provide loan holders and loan servicers with a borrower's enrollment status and other information needed to locate the borrower for deferment and other repayment purposes.

## Providing borrower information at separation

Within 60 days after the exit counseling session, your school must provide the Direct Loan Servicing Center or the guaranty agency that was listed in the borrower's student aid records any updated information about: the borrower's name; address; references; future permanent address; Social Security Number; the identity and address of the borrower's expected employer, the address of the borrower's next of kin, and the borrower's driver's license number and state of issuance.

## Information about delinquency and default

To promote loan repayment, DL schools are encouraged to notify the Direct Loan Servicing Center if they receive new information about a delinquent borrower's location or employment. The Direct Loan Servicing Center sends participating schools a monthly electronic report of all delinquent and defaulted Direct Loan borrowers who took out loans while attending the school. The report, which contains the borrowers' names, addresses, and phone numbers, is organized by the number of days past due so that schools can contact and counsel borrowers to avoid default. The school may also wish to work with borrowers who have defaulted on their Direct Loans to help these borrowers bring their loans out of default.

An FFEL school may make agreements to provide the holders of delinquent loans with information about the delinquent borrower's location or employment. An FFEL school may also try to contact the borrower and counsel him or her to avoid default.

FFEL schools may ask a guaranty agency to provide information about students who were enrolled at the school who have defaulted on their Stafford loans. The guarantor may not charge for this information. The school may also ask the guarantor to notify the school whenever a lender requests default aversion assistance on a loan made at your school, and provide the borrower's name, address, and social security number. (The guaranty agency may charge a reasonable fee for this service.) Your school may only use the information to remind the borrower to repay his or her loan(s).

If you've requested it, the guaranty agency must also notify your school when loans to its students are sold, transferred, or assigned to another holder. (The notification must include the address and telephone number of the new loan holder.) This notification requirement only applies to loans that are in the grace period or in repayment, and only if your school was the last school the borrower attended before the loan entered repayment. (For instance, if a student received several Stafford loans while earning a bachelor's degree at your school, but pursued a master's degree at another school before those loans entered repayment, the guarantor is not required to notify you if the loan is sold.)

### Privacy: Sharing Student Records with Lenders

A student authorizes his or her school to release information to lenders by signing the promissory note as part of the loan application process. This authorization covers information relevant to the student's or parent's eligibility to borrow as well as locating the borrower. Examples of such information are enrollment status, financial assistance, and employment records.

### Loan information from the guarantor



Upon request, the guarantor must inform the school of students in default on FFELs.  
34 CFR 682.401(b)(24)

If the lender requests preclaims assistance, the guarantor must inform the school of this request, if the school has requested such notification.  
34 CFR 682.404(a)(4)  
Sec. 428(c)(2)(H) of the HEA

The guarantor must notify the school when a loan made at that school changes hands, if the school requests such information.  
Sec. 428(b)(2)(F) of the HEA  
34 CFR 682.401(b)(25)

## Counseling

Schools must provide adequate financial aid counseling to all enrolled and prospective students and their families. In addition, schools must also provide entrance and exit counseling for student borrowers in the Perkins, FFEL, and Direct Loan programs. For a complete discussion of loan counseling requirements, see chapter 5 in this volume, the *Federal Student Aid Handbook, Volume 6 – Campus-Based Programs*, and the Direct Loan entrance and exit counseling guides.

## Adequate staffing

To manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. An *adequate* staff depends on the number of students aided, the number and types of programs in which the school participates, the number of applicants evaluated and processed, the amount of funds administered, and the type of financial aid delivery system the school uses. What may be adequate at one school may be completely insufficient at another. The Department will determine, on a case-by-case basis, whether a school has an adequate number of qualified persons, based on program reviews, audits, and information provided on the school's application for approval to participate in the FSA programs.

## System of checks and balances

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal checks and balances. This system, at a minimum, must separate the functions of authorizing payment and disbursing or delivering funds so that no one person or office exercises both functions for any student receiving FSA funds. Small schools are not exempt from this requirement even though they may have limited staff. Individuals working in either authorization or disbursement may perform other functions as well, but not both authorization and disbursement. These two functions must be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affect both authorization and disbursement.

### Family defined

A member of an individual's family is a parent, sibling, spouse, child, spouse's parent or sibling's, or child's spouse.

### Definition of control cite

34 CFR 600.31(b)



### Ownership interest cite

34 CFR 668.15(f)

For further guidance on the separation of functions, contact the appropriate School Participation Team found at the end of chapter 8.

While electronic processes enhance accuracy and efficiency, they also can blur separation of functions so the awarding and disbursement occur virtually simultaneously. Schools must set up controls that prevent an individual or an office from having the authority (or the ability) to perform both functions. In addition, your system also should have controls that prevent cross-functional tampering. For example, financial aid office employees should not be able to change data elements that are entered by the registrar's office. Finally, your system only should allow individuals with special security classifications to make changes to the programs that determine student need and awards, and it should be able to identify the individuals who make such changes.

### **OIG Referrals**

Department regulations (34 CFR 668.16(g)) require a school to refer to the Department's Office of Inspector General (OIG) any credible information indicating that an applicant for Federal Student aid may have engaged in fraud or other criminal misconduct in connection with his or her application.

Remember that fraud is the intent to deceive as opposed to a mistake. If you suspect such intent on the part of a student, report it to the OIG by phoning –

**1-800-MISUSED**

It is always appropriate for a financial aid administrator to consult with a school's legal counsel prior to referring suspected cases of fraud or misconduct to an agency outside of the school. Additional information on IG referrals is available in the *Federal Student Aid Handbook, Volume 1 — Student Eligibility*.

#### **Commonly falsified items include**

false claims of independent student status, false claims of citizenship, use of false identities, forgery of signatures of certifications, and false statements of income.

Schools must also refer to the OIG any third-party servicer who may have engaged in fraud, breach of fiduciary responsibility, or other illegal conduct involving the FSA Programs.

## COHORT DEFAULT RATES

### The eCDR Process

The official FY2003 default rates will be sent in electronic form (as a plain-text message) to all domestic schools in the fall of 2005.

You must enroll in the eCDR process by June 1, 2005, using the enrollment form at:

[www.fsawebenroll.ed.gov](http://www.fsawebenroll.ed.gov)

On this Web page, choose "Enroll" and then select the radio button for "Modify Existing Services for a Destination Point."

The default rates will continue to be mailed to foreign schools.

### Default rates on the Web at



[www.ed.gov/offices/OSFAP/defaultmanagement/index.html](http://www.ed.gov/offices/OSFAP/defaultmanagement/index.html)

### Cohort Default Rate Guide

For more technical information on default rates, please refer to the **Cohort Default Rate Guide**. The Guide is updated continuously on the IFAP Web site.



<http://ifap.ed.gov/IFAPWebApp/currentDRMaterialsPag.jsp>

### Questions about Cohort Default Rates



Telephone

**202/377-4259**

email

[FSA.Schools.Default.Management@ed.gov](mailto:FSA.Schools.Default.Management@ed.gov)

Generally speaking, a cohort default rate (CDR) is the percentage of a school's student borrowers who enter repayment on Stafford loans during a particular fiscal year and who default before the end of the next fiscal year. (There are other criteria and exceptions — see the complete definition in the Cohort Default Rate Guide.) In addition, separate CDRs are calculated for a school's Perkins loans.

The Department releases draft default rates in February to allow schools an opportunity to review and correct the data that will be used to calculate their official cohort default rates. In the early fall of each year, the Department issues the official cohort default rates. The rates that were issued in September 2004, were based on the cohort of students who entered repayment in fiscal year 2002 (the federal fiscal year runs from October 1, 2001 – September 30, 2002). These rates will be electronically delivered to schools and posted on the Web.

The fiscal year 2003 rates will be issued in the fall of 2005. If your school is located in the U.S., you must enroll for electronic delivery of the rates (see sidebar note for instructions).

If your school has a default rate above established thresholds, it may be subject to certain sanctions. For more information, please refer to the Cohort Default Rate Guide.

### Effect of default rates

A school is **not** administratively capable when

- the cohort default rate for Perkins loans made to students for attendance at the school exceeds 15% (See the *Federal Student Aid Handbook, Volume 6 – Campus-Based Programs* for details.), or
- the cohort default rate for Federal Stafford/SLS loans or for Direct Loans made to students for attendance at the school equals or exceeds 25% for one or more of the three most recent fiscal years or if the most recent cohort default rate is greater than 40%.

In addition to affecting a school's administrative capability and limiting the school's participation in the FSA programs, a high default rate may make a school ineligible to participate in the FFEL, Direct Loan, Federal Pell Grant, or Perkins program or cause the Department to limit, suspend, or terminate a school's participation in the FSA programs. For detailed information on default requirements refer to the Cohort Default Rate Guide that the Department provides to schools.

At its discretion, the Department **may** provisionally certify a school that would not be administratively capable solely because of its high default rate (34 CFR 668.16(m)(2)(i)).

Default Management responds to questions about FFEL/DL cohort default rates, and reviews FFEL/DL cohort default rate challenges, adjustments, and appeals. It also provides training and publications on FFEL/DL cohort rate calculations and the challenge/adjustment/appeal process. Default Management's Web site is

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>

### Default management plan

New schools are required to develop a default management plan prior to certification. In addition, a school that undergoes a change in ownership that results in a change in control or a school that changes its status as a main campus, branch campus, or additional location must also develop a default management plan.

Schools applying to participate are exempt from submitting a default management plan if (a) the parent institution and the subordinate institution both have a cohort default rate of 10% or less and (b) the new owner of the parent or subordinate institution does not own, and has not owned, any other school with a cohort default rate over 10%.

For information about the default rate regulations for the Perkins Loan program, see the *Federal Student Aid Handbook, Volume 6 – Campus-Based Programs*.

## WITHDRAWAL RATES

New schools (schools that seek to participate in an FSA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% for an award year in order to be considered administratively capable.

When calculating the withdrawal rate, all regular, enrolled students must be included. The definition of *enrolled* does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or who did not actually begin attending classes. A student is considered to have withdrawn if he or she officially withdraws, unofficially drops out, is expelled from the school, or receives a refund of 100% of his or her tuition and fees. A student who withdraws from one or more courses or programs but does not withdraw entirely from the school, does not meet the definition of *withdrawn*. Instead, this action is considered a change in enrollment status (e.g., the student reduced his credit hours from 12 to 6).

### Default rates and suspension cite

34 CFR 668.16(m)(1)



### Consequences of default cite

34 CFR 668.187

### Contacting Default Management

Phone: 202-377-4258

Hotline: 202-377-4259

FAX: 202-275-4511

Email:

[fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov)

### Default Management Plan in the regulations cite

34 CFR 668, Subpart M, Appendix B



### Exemption from default management plan cite

Sec. 487(a)(14)(C) of the HEA

34 CFR 668.14(b)(15)(B)(ii)



The Department has developed a sample default management plan. You can find additional information in DCL-GEN-01-08, June 2001 online at

<http://ifap.ed.gov/dpccletters/gen0108.html>

### Enrolled

A student enrolls when he or she completes the registration requirements (except payment of tuition and fees) at the school. Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

**Debarment and suspension cite**

Executive Order 12549  
 Federal Acquisition Regulations  
 (48 CFR Part 9, Subpart 9.4)  
 34 CFR Part 85



Similar debarment and suspension limitations apply to lenders, third-party servicers, loan servicers, and any individuals who provides services described in 34 CFR 668.2 or 682.200 to a FSA recipient whether or not they are employed by the school as described in 34 CFR 600.85.995(b)

**Title IV, HEA transactions include**

1. disbursement of funds provided under a FSA program to a student or borrower;
2. certification by an educational institution of eligibility for a loan under a FSA program;
3. guaranteeing a loan made under a FSA program; and
4. acquisition or exercise of any servicing responsibility for a grant, loan, or work study assistance under a FSA program.

**DEBARMENT AND SUSPENSION CERTIFICATION**

*Debarment of school or its principals*

In order to protect the public interest, it is the policy of the federal government to conduct business only with responsible individuals. In order to implement this policy, the government takes debarment and suspension actions against individuals whom it determines constitute a current risk to federal agencies. If a school (or its principals) is debarred or suspended by a federal agency, it is prohibited from participating in any FSA program, so long as the agency’s procedures include due process protections that are equivalent to those provided by ED.

The principals of the school include its owners, directors, officers, partners, employees, and any other persons with management or supervisory responsibilities. A principal may also be someone who is not employed by the school but who has critical influence on or substantive influence over a covered transaction (such as the receipt of Pell Grant or Campus-Based funds). For example, a principal may be someone whether or not employed by the school who –

- is in a position to handle Federal funds;
- is in a position to influence or control the use of those funds; or
- occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction.

Before a school may receive FSA funding, it must certify that neither the school nor its employees have been debarred or suspended by a federal agency. (You can find this certification in the Program Participation Agreement and in the Web-based FISAP package available to schools participating in the Campus-Based programs.)

Institutions participating in the FSA programs have a fiduciary responsibility to safeguard FSA funds, and ensure those funds are used for the benefit of the students for whom they are intended. We expect participating institutions to thoroughly examine the background of individuals they employ (or are considering employing) in management or supervisory positions. If a school discovers that a person employed in a management or supervisory capacity has been suspended, or debarred by a federal agency, the school must remove that person from such a position or risk losing its FSA eligibility. Moreover, a school may not enter into a relationship (and must terminate an ongoing relationship) with a lender, third-party servicer, or loan servicer the school determines has been debarred or suspended.

## Certifying current or prospective employees or contractors

The certification provided by the school is a *material representation of fact* relied upon by the Department when it enters into a Participation Agreement with the school. Moreover, a school is expected to *have knowledge and information normally possessed by a prudent person in the ordinary course of business dealings*. Although the Department doesn't dictate how a school must ensure that its principals/employees have not been debarred or suspended by a federal agency, we do hold the school responsible for any information it could reasonably have been expected to know in the course of ordinary operations. In addition, we expect the school to expend a reasonable amount of effort ensuring that it and its employees are in compliance. If the Department learns that a prospective participant knowingly rendered an erroneous certification, in addition to other remedies available, the Department may terminate the participation of the institution.

A school chooses the method and frequency for making a determination about the eligibility of its principals. This might include asking current and prospective employees and contractors, in person or in writing, about their debarment or suspension histories. In addition, a school might also examine the *List of Parties Excluded from Federal Procurement and Nonprocurement Programs* to find out if an individual or organization is debarred or suspended.

A school should discuss with its attorney the procedures appropriate to its circumstances.

The employees who award FSA funds and those who disburse them should be always be included in those whose backgrounds are examined. In addition, employees who participate in other transactions from which the regulations exclude individuals who have been debarred or suspended should be included. A school should consult with its attorney on the individuals it must certify.

The debarment or suspension of a person who is not a principal of the school and who does not work in the financial aid office will not affect the school's FSA eligibility, so long as that person is not involved in any covered transactions.

The "List of Parties Excluded from Federal Procurement and Nonprocurement Programs" is available for review at a Web site maintained by the General Services Administration.

<http://epls.arnet.gov/>

If you use this Web site to check debarment or suspension status, in order to make a valid search, you must enter the name as follows:

Last Name-comma-First Name

You should keep a copy of the search results in your records.

**Lower-tier transactions**

Examples of common lower-tier covered transactions are a school's contracts with a financial aid consultant service or with a loan collection or billing agency.

***Lower-tier covered transactions***

A school must not enter into lower-tier covered transactions with a debarred or suspended individual or organization. A lower-tier covered transaction is any transaction between a participant in a covered transaction (such as the school) and another individual or organization, if that transaction stems from a covered transaction. A school must obtain a certification from any lower-tier organization if the amount of the lower-tier transaction is \$25,000 or more. (The required certification clause is given on page 25 of DCL-GEN-89-21.) The lower-tier organization must inform the school in writing if the organization or its principals are debarred or suspended. Therefore, the certification does not need to be renewed from year to year.

# Part 2

# Managing Fiscal Operations

# Contents – Part 2

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# Accounting Systems and Procedures



*This chapter is a general guide; it is not intended to replace accounting standards established by the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), or the concept of generally accepted accounting principles (GAAP).*

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## ACCOUNTING RECORDS

An effective institutional financial aid program requires a cooperative effort among all school offices involved in delivering financial aid to students. Separate reporting and recordkeeping responsibilities required of each office, as well as shared responsibilities, are detailed in chapter 7.

The business office is responsible for most financial accounting and recordkeeping (except for the detailed records and files on individual financial aid recipients that must be kept in the financial aid office). The remainder of this chapter is designed to help the business office satisfy its accounting responsibilities efficiently and with a minimum of effort.

### *Bookkeeping and record keeping*

Bookkeeping and record keeping systems should be designed to

- enable timely internal and external financial reporting;
- meet documentation requirements;
- ensure proper filing of applications, and
- create accurate reports.

## FUND ACCOUNTING SYSTEMS AND THE FSA PROGRAMS

A fund accounting system is required whenever an entity is responsible to a third party for ensuring that funds are used as intended by the third party. Such funds must be restricted for use in accordance with the third-party's requirements and separate fund accounts must be established for each third-party program from which the entity is receiving funds. Fund accounting is the method of segregating assets into categories according to the individual program requirements placed on their use by the third party.

Fund accounting contrasts with the more widely known system used in corporate accounting in one fundamental way – entities receiving third-party funds may not exceed their budgets. Additionally, the concepts of encumbrance and budgeting obligations found in fund accounting are not found in corporate accounting.

Fund accounting is characterized by the following:

- A fund is a separate accounting entity with a self-balancing set of accounts consisting of assets, liabilities, and fund balances.
- Separate accounts are maintained for each fund to ensure observance of limitations and restrictions placed on the use of the resources of each fund.
- For reporting purposes, funds with similar characteristics are combined into fund groups.
- Expenditures are recorded in each fund and measured against budgets, thereby providing finite limits within which funded entities within the school must operate in carrying out their mission.

When designing an accounting system, the chart of accounts, books of original entry, billing and reporting requirements, and other FSA requirements must all be considered.

For example, the numerous ledger accounts suggested in the chart of accounts that appears later in this chapter for the Perkins Loan Program were created to assist schools in preparing year-end reports that must be filed with ED. The school can simply copy the information from its ledgers to the electronic FISAP format supplied by ED.

When designing a chart of accounts, institutions also need to consider their fund-accounting needs, particularly with respect to restricted funds or funds that are initially restricted. The chart of accounts should accurately reflect the school's current organization and programs, and it should have the flexibility to accommodate any future changes in the organization.

## Audit trails

Your accounting records and systems for FSA funds must provide a *clear audit trail* that makes it possible to trace all federal cash from drawdown to its final destination

An audit trail, whether in a manual system, an automated system, or a combination of systems includes the accounting record of a transaction and all the documentation that supports each transaction.

In accounting records, when data is recorded, a reference should also be recorded to identify the source of the data. The reference can be in the form of a date, a name, an address, or a number such as a journal page number, ledger account number, or check number. These references, used throughout the accounting cycle, form an *audit trail* that makes it possible to trace the details of a transaction from the source document to the financial statements and accounting records.

A vital part of an audit trail is *cross-referencing*. Cross-referencing is the recording of identifying numbers pointing both ways in offsetting or supporting accounting entries. For example, in your FSEOG cash account, for a deposit received from GAPS, you would record an entry that pointed to the journal page on which you recorded the names of students for whom this particular cash draw was intended to provide the federal share. Likewise, on the aforementioned journal page you would record an identifier that pointed to the appropriate draw in your FSEOG cash account.

## Chart of Accounts

As an aid in discussing records and accounting techniques for financial aid programs, the following summary chart of accounts lists accounts considered necessary for institutions to account properly for FSA program funds. These accounts may be set up in either a manual or automated accounting system. Either system will need the basic suggested ledger accounts to meet ED's minimum program and fiscal requirements, as well as the institution's external reporting requirements, such as basic financial statements and fund statements. Such a system will serve to meet the accounting needs of the school, ED, and other federal agencies. Additional accounts may be added as deemed necessary by the school. These accounts should be reviewed at least annually to determine if additions or deletions are necessary to meet changes in federal regulations.

The chart of accounts is a primary internal-control mechanism delineating the framework of the accounts. This chart has two components: (1) a fund number and (2) an account number that usually follows a standard account-code structure (a definition, by name, of the account code). A uniform numbering scheme is used here to assist in identifying the parts of the financial statements on which ledger accounts are located. The numbers assigned to these

### Reconciling subsidiary records to account balances

All accounts should be backed up by subsidiary ledger detail. Although a trial balance can be used to ensure that accounts balance in the aggregate, it does not guarantee that there is sufficient evidence that subsidiary records exist to support the totals in each account.

Errors can occur when corrections or changes are made to control accounts without corresponding adjustments being made to subsidiary records. Reconciliations between accounts and subsidiary record detail should be performed at least monthly and should be conducted on a more frequent basis during periods of high transaction volume. As mentioned earlier, most FSA programs require monthly reconciliations.

ledger accounts are arbitrarily assigned, but in sequential order, and these specific numbers are not required to put these ledgers in place in institutional accounting systems.

In all cases, the first digit of an account number identifies an element of the financial statements, as follows:

- 1 - **Asset Account**
- 2 - **Asset Reduction Account**
- 3 - **Liability Account**
- 4 - **Capital Account (or Program Balance)**
- 5 - **Capital Reduction Account**
- 6 - **Income Account (or Revenue Account)**
- 7 - **Expense Account**

The accounting record for each federal student aid program is self-balancing, and must be separated completely from the accounting records of all other federal student aid programs and from the accounting record for the general operating fund of the school. Within each program, the sum of ledger accounts with debit balances equals the sum of ledger accounts with credit balances.

In the following Summary Chart of Accounts, award authorizations are not shown. It is recommended that they be booked as a memo journal entry or budget item. Then, as award authorizations are adjusted, appropriate adjustments to budget figures would be entered. This process helps ensure that drawdown amounts do not exceed authorization levels.

**Note:** The GAPS account shown in the Summary Chart of Accounts, account # 1-2 (Accounts Receivable, GAPS) is used only if a school does not use the reimbursement payment method for drawing down FSA funds. The accounting for the reimbursement method will not be covered here. However, account # 1-2 should be booked as any other account receivable. Each respective subsidiary ledger would also book the receivable.

## Summary Chart of Accounts

### ***GAPS Accounts (FSA Funds Only, Not Including Direct Loans)***

To help in calculating excess cash and interest earnings on FSA funds (Federal Pell Grant, FSEOG, FWS, and Federal Perkins Programs) and, in accordance with cash management regulations issued on December 1, 1994, separate GAPS accounts should be established for FSA funds and for non-FSA funds. In addition, because Direct Loan Program funds are not reported on GAPS and use a separate GAPS account number, those funds would not be included in either of these separate accounts.

#### 1 - Asset Accounts

1 - 1 Cash Control, GAPS

1 - 2 Accounts Receivable, GAPS

#### 3 - Liability Accounts - None

#### 4 - Capital Accounts - None

#### 6 - Income Accounts - None\*

#### 7 - Expense Accounts - None\*

### ***National Finance Center (NFC) Accounts***

NFC accounts are needed to reflect amounts of FSA program funds disallowed after the program authorization account has been closed (removed from GAPS).

#### 1 - Asset Accounts

1 - 1 Cash Unremitted to NFC

1 - 2 Due from School

#### 3 - Liability Accounts

3 - 1 Accounts Payable, NFC

#### 4 - Capital Accounts - None

#### 6 - Income Accounts - None

#### 7 - Expense Accounts - None

***\* GAPS is the only case in which income and expense ledgers are not maintained.***

***Federal Pell Grant Accounts***

1 - Asset Accounts

1 - 1 Cash, Federal Pell Grants

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Revenue Accounts

6 - 1 Transfer from GAPS - Federal Pell Grants for Students

6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA)

7 - Expense Accounts

7 - 1 Student Grants Paid - Federal Pell Grant

7 - 2 Administrative Cost Allowance (ACA) Paid to Institution

***Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts***

1 - Asset Accounts

1 - 1 Cash, FSEOG

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts

6 - 1 Transfer from GAPS - FSEOG

6 - 2 Institution's Cash Contribution

6 - 3 Institution's Noncash Contribution (Memo Account)

7 - Expense Accounts

7 - 1 Student Grants Paid - FSEOG

7 - 2 Student Grants - FSEOG from Noncash Contribution (Memo Account)

7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable)

**Federal Work-Study (FWS) Accounts**

## 1 - Asset Accounts

- 1 - 1 Cash, Federal Work-Study
- 1 - 2 Accounts Receivable, Off-Campus Entities

## 3 - Liability Accounts

- 3 - 1 Federal Income Taxes Withheld
- 3 - 2 Social Security Taxes Withheld
- 3 - 3 State Income Taxes Withheld
- 3 - 4 Other Withholding
- 3 - 5 Accrued Wages Payable
- 3 - 6 Employer's Payroll Taxes Payable

## 4 - Capital Accounts - None

## 6 - Income Accounts

- 6 - 1 Transfer from GAPS - Federal Work-Study
- 6 - 2 Institution's Cash Contribution
- 6 - 3 Institution's Noncash Contribution (Memo Account)
- 6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities
- 6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities

## 7 - Expense Accounts

- 7 - 1 Student Wages - On-Campus
- 7 - 2 Student Wages - On-Campus, Noncash Contribution for Nonfederal Share (Memo Account)
- 7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities
- 7 - 4 Student Wages - Off-Campus, Private For-Profit Entities

***\*If the school tracks funds advanced to students who are out of school, this information may be placed as a footnote to the subsidiary ledger.***

7 - 5 Regular Job Location and Development (JLD)  
Expenses Paid to Institution

7 - 6 Administrative Cost Allowance (ACA) Paid to  
Institution

***Federal Perkins Loan Accounts***

**1 - Asset Accounts**

1 - 1 Cash, Federal Perkins Loans

1 - 2 Funds Advanced to Students\*

**2 - Asset Reduction Accounts**

2 - 1 Loan Principal Collected

2 - 2 Defaulted Loan Principal - Assigned to Federal  
Government

2 - 3 Loan Principal Canceled - Teaching Service (10%  
Rate), Loans Made Prior to 7/1/72

2 - 4 Loan Principal Canceled - Teaching Service (15%  
Rate), Loans Made Prior to 7/1/72

2 - 5 Loan Principal Canceled - Military Service (12.5%  
Rate), Loans Made Prior to 7/1/72

2 - 6 Loan Principal Canceled - Teaching Service (15%  
Rate), Loans Made 7/1/72 and After

2 - 7 Loan Principal Canceled - Teaching Service (20%  
Rate), Loans Made 7/1/72 and After

2 - 8 Loan Principal Canceled - Teaching Service (30%  
Rate), Loans Made 7/1/72 and After

2 - 9 Loan Principal Canceled - Teaching Service (Field of  
Expertise: Math, Science, Foreign Language,  
Bilingual Education) (15% Rate), Loans Made  
7/23/92 and After

2 - 10 Loan Principal Canceled - Teaching Service (Field of  
Expertise: Math, Science, Foreign Language,  
Bilingual Education) (20% Rate), Loans Made  
7/23/92 and After

- 2 - 11 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After
- 2 - 12 Loan Principal Canceled - Military Service (12.5% Rate), Loans Made 7/1/72 and After
- 2 - 13 Loan Principal Canceled - Death
- 2 - 14 Loan Principal Canceled - Disability
- 2 - 15 Loan Principal Canceled - Bankruptcy
- 2 - 16 Loan Principal Canceled - Peace Corps or VISTA (15% Rate)
- 2 - 17 Loan Principal Canceled - Peace Corps or VISTA (20% Rate)
- 2 - 18 Loan Principal Canceled - Head Start (15% Rate)
- 2 - 19 Loan Principal Canceled - Volunteer Service (15% Rate)
- 2 - 20 Loan Principal Canceled - Volunteer Service (20% Rate)
- 2 - 21 Loan Principal Canceled - Law Enforcement and Corrections Officer Service (15% Rate)
- 2 - 22 Loan Principal Canceled - Law Enforcement and Corrections Officer Service (20% Rate)
- 2 - 23 Loan Principal Canceled - Nurse/Medical Technician (15% Rate)
- 2 - 24 Loan Principal Canceled - Nurse/Medical Technician (20% Rate)
- 2 - 25 Loan Principal Canceled - Nurse/Medical Technician (30% Rate)
- 2 - 26 Loan Principal Canceled - Child/Family and Early Intervention Service (15% Rate)
- 2 - 27 Loan Principal Canceled - Child/Family and Early Intervention Service (20% Rate)

- 2 - 28 Loan Principal Canceled - Child/Family and Early Intervention Service (30% Rate)
- 2 - 29 Loan Principal Canceled for Loans Discharged Due to Closed Schools
- 2 - 30 Loan Principal Adjustments - Other
- 3 - Liability Accounts\* - None
- 4 - Capital Accounts
  - 4 - 1 Federal Fund Balance
  - 4 - 2 Institutional Fund Balance
- 6 - Income Accounts
  - 6 - 1 Funds Transferred from GAPS - Perkins - FCC
  - 6 - 2 Funds Transferred from Institution - Perkins - ICC
  - 6 - 3 Interest Earned on Loans
  - 6 - 4 Other Earnings - Late Charges on Loans Made 7/1/87 and After
  - 6 - 5 Other Earnings - Miscellaneous
  - 6 - 6 Reimbursement of Amounts Canceled on Loans Made 7/1/72 and After
  - 6 - 7 Repayments to Federal Government
  - 6 - 8 Repayments to Institution
- 7 - Expense Accounts
  - 7 - 1 Litigation Expenses
  - 7 - 2 Administrative Cost Allowance (ACA) Paid to Institution
  - 7 - 3 Other Collection Expenses
  - 7 - 4 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made Prior to 7/1/72

- 7 - 5 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made 7/1/72 and After
- 7 - 6 Cost of Loan Principal and Interest Canceled - Military Service, Loans Made Prior to 7/1/72
- 7 - 7 Cost of Loan Principal and Interest Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After
- 7 - 8 Cost of Loan Principal and Interest Canceled - Military Service, Loans Made 7/1/72 and After
- 7 - 9 Cost of Loan Principal and Interest Canceled - Death
- 7 - 10 Cost of Loan Principal and Interest Canceled - Disability
- 7 - 11 Cost of Loan Principal and Interest Canceled - Bankruptcy
- 7 - 12 Cost of Loan Principal and Interest Canceled - Peace Corps or VISTA
- 7 - 13 Cost of Loan Principal and Interest Canceled - Head Start
- 7 - 14 Cost of Loan Principal and Interest Canceled - Volunteer Service
- 7 - 15 Cost of Loan Principal and Interest Canceled - Law Enforcement and Corrections Officer Service
- 7 - 16 Cost of Loan Principal and Interest Canceled - Nurse/Medical Technician
- 7 - 17 Cost of Loan Principal and Interest Canceled - Child/Family and Early Intervention Service
- 7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government
- 7 - 19 Other Costs or Losses

***William D. Ford Federal Direct Loan  
(Direct Loan) Accounts***

1 - Asset Accounts

1 - 1 Cash, Direct Loans

1 - 2 Accounts Receivable, GAPS

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts

6 - 1 Income from GAPS - Direct Loans

7 - Expense Accounts

7 - 1 Funds Advanced to Borrowers

***Electronic Funds Transfer (EFT) of Federal Family  
Education Loan (FFEL) Funds from Lenders to the  
Institution***

1 - Asset Accounts

1 - 1 Cash, FFEL Account

1 - 2 Cash, Returned to Lenders

1 - 3 Cash, Disbursed to Borrowers

1 - 4 Cash, Interest Earnings

3 - Liability Accounts

3 - 1 FFEL Trust Account

4 - Capital Accounts - None

6 - Income Accounts

6 - 1 Interest Earnings from Investment of FFEL Funds

7 - Expense Accounts - None

## GAPS FSA Accounts

*1 - 1 Cash Control, GAPS:* This account may be a debit or credit balance account depending on the timing of drawdowns and disbursements. It is established to identify the balance of federal cash disbursed to a school through GAPS. The system described here segregates federal cash by using separate accounts for GAPS FSA-funded programs. These separate GAPS accounts allow reconciliation of funds sent and/or available through GAPS. Separate checking accounts need not be maintained for each program as long as school records indicate precisely where cash was used.

Debit this account for:

- All cash received from GAPS for all FSA programs, except Direct Loans payment for origination services, Pell Grants ACA reimbursement, or Perkins Loan cancellation reimbursements (contra account # 1-2).
- All unexpended cash on programs when accountability has been transferred to NFC (contra account # 1-2).

Credit this account with:

- All cash transferred to programs.
- Excess cash billings paid to National Finance Center (NFC) (contra account # 1-2).

*1 - 2 Accounts Receivable, GAPS:* This account can be a debit or credit balance account depending on the timing of disbursements and drawdowns. It represents all amounts due from all open-status GAPS-funded programs.\* The debit balance may exist between the time funds are requested from GAPS and the time they are received.

Debit this account for:

- Amount of awards disbursed to students and recorded as income transferred from GAPS in each respective FSA program account.

Credit this account for:

- Cash received from GAPS (contra account # 1-1).
- Any unexpended program balances after accountability has been transferred to NFC (contra account # 1-1)

***\*A different accounting treatment is needed if a school has been placed on the reimbursement payment method for drawing down FSA funds.***

## National Finance Center (NFC) Accounts

*1 - 1 Cash Unremitted to NFC:* This account is used to reflect that a portion of cash is no longer under GAPS accountability; the accountability has been transferred to the National Finance Center (NFC).

This cash is segregated when a grant's final closing amount is in dispute. Accounting for the funds here reflects a transfer of accountability from GAPS. If more than one program is in dispute, separate subsidiary accounts should be set up for each program. Disallowed expenditures on open, current-year GAPS accounts are recorded by reclassifying those expenditures from the specific program account to institutional accounts and then reinstating that same amount from the FSA program account to the GAPS account.

Debit this account for:

- Cash received from the school for disallowed expenditure (contra account # 1-2).
- Interest earnings on FSA funds that exceed the regulatory threshold (contra account # 3-1).

Credit this account with:

- Amounts remitted to NFC (contra account # 3-1).

*1 - 2 Due from School:* This debit balance account reflects amounts due from the school as a result of disallowed expenditures on closed accounts not under GAPS accountability.

Debit this account for:

- Billings from NFC for expenditures disallowed by program review or audit, excess cash, and the like (contra account # 3-1).

Credit this account for:

- Cash received from the school (contra account # 1-1).

*3 - 1 Accounts Payable, NFC:* This account is normally a credit balance account that reflects any liabilities to NFC as a result of cash accountability separated from GAPS as described earlier or disallowed expenditures on programs not under GAPS accountability or excess interest earnings returnable to ED through NFC.

Debit this account for:

- Amounts remitted to NFC (contra account # 1-1).

Credit this account with:

- Billings from NFC (contra account # 1-2).
- Interest earnings returnable to NFC (contra account # 1-1).

### Federal Pell Grant Accounts

*1 - 1 Cash, Federal Pell Grants:* All receipts and disbursements of cash related to the Pell Grant Program are recorded in this account. Typically, this account would show a zero balance after each period's entries are posted, as the transfer of funds from GAPS should equal only the amount of grants to be paid immediately to students.

Debit this account for:

- Transfers from GAPS account (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account with:

- Payments to students (contra account # 7-1).

*6 - 1 Transfer from GAPS - Federal Pell Grants for Students:* This credit balance account controls the transfer of cash from the GAPS account "Cash Control, GAPS" to the Pell Grant account "Cash, Federal Pell Grants." Such cash transfers should be made only in the precise amounts needed immediately to pay grants to students.

Debit this account for:

- Closing entry at end of accounting fiscal year, the total amount of cash transferred from GAPS account to meet disbursement needs for the period (contra account # 7-1).

Credit this account with:

- Cash transferred from GAPS account to meet current disbursement needs (contra account # 1-1).

*6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA):* This credit balance account is used to deposit the reimbursements received by electronic funds transfer (EFT) from ED for Pell ACA.

Debit this account for:

- Closing entry at end of accounting fiscal year for the amount of Pell ACA reimbursements (contra account # 7-2).

Credit this account with:

- ACA payments received via EFT from ED (contra account # 1-1).

*7 - 1 Student Grants Paid - Federal Pell Grant:* This debit balance account is maintained to record payments made to students for Pell Grants.

Debit this account for:

- Grant payments made to students (contra account # 1-1).

**CREDIT THIS ACCOUNT WITH:**

- Recoveries from recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of grant payments made to students for the accounting period (contra account # 6-1).

*7 - 2 Administrative Cost Allowance (ACA) Paid to Institution:* This debit balance account is maintained to record payments made to the school for administrative costs. This amount cannot exceed the amount set by regulations.

Debit this account for:

- ACA paid to the school (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period (contra account # 6-2).

## Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts

*1 - 1 Cash, FSEOG:* All receipts and disbursements of cash related to the Federal Supplemental Educational Opportunity Grant (FSEOG) Program are recorded in this account. Typically, this account shows a zero balance after each period's entries are posted, as the transfer of funds from GAPS should be only for the amount of grants to be paid to students immediately and for administrative expenses.

Debit this account for:

- Transfers from GAPS account (contra account # 6-1).
- Cash contributions of the school (contra account # 6-2).

Credit this account with:

- Payments to students (contra account # 7-1).
- Payments to school for administrative cost allowance (contra account # 7-3).

*6 - 1 Transfer from GAPS - FSEOG:* This revenue account is maintained to control the transfer of cash from the GAPS account "Cash Control, GAPS" to the FSEOG account "Cash, FSEOG." Such transfers of cash should be made only in the precise amounts needed to pay awards and ACA (if applicable) on a current basis.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 7-1, 7-3).

Credit this account with:

- Amounts of cash transferred from the GAPS account to meet the federal share of current FSEOG grants (contra account # 1-1).

*6 - 2 Institution's Cash Contribution.* This credit balance account is maintained to record cash contributions made by the school to provide (together with any noncash contribution) the nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the school to pay its share of current FSEOG grants (contra account # 1-1).

*6 - 3 Institution's Noncash Contribution (Memo Account):* This credit balance account is maintained to record noncash contributions made by the school to provide (together with any cash contribution) the required nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts as the nonfederal share of FSEOG awards at end of accounting fiscal year (contra account # 7-2).

Credit this account with:

- Noncash contributions provided from institutional resources to pay the nonfederal share of current FSEOG grants, including payments made directly to students from institutional funds (contra account # 7-2).

*7 - 1 Student Grants Paid - FSEOG.* This expense account is maintained to help prepare required FSEOG Program reports. If the school transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of FSEOG grants. The debit balance in this account combined with account # 7-2, before closing, should agree with the sum of the individual award amounts shown in student records as FSEOG grants for the current year.

Debit this account for:

- Payments to students for FSEOG grants (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

*7 - 2 Student Grants - FSEOG From Noncash Contributions (Memo Account):* This expense account is used if the school makes noncash contributions and pays students a portion of their FSEOG grants directly from institutional resources.

Debit this account for:

- Payments to students for FSEOG grants from institutional resources (contra account # 6-3).

Credit this account for:

- Closing entry at end of accounting fiscal year (contra account # 6-3).

*7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable):* This expense account is used to record ACA as it is paid to the school. Such payments are limited by regulations and may not be made from FSEOG funds unless students received FSEOG funds during the period.

Debit this account for:

- Payments to school for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

## Federal Work-Study (FWS) Accounts

*1 - 1 Cash, Federal Work-Study.* All receipts and disbursements of cash related to the Federal Work-Study (FWS) Program are recorded in this account. Any debit balance remaining after payroll payment should consist solely of institutional and/or off-campus employer funds, as federal funds should be transferred from the GAPS Cash Control Account (GAPS account # 1-1) only in the precise amount needed for the federal share of current disbursements.

Debit this account for:

- Federal contributions transferred from GAPS account (contra account # 6-1).
- Cash contributions of the school (contra account # 6-2).
- Cash payments of off-campus employers (contra account # 1-2).
- Cash paid into fund by the school for later payment of employer's share of payroll taxes (contra account # 3-6).
- Cash contributions paid by the school for off-campus employers that have not paid their nonfederal share (contra account # 1-2).

Credit this account with:

- Federal share of on-campus compensation and federal and nonfederal shares of off-campus compensation to students (contra accounts # 3-5, 7-3, 7-4).
- Administrative expenses paid to the school (contra account # 7-6).
- Refund of contribution to the school (contra account # 6-2).
- Refund of contribution to off-campus employers (contra account # 1-2).
- Payment for compensation withheld (contra accounts # 3-1, 3-2, 3-3, 3-4).
- Payment of employer's payroll taxes (contra account # 3-6).
- Job Location and Development Program expenses paid to the school (contra account # 7-5).

*1 - 2 Accounts Receivable, Off-Campus Entities.* This account is used to record the amounts due from off-campus employers for the nonfederal share of student wages. Separate subsidiary accounts should be set up for each off-campus entity.

Debit this account for:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra accounts # 6-4, 6-5).
- Refunds to off-campus employers of excess cash contributions (contra account # 1-1).

Credit this account for:

- Cash paid by off-campus employers (contra account # 1-1).
- Cash paid by the school for off-campus employers that have not paid their nonfederal share (contra account # 1-1).

3 - 1 Federal Income Taxes Withheld

3 - 2 Social Security Taxes Withheld\*

3 - 3 State Income Taxes Withheld

3 - 4 Other Withholding

If withholding is necessary, these accounts are used to record the tax amounts withheld from the pay of students employed under the Federal Work-Study Program.

Debit these accounts for:

- Taxes paid to the appropriate agency for federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra account # 1-1).

Credit these accounts with:

- Amounts withheld from students' pay for payment of federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra accounts # 7-1, 7-3, and 7-4).

***\*Students working in FWS jobs do not need to pay FICA if they are employed on campus.***

*3 - 5 Accrued Wages Payable.* This account is used to accumulate student wages earned but not paid by the end of a report period. This is necessary because the Federal Work-Study portion of the FISAP report requires compensation earned during the reporting period to be reported, regardless of when it is paid. The drawdown of cash from the GAPS Cash Control Account is on a cash basis, and funds are not drawn down until accrued wages have actually been disbursed (paid).

Debit this account for:

- Amounts of gross compensation earned in the previous reporting period and paid during the current period (contra account # 1-1).

Credit this account with:

- Gross compensation earned, but not yet paid at the end of the reporting period (contra accounts # 7-1, 7-2, 7-3, 7-4).

***\*Note: A student may be exempt from tax withholding while enrolled. However, if the student is employed between terms or in the summer, when the student is not enrolled, withholding must be made.***

*3 - 6 Employer's Payroll Taxes Payable.* This credit balance account is maintained to record the amount of payments due by the school for the employer's share of payroll taxes on accounts of students employed under the Federal Work-Study Program. Federal Work-Study funds may not be used to pay any portion of such taxes. At some schools, the employer's share of payroll taxes is handled directly from the general fund, and off-campus employers' payments for their share of payroll taxes are reimbursed to the general fund rather than transferring the amount into the FWS fund. In this case, account # 3-6 would not be needed in the FWS set of accounts.

Debit this account for:

- Amounts of payroll taxes paid (contra account # 1-1).

Credit this account with:

- Amounts of payroll taxes payable from cash amounts transferred by the school or off-campus employers to pay their share of payroll taxes (contra account # 1-1).\*

*6 - 1 Transfer from GAPS - Federal Work-Study.* This credit balance account controls the transfer of cash from the GAPS account, “Cash Control, GAPS” to the FWS account, “Cash, Federal Work-Study.” Such transfers of cash should be made only in the precise amounts needed for the federal share of current payroll, plus administrative expenses and Job Location and Development Program expenses. No transfer of cash should occur until the federal share of the currently payable payroll has been calculated.

Debit this account for:

- The federal share of wages earned (contra accounts # 7-1, 7-3, 7-4).
- Administrative expenses paid to the school (contra account # 7-6).
- Job Location and Development Program expenses paid to the school (contra account # 7-5).

Credit this account with:

- Amounts of cash transferred from the GAPS account “Cash Control, GAPS” to meet current disbursement needs (contra account # 1-1).

*6 - 2 Institution’s Cash Contribution.* This credit balance account is used only if the school transfers cash to provide the required percent of the nonfederal share of student wages on campus, then pays both the federal share and nonfederal shares of campus wages from these accounts.

Debit this account for:

- Refund to the school of excess cash advances (contra account # 1-1).
- Closing entry, the nonfederal share (that is, the share for which Federal Work-Study funds are not available) of cash wages paid to students employed on campus (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the school to pay its share of on-campus student wages (contra account # 1-1).

*6 - 3 Institution's Noncash Contribution (Memo Account):* This credit balance account records the amount of wages "paid" to students by the school through tuition rebates and other such noncash means, as well as amounts paid directly to students from institutional funds.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts made by the school during the reporting period as its share of on-campus student wages (contra account # 7-2).

Credit this account with:

- Each pay period, the cash value of all tuition rebates or similar credits to student accounts as its share of on-campus student wages (contra account # 7-2).

*6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities*

*6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities*

These credit balance accounts are maintained to record contributions due from off-campus employers to provide the required percent (or more) of the nonfederal share of student wages earned off campus.

Debit these accounts for:

- Closing entry, nonfederal share (that is, the share for which Federal Work-Study funds are not available) of wages paid to students employed off campus (contra accounts # 7-3, 7-4).

Credit these accounts with:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra account # 1-2).

*7 - 1 Student Wages - On-Campus:* This expense account is maintained to record the federal share of Federal Work-Study wages. If the school transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of wages. This account may be further subdivided into categories such as instruction, research, public service, and so on, to facilitate nonfederal functional reporting.

Debit this account for:

- The federal share of wages earned by students in on-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 1-1, 3-1, 3-2, 3-3, 3-4, 3-5).

Credit this account with:

- Closing entry for the federal share of wages earned on campus (contra account # 6-1).

*7 - 2 Student Wages - On-Campus, Noncash Contribution for Nonfederal Share (Memo Account):* This expense account is maintained to record the nonfederal share of student wages paid from the institution's tuition rebates or similar credits.

Debit this account for:

- The nonfederal share of wages "paid" to students through tuition rebates and other noncash means (contra account # 6-3).

Credit this account for:

- Closing entry for, the nonfederal share of wages earned on campus (contra account # 6-3).

*7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities*

*7 - 4 Student Wages - Off-Campus, Private For-Profit Entities*

These expense accounts are maintained to help prepare required Federal Work-Study Program reports.

Debit these accounts for:

- Gross amount of wages earned by students in off-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 3-1, 3-2, 3-3, 3-4, and 3-5).

Credit these accounts with:

- Closing entry for the nonfederal share of wages earned off campus (contra accounts # 6-4, 6-5).

*7 - 5 Regular Job Location and Development (JLD) Expenses Paid to Institution:* This expense account is maintained to record payments made to the school for Job Location and Development (JLD) Program expenses. This amount cannot exceed the lesser of \$50,000 or 10 percent of the institution's Federal Work-Study (FWS) authorization for the award year to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either a for-profit or nonprofit employer. A school is not allowed to use its JLD allocation to locate on-campus service jobs. The federal funds that a school sets aside from its FWS allocation to be used for JLD activities may be used to pay up to 80 percent of allowable costs. The school must provide the remaining 20 percent of allowable costs, either in cash or services.

Debit this account for:

- Amounts paid to the school (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the amounts paid to the school during the reporting period (contra account # 6-1).

*7 - 6 Administrative Cost Allowance (ACA) Paid to Institution:* This expense account is maintained to record payments made to the school in reimbursement for administrative expenses. Such payments to the school have totals limited by regulations, and they may not be made from FWS funds unless students earned FWS wages during the award year.

Debit this account for:

- Payments to school for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the total amount paid to the school during the reporting period (contra account # 6-1).

## Federal Perkins Loan Accounts

*1 - 1 Cash, Federal Perkins Loans:* This is a debit balance account that shows the total cash available.

Debit this account for:

- Federal Capital Contributions (FCCs) as transferred from GAPS cash (contra account # 6-1).
- Institutional Capital Contributions (ICCs) as transferred from institutional cash (contra account # 6-2).
- Refunds of amounts advanced to students (contra account # 1-2).
- Collections of loan principal from borrowers (contra account # 2-1).
- Collections of loan interest from borrowers (contra account # 6-3).
- Collections of late charges assessed (contra account # 6-4).
- Collections of penalty charges assessed (contra account # 6-5).
- Other income (contra account # 6-5).
- Reimbursements from the U.S. Government on loan cancellations (contra account # 6-6).
- Repayments from borrowers for litigation expenses (contra account # 7-1).
- Collections of borrower-paid collection costs from gross-remittance collection agencies (contra account # 7-3).

Credit this account with:

- Advances to students (contra account # 1-2).
- Overpayments refunded to borrowers (contra account # 2-1).
- Reversals of payments made by returned check (contra accounts # 2-1, 6-3, 6-4, 6-5, 7-3).
- Repayments of capital to the U.S. Government (contra account # 6-7).
- Repayments of capital to the school (contra account # 6-8).
- Withdrawals of late charges payable to the school (contra account # 6-4).

- Withdrawals to pay litigation expenses (contra account # 7-1).
- Withdrawals for administrative cost allowance (contra account # 7-2).
- Withdrawals to pay collection costs to gross-remittance collection agencies (contra account # 7-3).
- Withdrawals to pay other collection expenses (contra account # 7-3).

*1 - 2 Funds Advanced to Students.* This debit balance account is a control account for advances to borrowers. The total of the amounts shown as advances on individual student master records for all students should be reconciled to the balance in this account at the end of each month.

Debit this account for:

- The amount advanced to borrowers (contra account # 1-1).

Credit this account with:

- Any return of advances made (contra account # 1-1).

*2 - 1 Loan Principal Collected.* This is a credit balance account maintained to show the total amount of loan principal collected since the beginning of the program.

Debit this account for:

- The principal amount of returned checks (contra account # 1-1).
- Overpayments refunded to borrowers (contra account # 1-1).

Credit this account with:

- The amount of cash collections related to loan principal (contra account # 1-1).
- Reclassification of the amount of interest paid that is subsequently canceled (contra account # 2-1).

*2 - 2 Defaulted Loan Principal - Assigned to Federal Government.* This credit balance account is maintained to show the cumulative amount of defaulted loan principal assigned to and accepted by the U.S. Government.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- The amount of loan principal assigned to and accepted by the U.S. Government on loans in default (contra account # 7-18).

*2 - 3 Loan Principal Canceled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72*

*2 - 4 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72*

*2 - 5 Loan Principal Canceled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72*

Accounts # 2-3, 2-4, and 2-5 may be merged and maintained as one account titled “Loan Principal Canceled - Loans Made Prior to 7/1/72.”

*2 - 6 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made 7/1/72 and After*

*2 - 7 Loan Principal Canceled - Teaching Service (20% Rate), Loans Made 7/1/72 and After*

*2 - 8 Loan Principal Canceled - Teaching Service (30% Rate), Loans Made 7/1/72 and After*

*2 - 9 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After*

*2 - 10 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After*

*2 - 11 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After*

*2 - 12 Loan Principal Canceled - Military Service (12.5% Rate), Loans Made 7/1/72 and After*

*2 - 13 Loan Principal Canceled - Death*

*2 - 14 Loan Principal Canceled - Disability*

Accounts # 2-13 and 2-14 may be merged and maintained as one account titled "Loan Principal Canceled - Death or Disability."

All other canceled-loan entries are similar and are not shown here. Refer to the chart of accounts for the other cancellation accounts.

These separate cancellation accounts are maintained to show the cumulative amounts of loan principal canceled under the provisions of the law.

Debit these accounts for:

- No entries, except for correcting errors.

Credit these accounts with:

- Amounts of each appropriate category of loan principal canceled under the provisions of the law (contra accounts # 7-4 through 7-17).

*2 - 29 Loan Principal Adjustments - Other.* This is a credit balance account maintained to show the cumulative total amount of loan principal lost because of other reasons (such as write-offs) as specified by ED. Each credit entry to this account should be adequately labeled to identify the reason for the adjustment.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- Amount of loan principal lost because of other approved reasons (write-offs) (contra account # 7-19).

*4 - 1 Federal Fund Balance.* This is a credit balance account maintained to show the federal share of the fund balance. This account should always show a credit balance for the federal share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (federal share of contra accounts # 6-1, 6-3 through 6-7, 7-1 through 7-19).

*4 - 2 Institutional Fund Balance.* This credit balance account is maintained to show the institutional share of the fund balance. This account should always show a credit balance for the institutional share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (institutional share of contra accounts # 6-2 through 6-6, 6-8 through 7-19).

*6 - 1 Funds Transferred from GAPS - Perkins - FCC.* This credit balance account is maintained to track the total FCC transferred to the Perkins Loan fund from the GAPS cash control account.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

Credit this account with:

- Transfer from GAPS - FCC (contra account # 1-1).

*6 - 2 Funds Transferred from Institution - Perkins - ICC.* This credit balance account is maintained to track the total ICC transferred to the Perkins Loan fund from the school.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

Credit this account with:

- Mandatory transfers of the institution's matching share of the Perkins Loan allocation. This is one-third (33 1/3 percent) of the FCC amount or one-quarter (25 percent) of the combined FCC plus ICC (contra account # 1-1).

*6 - 3 Interest Earned on Loans.* This credit balance account is maintained to show the total interest that has been collected or has been canceled because of teaching service, military service, death, or any other authorized cancellation. It also includes interest from loans assigned to ED.

Debit this account for:

- The interest amount of returned checks and correction of errors (contra account # 1-1).
- Reclassification of the interest amount paid that is subsequently canceled (contra account # 2 -1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- The amount of loan interest collected (contra account # 1-1).
- The amount of loan interest canceled for teaching service (contra accounts # 7-4, 7-5).
- The amount of loan interest canceled for Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After (contra account # 7-7).
- The amount of loan interest canceled for military service (contra accounts # 7-6, 7-8).
- The amount of loan interest canceled for death (contra account # 7-9).
- The amount of loan interest canceled for disability (contra account # 7-10).
- The amount of loan interest canceled for bankruptcy (contra account # 7-11).
- The amount of loan interest canceled for Peace Corps or VISTA (contra account # 7-12).
- The amount of loan interest canceled for Head Start (contra account # 7-13).
- The amount of loan interest canceled for Volunteer Service (contra account # 7-14).
- The amount of loan interest canceled for Law Enforcement and Corrections Officer (contra account # 7-15).
- The amount of loan interest canceled for Nurse/Medical Technician (contra account # 7-16).
- The amount of loan interest canceled for Child/Family and Early Intervention Service (contra account # 7-17).

- The amount of loan interest related to defaulted loans assigned to the U.S. Government (contra account # 7-18).
- The amount of loan interest written off for other costs or losses (specify) (contra account # 7-19).

*6 - 4 Other Earnings - Late Charges on Loans Made 7/1/87 and After.*

This credit balance account is maintained to show the earnings of the fund due to late charges assessed on loans made after 7/1/87.

Debit this account for:

- Late charge amounts reimbursed to the school (contra account # 1-1).
- Late charge amounts of returned checks (contra account # 1-1).
- Late charge amounts for correcting errors.
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Late charges assessed and collected (contra account # 1-1).
- Amounts reimbursed by the school for the late charge portion of returned checks (contra account # 1-1).
- Late charges accrued and written off (contra account # 7-18).

*6 - 5 Other Earnings - Miscellaneous.* This credit balance account is maintained to show the earnings of the fund (other than interest on student loans or late charges assessed on loans made 1/1/86 and after), such as penalty charges on loans made 12/31/85 and before, and interest earned on fund cash balances. As it will be necessary to report separately on each type of earnings (penalty charges, interest, earnings, and so on), a subsidiary ledger account for each type of earnings is required. There may be periods when slack demand for loans, coupled with funds received for collection activities, might produce a temporary excess cash balance in the Perkins Loan fund; as a result, institutions are now required to maintain fund balances in insured interest-bearing accounts.

Debit this account for:

- Penalty charges for returned checks (contra account # 1-1).
- Correcting errors.
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Penalty charges assessed and collected (contra account # 1-1).
- Interest earned on fund cash (contra account # 1-1).
- Any other earnings of the fund (contra account # 1-1).
- Penalty charges accrued and written off (contra account # 7-19).

*6 - 6 Reimbursement of Amounts Canceled on Loans Made 7/1/72 and After:* This credit balance account is maintained to show the amounts received from the U.S. Government as a result of reimbursements on loans canceled for teaching (Head Start) and military service on loans made 7/1/72 and after, for Peace Corps or VISTA service for loans made after 6/30/87, for employment in law enforcement or as a corrections officer for loans made on or after 11/29/90, and for all cancellations authorized by the 1992 reauthorization of the Higher Education Act (HEA).

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Amounts received from the U.S. Government for reimbursement of the aggregate amount of institutional funds plus federal funds canceled due to any of the authorized cancellation provisions (contra account # 1-1).

*6 - 7 Repayments to Federal Government:* This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund.

Debit this account for:

- Amount of the appropriate FCC repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

*6 - 8 Repayments to Institution.* This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund and to show when an school withdraws an overmatch.

Debit this account for:

- Amount of the appropriate ICC repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

*7 - 1 Litigation Expenses.* This is a debit balance account maintained to show the net amount paid for litigation arising in connection with Federal Perkins Loans.

Debit this account for:

- Amounts paid for litigation expenses (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers repaying litigation expenses (contra account # 1-1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 2 Administrative Cost Allowance (ACA) Paid to Institution.* This is a debit balance account maintained to show the amount of administrative expenses charged to the fund rather than reimbursement to the school by ED. Such payments to the school are limited in total by regulations and may not be made from the Perkins Loan fund unless students receive advances of Perkins Loan funds during the award period.

Debit this account for:

- Amounts charged to the fund as authorized administrative cost allowance (ACA) (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 3 Other Collection Expenses.* This is a debit balance account maintained to show the net amount charged to the fund for collection expenses other than costs of litigation, such as commissions (as approved by the Department) paid to a collection agency.

Debit this account for:

- Amounts authorized to be charged to the fund as other collection expenses (contra accounts # 1-1 or 2-1).
- Amount of borrower-paid collection cost portion of returned checks (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers repaying costs of collection other than litigation expenses (contra account # 1-1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 4 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made Prior to 7/1/72*

*7 - 5 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made 7/1/72 and After*

These debit balance accounts are maintained to show the total cost of loan cancellations for teaching service.

Debit these accounts for:

- Amounts of total principal and interest canceled for teaching service (contra accounts # 2-3, 2-4, 2-6, 2-7, 2-8, and 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 6 Cost of Loan Principal and Interest Canceled - Military Service, Loans Made Prior to 7/1/72*

*7 - 7 Cost of Loan Principal and Interest Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After*

These debit balance accounts are maintained to show the total cost of loan cancellations for military and teaching service.

Debit these accounts for:

- Amounts of total principal and interest canceled for these specific service areas (contra accounts # 2-5, 2-9, 2-10, 2-11, and 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 8 Cost of Loan Principal and Interest Canceled - Military Service 7/1/72 and After*

This debit balance account is maintained to show the total cost of loan cancellations for military service.

Debit this account for:

- Amounts of total principal and interest canceled for military service (contra accounts # 2-12, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 9 Cost of Loan Principal and Interest Canceled - Death.* This is a debit balance account maintained to show the total cost of loan cancellations for death.

Debit this account for:

- Amounts of total principal and interest canceled for death (contra accounts # 2-13, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts #4-1, 4-2).

*7 - 10 Cost of Loan Principal and Interest Canceled - Disability.* This is a debit balance account maintained to show the total cost of loan cancellations for disability.

Debit this account for:

- Amounts of total principal and interest canceled for disability (contra accounts # 2-14, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 11 Cost of Loan Principal and Interest Canceled - Bankruptcy.* This is a debit balance account maintained to show the total cost of loan cancellations for bankruptcy.

Debit this account for:

- Amounts of total principal and interest canceled for bankruptcy (contra accounts # 2-15, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 12 Cost of Loan Principal and Interest Canceled - Peace Corps or VISTA:* This is a debit balance account to show the total cost of principal and interest canceled for service in the Peace Corps or VISTA for loans made after June 30, 1987.

Debit this account for:

- Amounts of total principal and interest canceled for service in the Peace Corps or VISTA (contra accounts # 2-16, 2-17, and 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7-13 Cost of Loan Principal and Interest Canceled - Head Start.* This is a debit balance account to show the total cost of principal and interest canceled for the Head Start Program.

Debit this account for:

- Amounts of total principal and interest canceled for the Head Start Program (contra accounts # 2-18, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7-14 Cost of Loan Principal and Interest Canceled - Volunteer Service.* This is a debit balance account to show the total cost of principal and interest canceled for volunteer service.

Debit this account for:

- Amounts of total principal and interest canceled for volunteer service (contra accounts # 2-19, 2-20, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7-15 Cost of Loan Principal and Interest Canceled - Law Enforcement and Corrections Officer.* This is a debit balance account to show the total cost of principal and interest canceled for borrowers employed in law enforcement or corrections.

Debit this account for:

- Amounts of total principal and interest canceled for a borrower's employment as a law-enforcement or corrections officer (contra accounts # 2-21, 2-22, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 16 Cost of Loan Principal and Interest Canceled - Nurse/Medical Technician.* This is a debit balance account to show the total cost of principal and interest canceled for a borrower's employment as a nurse or medical technician.

Debit this account for:

- Amounts of total principal and interest canceled for a borrower's employment as a nurse or medical technician (contra accounts # 2-23, 2-24, 2-25, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 17 Cost of Loan Principal and Interest Canceled - Child/Family and Early Intervention Service.* This is a debit balance account to show the total cost of principal and interest canceled for a borrower's employment in a child/family or early intervention service.

Debit this account for:

- Amounts of total principal and interest canceled for the child/family or early intervention service (contra accounts # 2-26, 2-27, 2-28, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government.* This is a debit balance account maintained to show the total cost of defaulted loans assigned to, and accepted by, the U.S. Government.

Debit this account for:

- Amounts of total principal and interest related to defaulted loans assigned to the U.S. Government (contra accounts # 2-2, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

*7-19 Other Costs or Losses.* This is a debit balance account maintained to show the total amount of other costs or losses. Any entries to this account, such as accounts written off, should have full documentation of the reasons. In some cases, approval by the Department must be included as part of the documentation.

Debit this account for:

- Amounts of total principal, interest, penalty, and late charges written off because of other costs or losses. The reason for the write-off should be specified for easy identification in the account (contra accounts # 2-29, 6-3, 6-4, 6-5).

Credit this account with:

- Amounts of previous write-offs reversed due to collection (contra accounts # 2-29, 6-3, 6-4, 6-5).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

### William D. Ford Federal Direct Loan Accounts

*1-1 Cash, Direct Loans.* All receipts and disbursements of cash related to the Direct Loan Program are recorded in this account.

Debit this account for:

- Transfers from GAPS accounts (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account for:

- Payments to students (contra account # 7-1).
- Return of excess cash to Direct Loan Servicing Center or to ED via FEDWIRE (contra account # 6-1).

*1-2 Accounts Receivable, GAPS.* This debit balance account controls the transfer of cash directly from the GAPS account established for Direct Loans.

Debit this account for:

- Amounts due from GAPS for disbursement needs for the period (contra account # 6-1).
- Return of excess cash (contra account # 1-1).

Credit this account with:

- Cash transferred directly from the GAPS account (contra account # 1-1).

*6 - 1 Income from GAPS - Direct Loans.* This credit balance account reflects the income from the Direct Loan Program. This amount is not a transfer from the GAPS account referred to in section 5.3. These separate accounts allow for reconciliation with the institution's records as part of the Direct Loan reconciliation process.

Debit this account for:

- Closing entry at end of accounting fiscal year, the income from GAPS to meet disbursement needs for the period (contra accounts # 7-1, 7-2).

Credit this account with:

- Income from GAPS recorded to meet current disbursement needs (contra account # 1-2).

*6 - 2 Federal Reimbursement of Direct Loan Origination Services Costs.* This credit balance account is maintained to record the reimbursements from ED for origination services costs. Currently, funds come directly to the school via ACH/EFT and are deposited directly to the institution's bank account. This amount is set by law.

Debit this account for:

- Closing entry at end of the accounting period (contra account # 7-2).

Credit this account with:

- ACH/EFT payments for ED for origination services costs (contra account # 1-1).

*7 - 1 Funds Advanced to Borrowers.* This debit balance account is maintained to record payments made to students or parents for loans. This account may be further subdivided to separate disbursements for PLUS, subsidized, and unsubsidized loans.

Debit this account for:

- Loan payments made to students or students' parents (contra account # 1-1).

Credit this account with:

- Recoveries from loan recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of loan disbursements made to students or students' parents for the accounting period (contra account # 6-1).

## Federal Family Education Loan (FFEL) Program

*1 - 1 Cash, FFEL Account:* All receipts and disbursements of Federal Family Education Loan (FFEL) funds are recorded in this account. These funds are not part of the GAPS system, as the funds come directly from lenders to the school by lenders' EFT systems.

- Debit - Cash received from lenders (contra account # 3-1).

*1 - 2 Cash Returned to Lenders:* This account is used to account for funds returned to lenders and is separate from funds disbursed to students.

- Credit - Cash returned to lenders (contra account # 3-1).

*1 - 3 Cash Disbursed to Borrowers:* This account shows funds actually disbursed to students or parents for loans.

- Credit - Cash disbursed to borrowers (contra account # 3-1).

*1 - 4 Cash - Interest Earnings:* This account may be used to record interest earnings from investing the float on FFEL funds. Institutions may decide to deposit the interest earnings directly into an operating account.

- Debit - For interest earned (contra account # 6-1).
- Credit - Interest earnings from investment of FFEL funds transferred to the school (contra account # 6-1).

*3 - 1 FFEL Trust Account:* This account is used to record funds that the school holds for borrowers.

- Debit - Funds disbursed to borrowers or returned to lenders (contra accounts # 1-2 or 1-3).
- Credit - Funds received from lenders (contra account # 1-1).

*6 - 1 Interest Earnings from Investment of FFEL Funds:* The school must closely adhere to required time frames for disbursing funds and returning undisbursed funds.

- Debit - Cash, interest earnings transferred to the school (contra account # 1-4).
- Credit - Interest earnings from investment of FFEL funds (contra account # 1-4).



# Financial Management Systems

*The accounting procedures and financial management systems used by a school to record and report on the transactions in the FSA programs play a major role in the school's management of those programs. In this chapter we will discuss the minimum criteria for those procedures and systems, identify areas where problems might arise, and point out potential system weaknesses.*

## FINANCIAL MANAGEMENT SYSTEMS

A school's financial management system must provide effective control over and accountability for all funds received from the U.S. Department of Education's (ED's) Grant Administration and Payment System (GAPS). An FSA fiscal management system includes procedures for –

- requesting funds from ED lenders;
- disbursing funds to eligible students and parents;
- accounting for funds and financial activities;<sup>1</sup>
- keeping accurate and auditable records including providing the clear audit trail required by cash management regulations;<sup>1</sup>
- meeting the documentation requirements of the individual program regulations;
- managing cash;
- ensuring proper filing of timely applications; and
- enabling timely internal and external financial reporting.

At a minimum, a school's financial management system including its accounting system<sup>2</sup> must provide –

1. accurate, current, and complete disclosure of the financial condition of each federal aid program or project sponsored by ED;<sup>1</sup>
2. records that adequately identify the source and application of funds for sponsored activities and contain information on institutional awards, authorizations, obligations, unobligated balances, assets, income, liabilities, revenues, expenditures, and cash disbursements;<sup>1</sup>

<sup>1</sup> Part of an accounting system;

<sup>2</sup> Part of a financial management system

### Financial management systems, cite

34 CFR 668, Subpart K



A school's accounting system includes those procedures that deal with the organization and controls necessary to identify and record transactions in a school's journals and ledgers, while systematically providing for the supporting documentation for all journal entries. The accounting system is a subset of the school's larger system of financial management.

3. effective control over and accountability for all funds, property, and other assets, including adequate safeguarding of all such assets to ensure that they are used solely for authorized purposes;<sup>2</sup>
4. comparison of actual expended amounts with amounts budgeted for each FSA program;<sup>2</sup>
5. procedures to ensure the timely, efficient transfer of funds when they are advanced through electronic methods (These procedures must limit the time between the transfer of funds from the U.S. Treasury and cash disbursement by the school to students so that funds are disbursed no later than three business days following the receipt of funds, and do not result in excess cash.);<sup>2</sup>
6. procedures according to the applicable terms of the FSA program for determining reasonableness, allowability, and allocability of costs;<sup>2</sup>
7. accounting records that are supported by audit trail documentation;<sup>1</sup>
8. monthly reconciliation of individual student FSA awards as recorded in the financial aid, business office, student account, and Department systems (for Pell and Direct Loan);<sup>2</sup> and
9. examinations in the form of external or internal audits, which must be made according to generally accepted auditing standards and government auditing standards.<sup>2</sup>

Schools organize and manage their financial operations differently depending on such factors as the size of the school, administrative structure, staffing, automation, and federal program participation. Although fiscal operations can vary from school to school, successfully managing FSA programs at any school depends on coordinated efforts across institutional offices.

Coordination has become increasingly important as automated systems have replaced paper-based ones. Automated systems bring many benefits, such as enhanced data integrity and speedy data exchange. However, they also present challenges. **Perhaps the most critical challenge is that automation can blur responsibility for functions that, by law, must be kept separate, such as awarding and disbursing federal funds.**

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<sup>1</sup> Part of an accounting system;

<sup>2</sup> Part of a financial management system

## THE NETWORK OF RESPONSIBILITIES

Managing FSA assistance is a school-wide responsibility. FSA program funds are provided to the school, and all offices at a school must work together to ensure successful program management. A school's FSA program management generally takes place in three functional areas:

- the office of the chief executive CEO (president, chancellor, owner, etc.),
- the financial aid office, and
- the business (bursar's) office.

Schools differ in how they divide these functions among administrative offices. However, the president's office, the financial aid office, and the business office always play key roles.

### *The CEO's office*

Ultimate responsibility for a school's FSA programs resides with the school's CEO. Although authority and responsibility are delegated to other offices, the leadership and support of the CEO are crucial to successfully administering FSA programs. By recognizing the importance of federal aid programs, making FSA program administration a high priority, and holding key officials accountable, CEO leadership can foster an environment that promotes an effective and responsive financial aid program that meets institutional goals, students' needs, and federal requirements.

The checklist on the next page lists the administrative responsibilities of a school's CEO.

## The CEO/president must ensure that a school...

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>✓ meets the financial standards for administering the FSA programs</li> <li>✓ has an individual capable of administering the FSA programs and coordinating federal and nonfederal financial aid</li> <li>✓ has an adequate number of qualified staff to administer FSA programs</li> <li>✓ has a procedure to report changes to ED about the school's current eligibility status (for example, changes in ownership, address, name, officials, third-party servicers, programs, and locations)</li> <li>✓ has a procedure to ensure that FSA funds for new programs and locations are not disbursed until approvals (when required) are received from ED</li> <li>✓ has established clear lines of responsibility among the pertinent school offices</li> <li>✓ has good communication and cooperation among personnel in the pertinent school offices</li> <li>✓ maintains effective recordkeeping systems for both student records and financial records</li> <li>✓ has an adequate system of checks and balances to ensure separation of award functions from disbursement functions</li> <li>✓ has accurate information about student applicants for FSA aid and resolves any discrepancies or inconsistencies</li> <li>✓ provides adequate financial aid and loan debt management counseling to students</li> </ul> | <ul style="list-style-type: none"> <li>✓ refers any suspected cases of FSA fraud, abuse, or misrepresentation to ED's Office of Inspector General (OIG)</li> <li>✓ obtains a letter of credit (if the school has failed to meet the standards of financial responsibility)<sup>1</sup></li> <li>✓ has an independent auditor perform an annual federal audit of the school's FSA financial operations<sup>2</sup></li> <li>✓ cooperates fully with any program reviews or audits and makes available all necessary information to the reviewers or auditors</li> <li>✓ has no criminal or fraudulent activities occur as it manages federal funds and administers FSA programs</li> <li>✓ has established reasonable standards of satisfactory academic progress (SAP) for students</li> <li>✓ has established a fair and equitable institutional refund policy (if required by the school's accrediting agency)</li> <li>✓ has an operable and accessible drug-abuse prevention program, as required by the Drug-Free Schools and Communities Act</li> <li>✓ is a drug-free workplace, as required by the Drug-Free Workplace Act</li> <li>✓ makes available all published information required by the Student Right-to-Know Act and the Campus Security Act and any other applicable laws and regulations</li> <li>✓ provides the services described in its publications</li> </ul> |
|---|---|

1. For complete information about the requirement to obtain a letter of credit when a school fails to meet the standards of financial responsibility, please see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 11 – Financial Standards*.
2. For complete information about the requirement to obtain an independent audit of a school's participation in the FSA programs, please see *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 12 – Program Integrity*.

## The financial aid office

While a school's financial aid office is usually assigned most of the responsibility for administering FSA programs, its role in the institution's fiscal operation is a limited one. In some cases, functions such as loan counseling might be performed by the business office instead of the aid office.

### Responsibilities commonly assigned to a school's financial aid office

- |   |   |
|---|---|
| ✓ Advise and counsel students and parents about financial aid   | ✓ Assist in reconciling loan records (for schools in the Direct Loan Program)   |
| ✓ Provide students with consumer information, as required by federal regulations  | ✓ Reconcile student financial aid data provided to the business office to ensure that all payments have been made, return of FSA funds have been accounted for, and expenditures have been reported |
| ✓ Develop written policies and procedures about the way the school administers FSA programs   | ✓ Have a procedure to report any changes to ED about the school's current eligibility status (for example, change in ownership, address, name, officials, third-party servicers, and so on)         |
| ✓ Determine students' eligibility for financial aid   | ✓ Perform (limited) fiscal operations, such as:   |
| ✓ Make financial aid awards to students   | • authorizing payment of FSA funds to student accounts or to students directly  |
| ✓ Adhere to the principle of separation of functions (no single office or individual may authorize payments and disburse FSA funds to students)               | • authorizing return of Title IV funds to program accounts and post-withdrawal disbursements to students  |
| ✓ In administering financial aid programs, coordinate financial aid activities with those of other school offices   | • notifying a student who owes an overpayment as a result of the student's withdrawal from the school in order for ED or the school to recover the overpayment                                      |
| ✓ Interact with various outside groups, agencies, associations, and individuals about issues concerning the school's administration of financial aid programs | • notifying ED of the overpayment   |
| ✓ Monitor students' satisfactory academic progress (SAP)  | • coordinating submission of the Fiscal Operations Report and Application to Participate (FISAP)  |
| ✓ Maintain school records and student records that document the administration of the financial aid office and provide data for reports                       | ✓ Provide entrance and exit counseling to borrowers of FFEL Program loans and Direct Loan Program loans as part of the award and delivery process <sup>1</sup>                                      |
| ✓ Keep current on changes in laws and regulations to ensure that the school remains in compliance   | ✓ Provide entrance and exit counseling to borrowers of Federal Perkins Loans as part of the award and delivery process <sup>2</sup>   |
| ✓ Assist in reporting program expenditures  |   |
| ✓ Manage and report on activities that involve financial aid funds  |   |
| ✓ Calculate the return of Title IV funds and, if it applies, authorize post-withdrawal disbursements to students  |   |

1,2 At some schools, the business office performs this function

## The business (bursar's) office

Most FSA related fiscal operations are handled by a school's business office, also. This office may also be known as the – fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. For the duration of this text, this office will be referred to simply as *the business office*.

The business office provides critical services to the school in managing both federal and nonfederal financial aid programs. Administering the accounting, recordkeeping, and reporting functions related to the school's use of federal and other funds requires many detailed, complex systems. Strong internal controls and sound business and financial management practices are keys to the success of these operations and delivering funds to students.

The checklist on the next page lists some of the common responsibilities of the fiscal office.

## Responsibilities commonly assigned to a school's business office

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>✓ Coordinate activities and cooperate with the financial aid office in           <ul style="list-style-type: none"> <li>• projecting cash needed to cover disbursements</li> <li>• processing cancellations and institutional refunds</li> <li>• obtaining authorization to pay FSA funds</li> <li>• being aware of the changes in FSA laws and regulation</li> <li>• submitting accurate and timely reports</li> <li>• reconciling records to ensure that financial aid adjustments are properly recorded</li> </ul> </li> <li>✓ Maintain a system of internal controls that includes adequate checks and balances</li> <li>✓ Ensure that the functions of authorizing and disbursing FSA funds remain separate</li> <li>✓ Maintain records consistent with Generally Accepted Accounting Principles (GAAP), and government auditing standards</li> <li>✓ Maintain records to ensure a clear audit trail</li> <li>✓ Draw down and return FSA funds to program accounts</li> <li>✓ Disburse funds to eligible students from FSA program accounts</li> <li>✓ Maintain a system of student accounts that records charges, credits, and amounts due</li> <li>✓ Collect Federal Perkins Loans<sup>1</sup></li> <li>✓ Calculate the return of Title IV funds, and if it applies, authorize post-withdrawal disbursements to students<sup>2</sup></li> </ul> | <ul style="list-style-type: none"> <li>✓ Establish and implement the institution's refund policy (if required by the school's accrediting or state agency)<sup>2</sup></li> <li>✓ Establish and monitor Federal Work-Study (FWS) payroll and time sheets<sup>4</sup></li> <li>✓ Process return of Title IV funds to program accounts and post-withdrawal disbursements to students according to the applicable federal laws and regulations</li> <li>✓ Assist in reporting FSA expenditures to ED in a timely manner</li> <li>✓ Reconcile accounts, including:           <ul style="list-style-type: none"> <li>• reconciling cash between school records and bank statements and reports</li> <li>• reconciling federal funds between bank statements and federally reported balances</li> </ul> </li> <li>✓ Assist in completing applications, fiscal reports for federal funds, and FISAP</li> <li>✓ Maintain a cash management system to meet disbursement requirements and federal laws and regulations</li> <li>✓ Provide general stewardship for federal funds, including maintaining bank accounts and investments as appropriate</li> <li>✓ Prepare for and participate in FSA program reviews and audits</li> <li>✓ Provide entrance and exit counseling to borrowers of FFEL Program loans and Direct Loan Program loans as part of the disbursement process<sup>2</sup></li> <li>✓ Provide entrance and exit counseling to borrowers of Federal Perkins Loans as part of the disbursement process<sup>3</sup></li> </ul> |
|---|--|

1. At some schools, a separate student loan office collects these loans.
2. At some schools, the financial aid office performs this function.
3. At some schools, these activities are performed by the financial aid office. In addition, the business office may be responsible for administering other aspects of the Federal Perkins Loan Program. While the financial aid office may be responsible for awarding Perkins Loan funds, the business office may be responsible for collecting and handling promissory notes, billing borrowers in repayment, collecting payments, authorizing deferments, canceling loans, and reporting Perkins Loans to NSLDS.
4. At some schools, the personnel office performs this function.

## **Synchronizing operations and responsibilities**

Typically, several offices at your school will share responsibility for managing any one FSA program. To illustrate this network of responsibilities, consider the relatively routine activity of managing Federal Work-Study (FWS) Program time sheets for student employees. The financial aid office typically authorizes FWS awards and monitors student earnings to ensure students have not exceeded their authorized awards. On the other hand, the business office usually processes payroll and monitors the school's nonfederal share of FWS to ensure the school is adequately matching the federal share. Your school's processes should demonstrate similar interdependence in your management of its FSA programs. To further explore this principle, if your school participates in the FWS programs, please complete the FWS questionnaire on the next page as it applies to your school.

## FWS Questionnaire on Network of Responsibilities

1. The Federal Work-Study (FWS) Program time sheet requires oversight certification. Who is authorized to certify that a student has worked the hours reported and earned the amount paid? \_\_\_\_\_  
\_\_\_\_\_
2. Students must remain eligible from one term to the next. Who monitors student eligibility and academic progress? \_\_\_\_\_  
\_\_\_\_\_
3. Some eligibility requirements are school policies. Who develops these policies for the school? \_\_\_\_\_  
\_\_\_\_\_
4. Students are paid their wages on the basis of their time sheets.
  - Who collects the time sheets from students? \_\_\_\_\_
  - Who processes the payroll? \_\_\_\_\_
  - Who reconciles the payroll to the time sheets? \_\_\_\_\_
5. Students may only earn up to the amount of their authorized FWS awards.
  - Who determines the amount of the award? \_\_\_\_\_
  - Who monitors students' earnings to ensure they do not earn more than that amount? \_\_\_\_\_
6. Schools must develop and place students in FWS jobs.
  - Who locates and develops these jobs? \_\_\_\_\_
  - Who places students in these jobs? \_\_\_\_\_
7. All schools are required to spend at least 7 percent of the federal allocation of their FWS funds to employ students in community-service positions.
  - Who locates and develops these jobs? \_\_\_\_\_
  - Who monitors the percentage of funds used for these jobs? \_\_\_\_\_
8. Student earnings are part of the institution's overall FWS budget.
  - Who develops the budget? \_\_\_\_\_
  - Who monitors allocations and disbursements? \_\_\_\_\_
  - Who monitors expenditures? \_\_\_\_\_
9. Schools that receive FWS funds are required to apply for those funds and to report to ED on the use of those funds.
  - Who completes the application? \_\_\_\_\_
  - Who completes the report? \_\_\_\_\_

**Checks and balances, cite**

34 CFR 668.16(c)(1)

34 CFR 674.19(a)

34 CFR 675.19(a)

34 CFR 676.19(a)



## ***Internal Controls – A system of check and balances***

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal controls or checks and balances.

### **What is internal control**

Internal control is an integral component of an organization's management. An effective internal control structure includes a school's plan of organization and all the policies, procedures and actions taken by the school to provide **reasonable assurance** that the school will achieve its objectives in the following areas:

1. effectiveness and efficiency of operations;
2. accuracy of operating data;
3. reliability of program reporting;
4. protection of funds against fraud and misuse; and
5. compliance with organizational policies and applicable FSA laws and regulations.

The first category addresses a school's administrative objectives, including performance and financial goals and safeguarding of resources. The second relates to the need to ensure that the decisions made by a school in its day-to-day operations are based on accurate information. The third relates to the preparation of financial statements, audits, and other fiscal and operational reports a school is required to make to ED. The fourth refers to a school's fiduciary responsibility to safeguard FSA funds and ensure they are used for the purposes and by the recipients intended. The fifth addresses the requirement that a school comply with all applicable federal, and state, laws and regulations, as well as the regulations of its accrediting agency.

### **Components of internal control**

Internal control consists of five interrelated components derived from the way a school is managed. The components are:

- ✓ *Control Environment* – The control environment sets the tone of an organization and influences the mind set of its employees. It is the foundation for all other components of internal control, providing its discipline and structure. Control environment factors include the integrity, ethical values, and competence of the school's people; management's philosophy and operating style, and the way a school's administration assigns authority and responsibility and organizes and develops its employees.

Administrators must convey the message that integrity and ethical values cannot be compromised, and employees must receive and understand that message. Adopting codes of conduct and other policies regarding acceptable institutional practices, conflicts of interest, and expected standards of ethical and moral behavior help establish an organizational climate in which the other components of internal control are able to achieve their purposes.

- ✓ *Risk assessment* – Every entity faces a variety of risks from external and internal sources. Risk assessment is the identification and analysis of risks that have the potential to negatively affect a school’s satisfactory management of the FSA programs, its financial strength, its public image, and the overall quality of its programs and services.

Many techniques have been developed to identify risks. The majority – particularly those developed by internal and external auditors to determine the scope of their activities – involve qualitative or quantitative methods to prioritize and identify higher risk activities. The FSA Assessment Tools can help your school identify needed areas of improvement. In addition, your case management team can provide you with a list of those fiscal and administrative responsibilities that were most often problematic during recent program reviews.

Certain circumstances demand special attention because of their potential impact on the control environment. For example, when any of the following occur, a school should examine the ways in which it affects the schools operations and the appropriate response.

- *A change in the operating environment.* Changes in the HEA or state law, ED’s regulations, or accrediting agency procedures might require a change in organizational procedures.
- *New personnel.* Turnover of personnel in the absence of effective training and supervision can result in breakdowns in the control environment.
- *New or revamped information systems.* Normally effective controls can break down when new systems are developed, particularly when those systems are brought on line under tight time constraints, or at a critical time (e.g., just before registration).
- *Rapid growth.* When a school experiences rapid growth in the number of FSA recipients, or the amount of federal funds it is receiving on behalf of those recipients, existing control systems may break down.
- *New technology.* When a new technology is incorporated into management practices, a high likelihood exists

that internal controls will need to be modified. Adopting EFT as the method of distributing FSA credit balances, and changing to the use of *smart cards* as a mechanism for providing access to student's FSA funds – are examples of technologies that may require changes in control procedures.

- ✓ *Information and communication.* Pertinent information must be identified, captured, and communicated in a form and timeframe that enables employees to carry out their responsibilities. One type of communication involves the creation of an appropriate control environment. A second involves operational, financial, and compliance related information.

All employees must receive a clear message from senior administrators that control responsibilities must be taken seriously. Employees must understand their own roles in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information to those administrators who can affect change.

Employees at all levels need access to information in order to make appropriate operational, financial, and compliance decisions. The quality of information is determined by the degree to which the

- *content is appropriate* – Is the needed information there?
- *information is timely* – Is it there when required?
- *information is current* – Is it the latest available?
- *information is accurate* – Are the data correct?
- *information is accessible* – Can it be obtained easily by appropriate parties?

- ✓ *Monitoring* – Internal control systems need to be monitored – a process that assesses the quality of the system's performance over time. This can be accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities and other actions employees take in performing their duties.

On the other hand, successful institutions pause from time-to-time to evaluate the degree to which they are achieving their objectives, and plan for changes needed to improve performance where needed. Evaluating the success of internal control procedures should be part of an institution's periodic overall evaluations.

- ✓ *Control Activities* – Control activities are the policies and procedures that help ensure a school’s administrative directives are followed. They help guarantee that the actions necessary to reduce risk are carried out. Control activities occur throughout an organization and include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, and periodic reviews of performance, security of funds, and separation of function.

Control activities usually involve two elements – a policy that establishes what should be done (and that serves as a basis for the second element), and procedures to implement the policy. The most effective policies and procedures are those that are written. Control activities should be part of new employees’ orientation, and the subject of periodic training for continuing employees.

Of course, no matter how well designed and operated, internal control cannot provide absolute assurance that all objectives will be met. Factors outside the control or influence of management can affect the entity’s ability to achieve all of its goals. In addition, modern EDP systems create special problem because often, paper and audit trails may be problematic. Good systems of internal control should provide for paper documentation at key points in the electronic system.

One key feature of any internal control system should be built in **independent checks** on performance. In large organizations, the internal audit function should report directly to the CEO or board of directors. This helps avoid the difficulties and conflicts of interests that result when the internal audit staff reports to the accounting manager, VP for Finance, or CFO. In small organizations where total separation of duties is not an economically viable alternative, owners and presidents must be involved in the control system through independent performance checks. In addition, they must assume key duties such as check signing and monthly bank account reconciliations.

**A thorough discussion of the creation of an school-wide internal control environment is beyond the scope of this volume. However, we want to emphasize the importance of a school-wide commitment to control activities that begins with a school’s chief executive and involves all employees who in any way participate in the school’s FSA programs or are responsible for FSA funds.**

**Separating functions, cite**

34 CFR 668.16(c)(2)



**Family defined**

A member of an individual's family is a parent, sibling, spouse, child, spouse's parent or sibling's, or child's spouse.



**Definition of control cite**

34 CFR 600.30(b)

**Ownership interest cite**

34 CFR 668.15(f)

**Control activities important in managing FSA funds**

To participate in federally funded student financial aid programs, a school must be able to demonstrate that adequate checks and balances are in place. A school's internal control system should, at a minimum, include –

- **separating the functions** of authorizing and awarding FSA aid and disbursing FSA program funds;
- taking **trial balances** (to determine whether accounts are in balance);
- **reconciling cash** (a reconciliation between accounting (ledger) balances and bank balances);
- **reconciling federal funds** (ensuring that all federal funds drawn down are appropriately disbursed or returned within the timeframes allowed by regulation); and
- maintaining adequate electronic data processing (**EDP**) controls.

A school should use its internal audits or external audits to verify that the systems of checks and balances in place at the school have been properly designed and are being followed routinely.

**The separation of functions**

To accomplish separation of duties, duties are divided among different individuals to reduce the risk of error or inappropriate action. For example, when the employee or office responsible for safeguarding an asset is someone other than the employee or office that maintains accounting records for that asset. In general, responsibility for related transactions should be divided among employees so that one employee's work serves as a check on the work of other employees. When duties are separated, there must be collusion between employees in order for assets to be stolen and the theft disguised in the accounting records.

Federal regulations require a school to separate the functions of authorizing payments and disbursing funds so that no single office or individual exercises both functions for any student receiving FSA funds. Even very small institutions with limited staff are not exempt from this requirement. These two functions must be performed by individuals who are not members of the same family, who do not together exercise substantial control over the school, and who are organizationally independent.

Individuals with responsibility for authorizing or disbursing FSA funds may perform other functions as well, but they may not perform both the authorization and disbursement functions. If a school performs these functions via computer, no one person may have the ability to change data that affect both the authorization and disbursement of FSA funds..

Typically, the financial aid office is responsible for authorizing disbursements by awarding aid through the need analysis and packaging processes. Awards are then turned over to a business office that typically requests funds from ED's Grant Administration and Payment System (GAPS), and disburses the funds by crediting student accounts, delivering checks to students, authorizing an electronic transfer of funds (EFT), or delivering cash to students. The person (or office) that awards FSA funds may not sign checks or deliver them to students, nor may he or she be permitted to disburse cash to students, or to credit student accounts with FSA funds to cover allowable costs (such as tuition, fees, books, supplies, or other authorized charges).

There should also be a segregation of functions within the business office. This separation should provide that the individual within the school who reconciles federal cash does not also receive federal cash or disburse it. This will ensure that several individuals at the school evaluate federal funds and, at each step of the process, that the applicable regulations are being followed.

The person performing reconciliations should receive bank statements and Direct Loan reconciliation reports directly from the respective, appropriate sources. Supervisory approval of the completed reconciliations should also be obtained and documented on the forms.

While electronic processes enhance accuracy and efficiency, they also can blur separation of functions so the awarding and disbursement occur virtually simultaneously. Schools must set up controls that prevent an individual or an office from having the authority (or the ability) to perform both functions. In addition, your system also should have controls that prevent cross-functional tampering. For example, financial aid office employees should not be able to change data elements that are entered by the registrar's office. Finally, your system only should allow individuals with special security classifications to make changes to the programs that determine student need and awards, and it should be able to identify the individuals who make such changes.

For further guidance on the separation of functions, contact the ED Case Management and Oversight Team that serves your school's state.

**Remember, because electronic processes can blur separation of functions, a school must be careful to create controls that ensure separation of authorizing FSA payments and disbursing FSA payments. This also applies within the business office itself. One individual should not be solely responsible for receiving funds and reconciling those funds.**

**Important**

### **Internal controls in automated systems**

Since no one person may have the ability to change data that affect both authorization and disbursement, if award entries made by the financial aid office automatically roll over and populate award fields in the business office, then the separation of functions must take place elsewhere.

For example, if your system automatically awards funds based on a student's budget and/or need, then your system must insure that only employees with a special security standing can change those budgets or otherwise modify a student's award. In addition your system must be able to identify any employee who makes a change to a data element or program that can affect the level of a student's award (anyone who initiates a budget or award override).

## Trial Balance

A trial balance is the confirmation that debit and credit balances are equal. A trial balance for federal student financial aid programs is a confirmation that accounts receivable, program expenditures, and the cash balance equal the amount of aid that has been authorized by the financial aid office.

To be effective, taking a trial balance should be performed at least monthly and reconciling cash should be performed when bank statements are received or at least monthly.

## Reconciliation of bank records

Since cash is more susceptible to manipulation than other assets, multiple checks and balances are necessary for effective internal control of cash.

Reconciling cash is one confirmation that the cash balance shown in the school's accounting records is in agreement with the balance reflected in the school's bank statement. Differences between the school's accounting records and the school's bank statement balance can be caused by timing variances, errors, or unrecorded entries. The bank reconciliation process can lead to adjusting entries for –

- bank service charges;
- non-sufficient funds (NSF) charges;
- debit and/or credit memoranda; and
- correcting errors.

The individual performing bank reconciliation should be trained to recognize and report sources of errors such as

- delays in deposit;
- checks that remain outstanding after long periods of time;
- irregularities in funds transfers and adjustments; and
- deviations on canceled checks (payee, signature, or endorsement).

The prompt and thorough performance of bank reconciliation duties enhances the internal control system.

Note that if a school maintains separate bank accounts for each program, a separate bank reconciliation process should be performed for each account/program.

## Reconciling FSA funds

**Reconciliation of FSA funds is a key component of internal control in the FSA programs.** A school reconciles data when, for example, on the FISAP it reports cumulative data for its Federal Perkins Loan portfolio. A school also performs reconciliation on an annual basis when it reports annual FSEOG data on the FISAP, and when it closes out its general ledger. However, to help fulfill its responsibility to safeguard federal funds and ensure they are expended as intended, a school must perform reconciliation in each FSA program monthly. That is, in order to provide adequate internal controls, a school must have a system for comparing separately, for each FSA program, the total draws recorded in GAPS in a 30-day period to the amount disbursed to students or returned to ED and explaining all discrepancies.

Reconciliation in the FSA programs is an internal control procedure that helps to ensure that a school has met its fiduciary responsibility to use its FSA funds in the manner and for the purposes prescribed by regulations. The process of reconciliation as required in the regulations applies primarily to a school's accounting records. Other internal control procedures ensure that a school's other fiscal records and its program records are being maintained properly, and that they accurately reflect the schools's FSA operations.

During reconciliation a school compares its GAPS records to its banking records, and the accounting entries in its FSA cash accounts to the accounting entries in its FSA disbursement accounts. The reconciliation process will seek to explain the differences between the funds the school received and the funds the school disbursed or returned.

**Regulations require that all federal funds drawn down be accounted for.** Moreover, a **school must identify expenditures of FSA funds on a student-by-student basis.** So, if the trial balances run for one or more of the FSA programs fail to show that all federal funds received by the school were disbursed or returned in the timeframes allowed by regulations, the school will have to examine its accounting detail (student by student records) to identify the discrepancies keeping the accounts out of balance. **All discrepancies must be explained in order for the accounts to be considered reconciled.**

A key element in the reconciliation process is the clear audit trail a school's accounting records should provide. That audit trail should track FSA funds from GAPS to individual students.

### Required fiscal records, cite

34 CFR 668.24(b)



Reconciliation is one of the tools a school uses to evaluate its system for accounting for the receipt and expenditure of FSA funds in accordance with generally accepted accounting principles.

### Monthly reconciliation required, cites

34 CFR 674.19 (d)(1),  
34 CFR 675.19(b)(2)(iv), 34 CFR 676.19(b)(2),  
and 34 CFR 685.102(b)



To see how the FSA Assessment Tool can help you in reconciling and other fiscal management activities, go to the Schools Portal at

<http://fsa4schools.ed.gov/SCHOOLSWebApp/index.jsp>

and select

[FSA Self-Assessments Tool.](#)

From there select

[Managing Funds](#)

followed by

[Fiscal Management](#)

then

[Cash Management](#)

and finally

[Activity 14: Reconciliation Activity](#)

### Example of an audit trail for an FSEOG cash draw

1. Examining its cash draws as recorded in GAPS for the previous 30-day period, a school finds a record of a drawdown of \$75,000 in federal funds identified as *FSEOG federal share*.
2. The school examines its bank records for the account the school has designated to receive FSA funds to ensure that the funds were received.
3. In the school's *GAPS Cash Control Account* the \$75,000 is entered as an offset to \$75,000 in *GAPS Accounts Receivable*.
4. The records show a \$75,000 credit to the *GAPS Cash Control Account* (an asset account) and a \$75,000 debit to the income account, *FSEOG Transfer from GAPS*.
5. At same time the records should show that the school deposited its match<sup>1</sup> – credited its *Institutional Cash Account* with \$25,000, and debited *Institution's Cash Contributions* (its GAPS income account) with \$25,000. (Note that the detail record for this transaction is the school's bank records and its internal subsidiary ledgers.)
6. The records show a \$75,000 credit in *FSEOG Transfer from GAPS* and \$25,000 credit in *Institution's Cash Contributions* and debits of \$25,000 and \$75,000 to the expense account *Student Grants Paid - FSEOG*.
7. *Student Grants Paid - FSEOG* shows a credit of \$100,000 to a the individual student accounts. (The records might show one credit of \$100,000 to a memo account in which the detail of the individual students who received the grants is present.)
8. The student account records (student account cards in a manual system) are fiscal records (not program records). The account records are the detail records that substantiate the subsidiary ledger *Student Grants Paid*. They substantiate that the \$75,000 GAPS draw was used as intended.

1. If a school matches with tuition, fees, room and board, waivers, etc., the school's accounting records must show a clear audit trail from the non-cash match in the student's account to the Memo Account "Institution's Noncash Contribution."

Part of the monthly reconciliation a school must perform requires examining fiscal and program records to ensure that they agree with and substantiate the reconciled accounting records.

**Note:** Generally, program records are maintained by the financial aid office and fiscal records by the business office.

Questions you can ask about your program and fiscal records include:

- What program records does your school use to determine the amount of your federal funds request to GAPS. Do the date and amount of your anticipated disbursements of grant, loan, and FWS payroll funds support the cash requests you've made to GAPS?
- Do the amounts and dates of your school's calculations of refunds or overpayments made or due to ED, and the amounts and dates of Return calculations for students who withdraw substantiate the entries in the GAPS cash control contra account *Funds Returned to ED*?

As part of your school's internal control procedures, you should have a system that examines your fiscal and program records to ensure they are in agreement and support your accounting records. We will provide examples of those internal control procedures in our discussion of the individual programs.

### Electronic Data Processing (EDP) Controls

The Department continues to encourage and support schools' use of electronic recordkeeping and communications. Of course, any time a school uses an electronic process to transfer funds, record or transmit confidential information, or obtain a student's confirmation, acknowledgment, or approval, the school must adopt reasonable safeguards against possible fraud and abuse. Reasonable safeguards include:

- creating written policies and procedures for the security and proper operation of student information systems that go all the way down to the individual user level;
- informing authorized users of guidelines for proper system use, and having users acknowledge their responsibilities by signing an acknowledgment statement;
- issuing unique user IDs and passwords to each employee to ensure individual user accountability;
- changing passwords frequently;
- revoking access for unsuccessful log-ins;
- segregation of computer security duties and responsibilities including granting appropriate levels of access to staff, and limiting an employee's access to only those functions necessary to perform his/her assigned duties;

- establishing adequate software-security controls, audit functions, user identification, entry point tracking, and system surveys (these security controls should be sufficient to indicate or detect possible misuse, abuse, or unauthorized activity on the system), and conducting random audits of the system using the aforementioned functions;
- providing adequate provisions for system and data-file back up, contingency, disaster recovery, and business resumption;
- conducting security tests of code access; and
- physical computer security.

Before the start of an award year, you should test your school's automated packaging program to ensure that the calculations used to determine the amount of students' grant, loan, or FWS awards yield consistent results, and that the awards that result are within the amounts allowed by regulation. In addition, you should compare the records of awards made to students by the financial aid office to the records of those awards in the business office.

## Other checks and balances

### Assigning specific duties to individual employees

When the responsibility for a particular work function is assigned to one employee or to a small group of employees, that employee (or that group) is accountable for specific tasks. Then, if a problem occurs, the employee responsible can be easily identified.

### Rotating job assignments

Some schools cross train their employees and rotate job assignments each fiscal year. This policy discourages employees from engaging in long-term schemes to defraud the school and ED. Rotating assignments also makes it more likely that theft or misuse will be discovered quickly because an employee in a new assignment will quickly identify behavior or records that are out of compliance with school policy or ED regulations.

### Mechanical devices and system safeguards

Requiring the use of simple mechanical devices can often reduce temptation and prevent theft. For example, schools that distribute FSA credit balances by check should adopt procedures that ensure that checks that cannot be delivered are returned to a lockbox type device – not to the school's mail room. Returned checks should be recorded and provided the same safeguards as cash.

## Policies and procedures manuals

Control activities usually involve two elements – policies establishing what should be done, and serving as a basis for the second element, procedures to effect the policy. For example, in evaluating satisfactory academic progress, a school might have a *policy* that, in order to be considered to be making satisfactory academic progress, a student must have a 2.0 GPA once that student has attempted 60 credits. The *procedures* associated with that policy would be the action steps the school would take to measure a student’s progress in increments and intervene with students who appeared to be in danger of failing to achieve the required GPA.

Many factors support the creation of a written policies and procedures manual for a school’s participation in the FSA programs. The first factor is compliance with Department regulations. In some cases, e.g., verification deadlines, withdrawal procedures, approved leaves of absence and SAP, schools are required by ED regulations to have written procedures and to make them available. Second in order for policies and procedures to be created with input from all appropriate offices within an organization the draft versions must be in writing so everyone works from the same starting point. Third, thoughtful, conscientious, and consistent implementation of any organization-wide activity requires a mutually agreed upon and understood framework for the activity. Finally, a comprehensive, well-written policies and procedures manual can –

- document how and when the school establishes specific policies and procedures;
- provide a single location for the school’s policies and procedures;
- serve as a valuable reference during a program review or audit;
- provide the basis for the orientation and training of new employees and the refreshing of the skills of current employees.

An excellent model for creating an institutional policies and procedures model is available from The National Association of Financial Aid Administrators (NASFAA). We encourage those individuals responsible for participating schools’ business operations to join with their colleagues in financial aid in creating a comprehensive FSA policies and procedures manual for their schools.

**The Department strongly recommends that participating schools create policies and procedures manuals that cover the entirety of the school’s participation in the FSA programs. We believe that an all-inclusive policies and procedures manual is critical to establishing internal controls and ensuring effective and efficient operation of a schools FSA programs.**

## Examples of topics that should be included in a school's FSA policies and procedures

- the organizational structure of the school's business and financial aid offices
- an annual calendar of aid-related activities
- a list of all financial charges
- descriptions of all financial assistance available at the school and the procedures for applying
- procedures for processing aid applications
- general eligibility criteria for FSA program funds
- eligibility criteria for school-based assistance
- the school's packaging policy
- payment periods
- procedures for requesting funds
- disbursement procedures
- crediting student accounts
- procedures for ensuring that the identified coordinating official is kept informed of all information received by the school that might affect a student's eligibility for FSA
- the fiscal recordkeeping process
- the fiscal reporting process
- the Return of Title IV funds procedures
- procedures for handling overpayments
- job descriptions for all FWS positions
- rates of pay for all FWS positions and the procedures for determining the rate of pay when a position has multiple rates
- information on whether the school provides any of the required matches to federal funds for any of the Campus-Based programs from noncash sources and how that might affect a student's FWS earnings
- procedures for reporting FWS hours worked for on- and off-campus positions
- payroll records and reporting procedures
- monthly reconciliation procedures for all FSA programs
- the loan counseling process
- due diligence procedures
- deferments
- Perkins Loan Program collections
- rules for recalculating Pell Grant and other FSA assistance when students add or drop classes
- carried forward/carried back procedures for FSEOG and FWS
- transferring funds between the Campus-Based programs
- NSLDS procedures and responsibilities
- GAPS procedures and responsibilities
- FISAP procedures and responsibilities
- student and parent authorizations
- procedures for handling credit balances
- procedures for making post-withdrawal disbursements
- procedures to ensure security of returned checks
- procedures to ensure that FSA funds do not escheat, and other internal control procedures
- verification procedures and deadlines
- policy and procedures for resolving conflicting information
- SAP policies including appeal procedures
- procedures for negotiating and recording those parts of contracts and consortia agreements
- procedures for ensuring compliance with regulations on correspondence and telecommunications limitations
- procedures for ensuring that required updates to the E-App are filed in a timely manner
- the required voter registration program
- the required anti-drug abuse program
- directions on how to obtain the reports a school is required to make available under The Campus Security/Clery Act, The Student-Right-to-Know Act, and the Equity in Athletics Disclosure Act
- copies of all forms, applications, standard correspondence and other materials routinely used by the business office & financial aid office
- method of insuring that all employees of the financial aid office receive up-to-date training on the administration of the FSA programs
- procedures for evaluating and improving the operations of the business and financial aid offices
- procedures for requesting and criteria for awarding LOAs

## EVALUATING AND IMPROVING YOUR SCHOOL'S FINANCIAL MANAGEMENT SYSTEMS

Improving the way schools' manage the Federal Student Aid Programs is a priority for ED, and should be one for school business and financial aid officers. Strengthening your school's administration of FSA aid begins with an annual analysis of existing procedures, practices, and policies, is followed by an honest evaluation of where you have been successful and where improvements are needed, and concludes with planning for the upcoming year. An annual program of analysis, evaluation, and planning can help your school ensure its compliance with statutory and regulatory requirements and promote constant improvement in your procedures, practices, and policies.

The primary methods for evaluating an school's management of the FSA programs are – self-evaluation, and peer evaluation.

### *Self-evaluation*

Compliance is a requirement, but quality is a choice. If your school is serious about this choice, ED provides a way for you to conduct a practical self-evaluation of your FSA programs. Making use of rapidly advancing technology, the Department has developed an *FSA Assessment Tool* that is intended to help schools examine and improve their management of the FSA programs.

The FSA Assessment Tool can be used to evaluate and analyze a school's existing policies, procedures, and practices to determine where improvements are needed. ED encourages schools to use the assessment activities on an ongoing basis to ensure compliance and establish the foundation for continuous improvement.

The FSA Assessment Tool consists of a comprehensive set of activities and questions designed to help your school assess its current FSA operations. Each assessment contains the major functional requirements, as well as suggested assessment steps.

The assessments can help you –

1. anticipate and address problems;
2. spot-check the systems you are using to manage information;
3. prepare for an audit or other review;
4. maximize the efficiency of your staff in handling their duties; and
5. continuously revise your approaches to management of the FSA programs according to your campus needs.

### Assessments online

To find the FSA Assessment Tool online, visit the IFAP Web site at —

<http://www.ifap.ed.gov>

Under “Tools for Schools,” select

#### FSA Assessments

At the end of each assessment you will find links to

- “Management Enhancements” (for dealing with areas that need improvement) and
- “Effective Practices” (for sharing areas of success with ED and your colleagues)

The FSA Assessments currently available include those on –

1. Student Eligibility,
2. Awarding Aid,
3. Satisfactory Academic Progress,
4. FSA Verification,
5. Institutional Eligibility,
6. Default Management,
7. Consumer Information,
8. Recertification,
9. Change In Ownership,
10. Disbursing Aid,
11. Reporting and Reconciling,
12. Fiscal Management,
13. Return of FSA Funds,
14. Perkins Due Diligence,
15. Perkins Repayment,
16. Perkins Cancellation,
17. Perkins Awarding and Disbursement,
18. Perkins Forbearance and Deferment,
19. Federal Work-Study,
20. FSEOG,
21. Automation, and
22. Administrative Capabilities.

To enhance their effectiveness, the Assessment Tools include activities to test compliance and procedures. For areas that need improvement, at the end of each section there are links to management enhancements. The Assessment Tools also are linked to the latest regulations, Dear Colleague Letters, Federal Registers, and other related documents. Downloadable Microsoft Word documents include the hyperlinks as well. Those who download any of the FSA Assessments can access all hyperlinks through their Internet Service Provider (**ISP**).

Since financial aid is an institutional responsibility, some assessments may need to involve several offices on campus (financial aid, business office, bursar) to complete the assessment.

A second tool for self improvement is *The Self-Evaluation Guide*, published by the National Association of Student Financial Aid Administrators (NASFAA). *The Guide* provides a step-by-step outline for reviewing financial aid and fiscal policies, procedures, and practices. It can help your school develop a comprehensive systems for evaluating its FSA participation.

### **Peer evaluation**

Peer evaluation is another technique your school can employ to obtain an independent, objective review of an your administration of FSA programs. A peer evaluator can be a financial aid administrator or fiscal officer from another school or a financial aid consultant.

During a peer evaluation, a school obtains an objective assessment of its operation from someone at a similar school. The person performing the evaluation also benefits by getting a first hand look at how another school manages financial aid programs. Comparing notes and exchanging ideas are methods by which colleagues in financial aid offices and business offices can share their expertise for improved FSA administration.



# Managing Federal Funds



*Traditionally, the FFEL regulations have referred to the lender’s “disbursement” of funds to a school, and the school’s “delivery” of the loan proceeds to a student. More recently, the Cash Management regulations have used the term “disbursement” to refer to the payment of FSA funds to a student or parent, including the payment of loan funds. In this chapter, we will use “disbursement” in the sense of the Cash Management regulations, that is, all payments to a student or borrower.*

## PURPOSE OF CASH MANAGEMENT REGULATIONS

The cash management regulations are intended to:

- promote sound cash management of FSA program funds by schools;
- minimize the costs to the government of making FSA program funds available to students and schools; and
- minimize the costs to students who receive FSA loans.

Except for funds received as an administrative cost allowance (ACA), the FSA program funds received by a school are held in trust by the school for students, the Department, and, in the case of FFEL program funds, for lenders and guaranty agencies. FSA program funds cannot be used as collateral or for any other purpose. These provisions also apply to a third-party servicer.

To ensure adequate cash management practices, a school must have in place a cash management system that adheres to federal regulations and other standards. A school’s cash management practices are governed by –

- Generally Accepted Accounting Principles (GAAP);
- standards prescribed by the federal Office of Management and Budget (OMB);
- U.S. Department of Treasury regulations; and
- U.S. Department of Education (ED) regulations.

### Cash management cite

34 CFR Subpart K



### Purpose of regulations cite

34 CFR 668.161



### The FSA Assessment modules that can

assist you in understanding and assessing your compliance with the provisions of this chapter are

"Cash Management," at <http://ifap.ed.gov/qamodule/FiscalManagement/FiscalManagementModulepage4.html>  
"Administrative Capabilities," at <http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentApage4.html>  
and "Disbursing Funds," at <http://ifap.ed.gov/qamodule/DisbursingAid/AssessmentE.html>  
<http://fsa4schools.ed.gov/help/contacts.htm>



### Not applicable to some programs

The cash management requirements are not applicable to the state grant and scholarship programs. The Special Leveraging Educational Assistance Partnership (SLEAP), the Leveraging Educational Assistance Partnership Program (LEAP), the Robert C. Byrd Honors Scholarship (Byrd) Program, and the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).

## GRANT ADMINISTRATION AND PAYMENT SYSTEM (GAPS)

### EDCAPS

#### Am I a grantee or a payee?

A **grantee** (not a person) is an entity that applies for and receives a grant award from ED. The grantee is responsible for ensuring the grant is administered in accordance with program regulations.

A **payee** is an entity (designated by the grantee) to request and manage Federal funds on its behalf. The grantee and payee can be the same entity.

The **Education Central Automated Processing System (EDCAPS)** is designed to integrate ED's financial processes, including financial management, contracts and purchasing, grants administration, and payment management.

EDCAPS integrates four formerly separate system modules into a single system. EDCAPS consists of the –

- ◆ Financial Management Systems Software (FMSS);
- ◆ Travel Management (TMS);
- ◆ Contracts and Purchasing Support System (CPSS); and
- ◆ Grant Administration and Payment System (GAPS).

GAPS is the EDCAPS module that directly affects schools' participation in the FSA programs.

### GAPS Overview

The Grants Administration and Payments System (GAPS) is a delivery system that supports program award and payment administration. GAPS provides financial management support services for the grant life cycle in a single system. It supports the planning, obligating, authorizing, disbursing, and final closing of Department of Education grant awards.

GAPS is the central repository for payment transactions of schools that receive cash\* from ED through the Office of the Chief Financial Officer (OCFO). GAPS is a system; OCFO is the office within ED that administers the system.

Schools may use GAPS to request payments, adjust drawdowns, and return cash. GAPS also provides continuous access to current grant and payment information, such as authorized amounts, cumulative drawdowns, current award balances, and payment histories.

A school uses GAPS to request cash for –

- the Federal Pell Grant Program,
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program,
- the Federal Work-Study (FWS) Program,
- the Federal Perkins Loan Program, and
- the Direct Loan Program.

\*GAPS controls cash for both FSA and non-Title-IV programs.

## Accessing GAPS

Schools request federal cash electronically using GAPS. To request cash, a school must access GAPS through e-Payments (formerly GAPSWeb), ED’s new portal page for grant administration. E-Payments is part of e-Grants, ED’s portal site for electronic grant access.

Before you can use GAPS, and as part of applying for Title IV participation, your school must register with the Department. This process includes:

- Obtaining a D-U-N-S number,
- Obtaining a Grant Award Number,
- Setting up Bank Information, and
- Obtaining User ID(s) and Password(s).

## Setting up bank information

Funds requested from GAPS will be transmitted to the payee’s bank account using either the Automated Clearing House (ACH) or the FEDWIRE transmission method. A payee designates its method of transmission when providing its bank account information.

## ACH

For payees using ACH, GAPS electronically transfers payments through the Federal Reserve Bank network into the payee’s bank account.

To use ACH you must enroll with the Office of the Chief Financial Officer, Department of Education. To enroll you complete a Direct Deposit Sign-Up Form (SF1199A), and send it to the Department. (You can find a copy of SF1199A, and detailed instructions for completing the form in Appendix D of the GAPS Payee Guide.)

You must reenroll in ACH when any of the following occur:

1. you change banks;
2. the payee or its bank changes the account number;
3. the depositor account is closed; or
4. the bank closes – either voluntarily or involuntarily.

## ACH processing times

ACH payment requests made before 3:00 p.m. Eastern Time (ET) are deposited the next business day. ACH payment requests made after 3:00 p.m. ET are deposited on the second business day. You can enter payment requests up to 30 days in advance.

## Access to GAPS

GAPS can be accessed through the Internet at the GAPS Web page

<http://e-grants.ed.gov/egHome.asp>

The GAPS Payee Hotline phone number is  
**1-888-336-8930**

## What is a D-U-N-S number?

The Data Universal Numbering System (or D-U-N-S Number) is a unique nine-digit identification code that is assigned to a school. GAPS grantees and payees must have D-U-N-S Numbers. **Within GAPS, D-U-N-S Numbers replace the Entity Identification Number (EIN), the Payee Identification Number (PIN), and the account number used in the past.** You can acquire your D-U-N-S number by calling 1-800-333-0505 or by completing a D-U-N-S-Number Request Form. The form can be obtained via the Internet at

[https://eupdate.dnb.com/requestoptions.html?cm\\_sp=SASGateway\\*FAQ\\*DUNS](https://eupdate.dnb.com/requestoptions.html?cm_sp=SASGateway*FAQ*DUNS)

The D-U-N-S Number represents your school as a unique financial entity. You must notify ED if your school – merges with another organization; is sold to another organization; or separates from an existing organization and becomes a freestanding organization.

## What is a grant award number?

The Grant Award Number is a unique, eleven-character “number” that identifies each grant award issued by a specific program office to a specific grantee. **All funds are requested (and returned) using the Grant Award Number.**

The following is an example of a Grant Award Number and an explanation of the parts that make up the number:

P031B051234:

<b>P</b>	Program Office issuing the award
<b>031</b>	Catalog of Federal Domestic Assistance (CFDA) numeric suffix of the program
<b>B</b>	Alphabetic subprogram identifier
<b>05</b>	Last digits of funding fiscal year
<b>1234</b>	Unique identifier

## What is a TIN?

The TIN is the Federal Tax Identification Number given to the grantee organization. The TIN is the unique nine-digit number the organization uses to report activity to the Internal Revenue Service. In other words the TIN is the grantee's social security number. The following is an example of a TIN: 123456789



Each grantee is entitled to five passwords. We encourage business officers and financial aid administrators to get “**read access**” to GAPS to use as a tool in reconciliation.

You should always verify deposits before disbursing cash. When verifying ACH payments, you must tell the bank to check for deposits made through the Automated Clearing House. There are several kinds of electronic fund transfers. If other terms are used, the bank may search for the wrong payment(s).

## FEDWIRE

The FEDWIRE transmission method is an electronic wire transfer of cash directly from GAPS through the Federal Reserve Bank network into the payee's bank account. Large payees generally use this payment method. Most banks charge a fee for processing FEDWIRE payments.

Before a payee can receive FEDWIRE payments, the payee must enroll with the Office of the Chief Financial Officer in the Department of Education. If the bank is online with the Federal Reserve Bank, you must send the Department a letter containing the –

1. name and address of the payee's bank;
2. bank's ABA number;
3. contact (name and telephone number at the bank); and
4. depositor's account number at that school, and the bank's telegraphic abbreviation.

If the bank is not online with the Federal Reserve Bank, send the Department a letter containing the following information:

1. name of the payee's bank; and
2. payee's account number at the bank

You must reenroll in FEDWIRE (by sending the Department a letter) if any of the information listed above changes.

## FEDWIRE processing time

Payees may request FEDWIRE payments using e-Payments or by calling the GAPS Payee Hotline. Payment requests completed by 2:00 p.m. ET will be deposited in the payee's bank account the same day. FEDWIRE payment requests made after 2:00 p.m. ET will be deposited the next business day.

You should always verify deposits before disbursing cash. When verifying FEDWIRE payments, you must tell the bank to check for deposits made through the FEDWIRE. There are several kinds of electronic fund transfers. If other terms are used, the bank may search for the wrong payment(s).

## Obtaining a user ID and password

ED issues GAPS User ID's and passwords to each individual authorized by a payee. To obtain a User ID, each individual must complete a *GAPS Production System External User Access Request Form*. You can download this form at

**<http://e-Grants.ed.gov>**

First click on the *Continue* button, then click on *e-Payments*, and finally on the gray bar labeled *Download*. Once you have completed the form, fax it to

**202-401-0006**

GAPS User IDs and passwords will be mailed to each authorized user at the payee's business address.

Authorized users cannot change their User ID. If an authorized user no longer needs access to GAPS (e.g., the user leaves the payee organization), you should call the GAPS Payee Hotline immediately at 888-336-8930 to deactivate the User ID. (*Users will also be required to change their GAPS password after log-on once every 90 days as a security precaution.*)

## Using the user ID and password

User ID's and passwords are required to gain access to GAPS or to request cash through the GAPS Payee Hotline. (Note: To enhance GAPS security, payees are required to enter or state additional identifiers to gain access to GAPS.)

You will be requested periodically to validate every User ID assigned to their organization. You are responsible for ensuring that this information is correct.

Once a grantee receives a grant (or is authorized funding), the designated payees will request cash by Grant Award Number using GAPS e-Payments. Alternatively, payees can also call the GAPS Payee Hotline between 8 a.m. and 6 p.m. Eastern Time (ET) to request cash.

A school may also call the GAPS Payee Hotline for help resolving problems with payments.

## Current Funding Level and GAPS

A school's Current Funding Level is the amount of cash available for a school to draw down from the Grants Administration and Payments System (GAPS) or the amount that can be drawn down for a school. A separate CFL is maintained for each program by award year. Schools operating under advance payment receive an initial CFL against which they can draw funds. Schools operating under reimbursement do not receive an initial CFL.

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**Funding methods cite**

34 CFR 668.162, except as noted




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**Advance payment method cite**

34 CFR 668.162(b)




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**Advance requests for Perkins funds**

Before requesting any funds from its Perkins FCC, a school should compare its anticipated available Perkins funds (cash on hand + expected collections + expected interest + expected reimbursements for cancellations) against its anticipated Perkins disbursements. A school should take into account all of these sources of Perkins funds when determining whether the school needs to draw down any additional amounts to cover disbursements.

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**Three-day rule**

A school must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the school received those funds.

34 CFR 668.162(b)(3)

## THE WAYS IN WHICH ED PROVIDES FSA FUNDS

Currently, there are four *payment methods* through which the Department provides funds to participating schools, they are –

- the advance payment method,
- the just-in-time payment method (a pilot project),
- the reimbursement payment method, and
- the cash monitoring payment methods.

The Department has sole discretion in determining the payment method and cash monitoring status under which FSA program funds are provided to a school.

### *The advance payment method*

Most schools are permitted to draw down and disburse FSA funds without having to first provide documentation. For advance pay schools, an initial Current Funding Level (CFL) is calculated for Pell Grants and Direct Loans based on the school's previous disbursement history. A school's Campus-Based authorization is available for draw down through *Grant Administration and Payment System (GAPS)* after the start of the award year.

Under the advance payment method, a school may submit a request for Pell Grant, Direct Loan, and Campus-Based program funds through GAPS at any time — prior to or after disbursing aid to eligible students and parents. If GAPS accepts a school's request for funds, it will make an electronic funds transfer (EFT) of the amount requested to a bank account designated by the school.

A school may only draw down cash up to the difference between its CFL and any funds already drawn down for a given award year and program. In addition, a school may not request more funds than it needs immediately for disbursements the school has made or will make to eligible students and parents. Therefore, a school must make the disbursements as soon as administratively feasible, but no later than three business days following the date the school receives those funds.

A school using the Advance Pay funding method must substantiate each drawdown of Pell and Direct Loan funds with actual disbursements submitted to and accepted by the COD system within 30 days. As the system accepts actual disbursements, it performs a calculation to determine whether a school's CFL needs to be increased. Therefore, a school that submits timely and accurate Pell and Direct Loan disbursement information that is accepted by COD will see adjustments to its CFL throughout the award year.

## The just-in-time payment method pilot project

As currently implemented by the Department in the Federal Pell Grant Program, under the Just-in-Time payment method, a school submits a disbursement record (which is both a report of a disbursement and a request for funds) no earlier than seven days before the school disburses funds to a student. For each disbursement the Department accepts, the appropriate amount of funds is deposited directly into the school's bank account.

Schools participating in the Just-in-Time pilot are exempt from the following regulatory requirements with respect to Federal Pell Grant funds:

- the three-day-use rule required for and discussed previously under the *Advanced payment funding method*;
- the recertification of student eligibility at the time of disbursement (a school may rely on its determination at the time it submits the disbursement record);
- the requirement that a school maintain federal funds in an interest-bearing bank account (See the discussion under *Maintaining and accounting for funds*); and
- the excess-cash rules (see the discussion under *Excess cash*).

For pilot participants, this regulatory relief does not extend to FSA programs other than the Pell Grant Program.

### Pushed Cash

For Direct Loans, a school may receive funds under the Pushed Cash method, a form of the advance payment method. The Department automatically deposits cash in the school's bank account based on disbursements that are timely submitted and accepted. Under the Pushed Cash method, the Department accepts a disbursement for a student only after accepting an origination and Master Promissory Note for that student. For further information see the *2005-2006 Common Origination and Disbursement (COD) Technical Reference*.

### Just-in-time pilot project cite

34 CFR 668.162(c)



### Three-day rule cite

34 CFR 668.162(b)(3)



### Recertification not required cite

34 CFR 668.162(c)(3)

### Federal funds account cite

34 CFR 668.163

### Excess cash cite

34 CFR 668.166

## Increased levels of monitoring

If the Department determines that there is a need to more closely monitor a school's use of federal funds or its participation in the FSA programs, it can provide funds to the school using a more restrictive method. A school subject to heightened oversight can be placed on reimbursement, or cash monitoring.

Under these methods the Department releases funds to the school *after* the school has made the disbursement to the student (or parent borrower).

## The reimbursement payment method

A school may be placed on the reimbursement payment method if ED finds that the school's participation in the FSA programs requires increased monitoring. A school may also be placed on the reimbursement payment method if the school has monetary liabilities that need to be recovered by administrative offset (for example, owing funds to ED as a result of an audit or program review determination).

**A school on the reimbursement payment method must credit eligible students' accounts or make cash disbursements to eligible students before it may submit a request to ED for reimbursement.**

The amount a school may request may not exceed the amount of actual disbursements the school has made to students included in the request (plus any ACA, if applicable). As part of its reimbursement request, a school must –

- identify the students and parents for whom it is seeking reimbursement; and
- submit documentation demonstrating that each student and parent included in the request was eligible to receive and has received the FSA program funds for which reimbursement is requested.

Before approving a school's request for reimbursement, ED ensures that the school has –

1. accurately determined the FSA eligibility of each student;
2. accurately determined the FSA payment to each student and parent included in its request;
3. credited the students' accounts or made cash disbursements to the eligible students;
4. submitted all required documentation; and
5. sufficient funds in its GAPS account.

### Reimbursement payment method cite

34 CFR 668.162(d)



For the Pell Grant Program, a school enters its disbursements in COD. An FSA Payment Analyst (PA) reviews the relevant documentation and confirms the eligibility of the students. Then, by approving and accepting the records in COD the PA allows the funds to flow to GAPS, and from GAPS they are released to the school's bank account.

For the Direct Loan Program, a school first originates the loans and then enters disbursement data. A PA reviews the relevant documentation, confirms the eligibility of the students, and rejects, or approves and accepts the school's DL disbursements in COD. Funds for approved disbursements flow through GAPS to the school's bank account.

In the Campus-Based programs, once disbursements are reviewed and approved by a PA, they are processed in GAPS, and the funds are sent to the school's bank account.

### The cash monitoring payment methods

Under the cash monitoring payment methods **a school must make disbursements to eligible students and parents before it may request or receive funds for those disbursements from the Department.** (By *make disbursements to students and parents* we mean crediting the student's account or paying the student or parents directly.) However, unlike the reimbursement payment method, where a school must provide detailed documentation for each student to whom it made a disbursement before the Department provides FSA program funds to the school, the Department provides funds to a school in one of two less restrictive ways:

1. Heightened Cash Monitoring Level 1 (HCM1) – A school on HCM1 is responsible for ensuring that it has disbursed its own funds prior to drawing down federal cash.

At the beginning of an award year, a school on Heightened Cash Monitoring Level 1 (HCM1) will not have an initial CFL for Pell or Direct Loan. The CFL for its Pell Grant and Direct Loan programs will be created as the school reports and ED accepts actual disbursements in the COD system. The school may then draw down Pell funds through GAPS based on its ***Net Accepted and Posted Disbursements (NAPD)***. For the Direct Loan program, a school may draw down funds through GAPS or have cash deposited in the school's bank account by the disbursement date of an accepted and posted actual disbursement. For the Campus-Based programs, a school may draw down funds through GAPS after it has disbursed its own funds to the student's account or directly to the student.

#### Cash monitoring payment method cite

34 CFR 668.162(e)



If during a program review or audit of a school on HCM1, ED determines that the school has a pattern of violating this requirement, the Department may begin action to limit, suspend, or terminate the school's participation in the FSA programs.

A school on HCM1 may be required to compile a report listing, who, how much, and when they paid or disbursed Pell, Direct Loan, or Campus-Based funds, as well as if, when, and how much the school refunded or returned for each student. The school's case team will inform the school whether and how often the school must submit the report.

2. Heightened Cash Monitoring Level 2 (HCM2) is more similar to the reimbursement payment method. A school on this monitoring level has a *Stop Pay* on its GAPS account and must obtain approval from ED prior to receiving any FSA funds. Under HCM2, as under reimbursement, a school must submit some specific documentation before funds will be made available. However **the Department may require less stringent documentation under HCM2 than under reimbursement.**

Under HCM2, a school first enters its disbursements in COD. Subsequently, the FSA PA reviews the relevant documentation and confirms the eligibility of the students. Then, by approving and accepting the records in COD (The FSA PA may not approve all records submitted.), the FSA PA allows the funds to flow to GAPS, and they are released to the school's bank account.

In the Direct Loan program, a school first originates the loans and then enters disbursement data. ED reviews the relevant documentation, confirms the eligibility of the students, and rejects, or approves and accepts the school's DL disbursements in COD. Funds for approved disbursements flow through GAPS to the school's bank account.

Once a school's Campus-Based disbursements are reviewed and approved, they are processed in GAPS by ED, and the funds are sent to the school's bank account.

A school that is placed on HCM is subject to the same disbursement and certification limitations on its participation in the FFEL/Direct program as a school on reimbursement. However, in keeping with the nature of cash monitoring, the Department may modify those provisions. In addition, the Department may tailor the documentation requirements for schools operating under HCM on a case-by-case basis.

## Limitations on the use of FFEL funds for schools on reimbursement or cash monitoring

A school that is placed on reimbursement or cash monitoring:

- may not disburse FFEL Program funds to a borrower until the Department approves a request from the school to disburse funds to that borrower, and
- if prohibited by the Department, may not certify a loan for a borrower until the Department approves a request from the school to make the certification for that borrower (this restriction becomes effective on the date that the Department notifies a school that it must obtain approval from the Department to certify loans).

The school must provide documentation demonstrating that each borrower included in the request is eligible to receive the disbursement or certification. The documentation must be provided to the Department or an entity approved by the Department for this purpose (for example, a certified public accountant, financial aid consultant, or guaranty agency).

Until the Department approves a request, the school may be:

- prohibited from endorsing a master check or obtaining a borrower's endorsement of any loan check the school receives from a lender,
- required to maintain loan funds that it receives from a lender via EFT in a separate bank account, and
- prohibited from certifying a borrower's loan application.

Because of the additional time it takes the Department to review documentation submitted by the school, the school may delay returning for 30 days FFEL Program funds that were provided by a lender via EFT or master check.

*Note: This delay provision is applicable only in the FFEL programs, see 34 CFR 668.167(c) & (d).*

### Limitations on use of FFEL funds cite

34 CFR 668.167(d)  
34 CFR 682.604(a)(3)



### Delaying returning funds cite

34 CFR 668.167(c) & (d)(3)



## Maintaining and accounting for funds

34 CFR 668.163



### Not applicable to some programs

The cash management requirements are not applicable to the state grant and scholarship programs. The Special Leveraging Educational Assistance Partnership (SLEAP), the Leveraging Educational Assistance Partnership Program (LEAP)—formerly the State Student Incentive Grant (SSIG) Program, the Robert C. Byrd Honors Scholarship (Byrd) Program, and, if a State is the grantee, the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) are administered under rules established by the states.

#### The UCC-1 requirement

The requirement that a school file a UCC-1 statement when an account's name does not include the phrase federal funds was established to reduce the possibility that a school could misrepresent federal funds as its own funds to obtain a loan or secure credit. Because public institutions generally do not seek to obtain credit in the same manner as private institutions, they are exempt from the requirement.

## MAINTAINING AND ACCOUNTING FOR FUNDS

All schools must maintain a bank account into which the Department transfers, or the school deposits, FSA program funds. The account must be federally insured or secured by collateral of value reasonably equivalent to the amount of FSA program funds in the account. A school generally is not required to maintain a separate account for each FSA program unless the Department imposes this requirement as a result of a program review or other action.

A school is not required to maintain a separate bank account for FFEL Program funds that the school receives from a lender by EFT. A school must maintain and account for FFEL Program funds in the same manner required for other FSA Program funds.

### Bank account notification requirements

For each account that contains FSA program funds, a school must identify that FSA program funds are maintained in the account by –

- including the phrase *federal funds* in the name of the account, or
- notifying the bank or investment company of the accounts that contain FSA program funds and keeping a copy of this notice in its records *and*, except for public institutions, filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains federal funds.

The school must keep a copy of the UCC-1 statement in its records.

### When a school doesn't maintain a separate federal bank account

A school has a fiduciary responsibility to segregate federal funds from all other funds and to ensure that federal funds are used only for the benefit of eligible students. Absent a separate bank account, the school must ensure that its accounting records clearly reflect that it segregates FSA funds. Under no circumstances may the school use federal funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of FSA funds or subjects FSA funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps). Clearly, carrying out these fiduciary duties limits the ways the school can otherwise manage cash in an operating account, when that account contains FSA funds.

## Special rules applicable to the timely return of FSA funds when a school does not maintain a separate federal bank account

The Department considers a school that maintains FSA, HEA program funds and general operating funds in the same bank account (commingles) to satisfy the requirement that it return unearned funds on a timely basis if:

- the school maintains subsidiary ledgers for each type of funds commingled in that account that clearly show how and when those funds were used and reconciled to its general ledger,
- the subsidiary ledger for each FSA program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of FSA program funds received and disbursed by the school, and
- the school updates the relevant subsidiary ledger accounts in its general ledger no later than 30 days after it determines that the student withdrew.

More specifically, the return of an unearned funds transaction should be recorded as a debit to a FSA program fund subsidiary ledger account and a credit to the school's operating fund subsidiary ledger account. The date of the return is the date this transaction is posted to the school's general ledger.

### *Accounting and financial requirements*

If a school does not maintain a separate account for FSA program funds, its accounting and internal control systems must:

- identify the balance for each FSA program that is included in the school's bank or investment account as readily as if those funds were in a separate account; and
- identify earnings on FSA program funds in the school's bank or investment account.

A school must maintain its financial records in accordance with the recordkeeping requirements described in chapter 7.

#### **Recordkeeping requirements**

34 CFR 668.24



#### **Timely return of funds**

Schools are required to make a timely return of any unearned funds after a student withdraws, as discussed in "Appendix G." This discussion also defines "timely return of funds" for a school that maintains FSA program funds and general operating funds in the same bank account.



#### Remitting Interest

The fastest, most efficient way to remit interest is through the GAPS web site at

<http://e-grants.ed.gov/gapsweb/>

A school with a user ID and password can go to the main menu and select **"Refunds"** then **"Interest."** They will be taken to the screens through which they can send ED interest.

Schools can also return excess interest income to ED by check. The check should be sent to:

U.S. Department of Education  
P.O. Box 979053  
St. Louis, Missouri 63197-9000

The school should note on the check the school's D-U-N-S number and Document Award Number, and it should also indicate that the remittance is for interest earned.

### *Interest-bearing or investment account*

Direct Loan, Pell Grant, FSEOG, and FWS program funds must be maintained in an interest-bearing account or an investment account unless –

- the school drew down less than \$3 million of these funds in the prior award year and anticipates that it will not draw down more than \$3 million in the current award year;
- the school can demonstrate that it would not earn over \$250 in interest on the funds it will draw down during the award year; or
- the school requests these funds under the Just-in-Time payment method.

An investment account must consist predominantly of low-risk income-producing securities. If a school chooses to maintain federal funds in an investment account, the school must maintain sufficient liquidity in that account to make required disbursements to students.

Any interest earned on Direct Loan, Pell Grant, FSEOG, and FWS program funds maintained in an interest-bearing account or an investment account that exceeds \$250 per award year must be remitted to the Department by June 30 of that award year (see sidebar). A school may keep up to \$250 per year of the interest or investment revenue earned (other than that earned on Perkins Loan funds) to pay for the administrative expense of maintaining the account.

### *Perkins Loan funds*

A school that participates in the Perkins Loan Program must always maintain an interest-bearing account or an investment account for Perkins Loan funds. An investment account must consist predominantly of low-risk, income producing securities such as obligations issued or guaranteed by the U.S. Government. The school must maintain sufficient liquidity in its Perkins fund to make all required distributions.

If a school is also required to maintain an interest-bearing account or investment account for other federal funds, the school may use one account for Perkins Loan funds and all other federal funds. However, if the school chooses to maintain one account, it must determine the exact amount of any interest earned on the Perkins Loan funds and retain those funds for use in the Perkins program. The interest earned on the school's Perkins funds is not included in the \$250 maximum award year interest the school is permitted to retain.

A school may deduct from the interest earned any bank or service charges incurred as a result of maintaining the fund assets in an interest-bearing account, and deposit only the net earnings.

If a collection agency or third-party servicer receives funds directly from Perkins borrowers, it must immediately deposit those funds in an *institutional trust account*. The agency or servicer may open and maintain the account, but the funds in it belong to the school. If the funds will be held for more than 45 days, the account must be interest bearing.

## PROJECTING CASH NEEDS

### *Immediate Need*

Immediate need is defined as the amount of FSA program funds a school needs to make disbursements within three business days following the date the school receives the funds. This definition of immediate need applies to all FSA program funds, regardless of whether the school draws down funds **by electronic funds transfer (EFT)** through **Automated Clearinghouse (ACH)** or through **FEDWIRE**. Drawing down amounts beyond immediate need may result in excess cash, and there are penalties for holding excess cash. Because of this, schools may want to carefully review the excess cash tolerances regulation.

A school on the advance payment method must determine the amount of funds it needs before it transmits a request to GAPS. The amount requested must be limited to the amount needed to make immediate disbursements, so excess funds do not exist after disbursements are made. The amount must be enough to meet:

- Federal Pell Grant disbursements to students,
- the federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) disbursements to students and, if it applies, an administrative cost allowance (ACA),
- the federal share of Federal Work-Study (FWS) payroll disbursements and, if it applies, an administrative cost allowance (ACA),
- the federal share of Federal Perkins Loan disbursements and, if it applies, an administrative cost allowance (ACA), and
- Federal Direct Loan disbursements.

### **Excess cash, cite**

34 CFR 668.166



In general, the following equation may be used to calculate projected immediate needs:

$$\begin{array}{r}
 \text{Anticipated Disbursements} \\
 \textit{minus} \text{ Balance of Cash on Hand} \\
 \textit{minus} \text{ Anticipated Recoveries} \\
 \textit{minus} \text{ ACH/EFT Cash in Transit} \\
 \hline
 \textit{equals} \text{ Projected, Immediate Need}
 \end{array}$$

A school’s request for funds should not exceed its immediate need.

### Timing Issues

When a school initiates a drawdown from GAPS, it should consider that processing requests within GAPS typically takes one to three business days and whether the school is using ACH/EFT or FEDWIRE. Schools should also be aware of system downtime, federal holidays, and other delays in processing cash requests when determining immediate need.

## REQUESTING CASH

With the exception of the Federal Family Education Loan (FFEL) Program, schools request cash for all FSA programs directly from the federal government through GAPS. FFEL Program funds are obtained by schools from banks, savings and loans, credit unions, and other financial institutions that serve as FFEL Program lenders.

### *Recording payments*

Payees should keep records of submitted payment requests. The amount of each request and the corresponding control number(s) need to be carefully documented. These records will serve as an audit trail and help payees reconcile their books to the GAPS Activity Report.

### *Delayed, denied, or reduced payment requests*

Your payment requests may be delayed, denied, or reduced if any of the following occurs –

- an award included in your payment request is flagged for review and approval;
- ED Accounts Receivable has entered an offset against one or more of the awards;
- a program office has intervened as a result of a program review or audit finding.

## Award periods

Before you can request cash, you must understand the award periods for GAPS program authorizations. The length of the award periods vary by program and authorizing statute. The award period dictates when the payee can request cash. There are four award periods:

1. performance period,
2. liquidation period,
3. suspension period, and
4. closeout period.

### Performance Period

The performance period is the period between the grant award (including Direct Loan, Perkins, and FWS cash) begin date and the grant award end date. During this period, schools can draw down cash. Before drawing down cash, schools must obligate that cash to eligible recipients (such as by submitting to ED disbursement records for students eligible for the Federal Pell Grant Program).

The performance period for FSA programs is one year from the beginning date of the grant award. During this period –

- payees may request payments;
- payees may modify payment requests;
- payees may adjust drawdowns; and
- changes may be made to the Federal Student Aid (FSA) program’s grant awards authorizations.

Once the performance period ends, the closeout process begins. The closeout process includes liquidation, suspension, and closeout.

### Liquidation Period

The liquidation period lasts three months, and it immediately follows the performance period. During this period –

- no new expenditures may be processed against a grant award;
- payees can modify payment requests;

Generally, schools may not draw down cash later than June 30 of the award year of their authorization, unless a disbursement is required under 34 CFR 668.22 or 34 CFR 668.164(g).

- payees may request payments for expenditures incurred during the performance period; and
- payees may adjust drawdowns for expenditures incurred during the performance period.

The last date a school can draw down cash from ED without special authorization is the end of the liquidation period.

### **Suspension Period**

The suspension period is one month and follows liquidation. Once a FSA program has entered the suspension period, no payment actions can take place without the approval of the program office. ED program offices use this period to prepare for final closeout.

### **Closeout Period**

The closeout period immediately follows the suspension period. During closeout, the grant award is closed and any remaining cash is de-obligated.

## **RECEIVING FFEL PROGRAM LOAN FUNDS**

The receipt of FFEL Program loan funds is discussed in chapter 19.

# General Rules for Disbursing and Returning FSA Funds



## NOTIFICATION OF DISBURSEMENT

A school must notify a student of the amount of funds the student and his or her parent can expect to receive from each FSA program, including FWS, and how and when those funds will be disbursed. This notification must be sent *before* the disbursement is made. If the funds include a Stafford Loan (whether DL or FFEL), the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. A school must provide the best information it has regarding the amount of FSA program funds a student can expect to receive. Because the actual disbursements received by a student may differ slightly from the amount expected by the school (due to loan fees and rounding differences), you may include the gross amount of the loan disbursement or a close approximation of the net disbursement amount.

A school must also notify the student or parent in writing (“in writing” means on paper or electronically) when Perkins, Stafford, or PLUS loan funds are being credited to a student’s account. This notification must be sent no earlier than 30 days before and no later than 30 days after crediting the student’s account. The notification must include the:

- date and amount of the disbursement;
- student’s (or parent’s) right to cancel all or part of the loan or disbursement; and
- procedures and the time by which the student (or parent) must notify the school that he or she wishes to cancel the loan or disbursement.

Traditionally, the FFEL regulations have referred to the lender’s “disbursement” of funds to a school, and the school’s “delivery” of the loan proceeds to a student. More recently, the Cash Management regulations have used the term “disbursement” to refer to the payment of FSA funds to a student or parent, including the payment of loan funds. In this chapter, we will use “disbursement” in the sense of the Cash Management regulations, that is, all payments to a student or borrower.

### Required school notifications cite

34 CFR 668.165(a)



### Electronic notification cite

34 CFR 668.165(a)(3)(ii)

**“In writing” means on paper or electronically.**

### Required student authorizations cite

34 CFR 668.165(b)



### Self-assessment tool for disbursement procedures

You can evaluate your school’s procedures by referring to “Disbursing Aid” in the *Managing Funds* module of FSA Assessments.

<http://ifap.ed.gov/qamodule/DisbursingAid/AssessmentE.html>

Your school is not required to provide notification of cancellation rights if it disburses an FFEL directly to the student or parent by check. This is because a student or parent who receives a disbursement via check has the opportunity to refuse the funds by not endorsing the check or by returning it to the lender.

Your school may not use an in-person or telephonic conversation as the sole means of notification, because these are not adequate and verifiable methods of providing notice. However, a school may use in-person and telephone notices *in addition* to those provided in writing.

If the student or parent borrower wishes to cancel all or a portion of a loan, he or she must inform the school. The school must honor a request if it receives the request before the start of the payment period, or if it receives the request within 14 days after it sent the notice to the borrower. If the school receives a student's or parent's request for cancellation after these dates, the school may, but is not required to, honor the request. *Regardless of when the request is received, the school must inform the student or parent of the outcome of the request.*

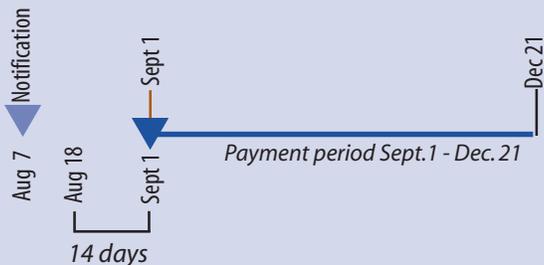
When acting upon a loan cancellation request, your school must return the loan proceeds and/or cancel the loan as appropriate. A school is not responsible for returning any portion of a loan that was disbursed to a student or parent directly before the request for cancellation was received. However, you are encouraged to take an active role in advising the borrower to return the funds already received.

**Borrower notification via Email**

If you are notifying the student of the next disbursement by electronic mail or other electronic means, you are encouraged to follow up on any electronic notice for which you receive an "undeliverable" message.

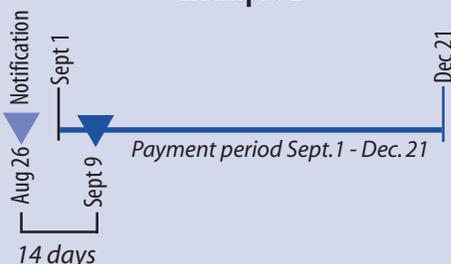
**14-day cancellation period examples**

**Example 1**



In the first example, the school notified the student that the loan was being disbursed 3 weeks before the payment period began. Since the notification was sent more than 14 days before the start of the loan period, the school must accept a loan cancellation request that is received before the payment period begins.

**Example 2**



In the second example, the school did not send the notice until a week before the start of the payment period. Therefore, the school must cancel or reduce the loan if the student makes the request within 14 days (by September 9).

## REQUIRED STUDENT/PARENT AUTHORIZATIONS

Your school must obtain authorization from a student (or parent borrower) before it can perform any of the following activities:

- disbursing FSA funds (including FWS wages) by EFT to a bank account designated by the student or parent;
- using FSA funds (including FWS) to pay for allowable charges other than tuition, fees, and room and board if the student contracts with the school;
- holding an FSA credit balance; and
- applying FSA funds to minor prior-year charges.

A school may not require or coerce a student or parent to provide the authorization and must clearly explain to the student or parent how to cancel or modify the authorization. The student or parent may cancel or modify the authorization at any time.

A cancellation or modification is not retroactive—it takes effect on the date that the school receives it from the student or parent. If a student or parent cancels an authorization to use FSA program funds to pay for allowable charges other than tuition, fees, and room and board (if the student contracts with the school), or minor prior-year charges, the school may use FSA funds to pay any authorized charges incurred by the student before the notice was received by the school. If a student or parent cancels an authorization to hold excess funds, the funds must be paid directly to the student or parent as soon as possible, but no later than 14 days after the school receives the notice.

A school may include two or more of the items that require authorization in one statement. Each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

An authorization must clearly explain how the school will carry out an activity, but it does not need to detail every aspect pertaining to the activity. However, a blanket authorization that only identifies the activities to be performed is not acceptable. For instance, an authorization permitting a school to use an FSA credit balance must provide detail that is sufficient to give the student or parent a general idea of what the credit balance would be used to pay. A blanket statement that the credit balance would cover any charges is not acceptable.

### Proration of loan fees for returned FFEL funds

If a school returns an FFEL disbursement or any portion of an FFEL disbursement to a lender to comply with a statutory or regulatory requirement, the origination fee and insurance premium are reduced in proportion to the amount returned. If the student borrower returns an FFEL disbursement or any portion of an FFEL disbursement to the lender, the origination fee and insurance premium are reduced in proportion to the amount returned only if the lender receives the returned amount within 120 days after disbursement.

For information on how returning Direct Loans affects loan fees and accrued interest, see DLB-04-07.

Unless otherwise specified, a student or parent may authorize a school to carry out the activities for which authorization is provided for the entire period that the student is enrolled at the school. As mentioned above, a student or parent may cancel or modify an authorization at any time.

### ***Loan Disclosure Statement***

The disclosure statement is not the same thing as the notification of a disbursement that your school must send to the student. An FFEL lender must give a borrower a copy of an initial disclosure statement prior to, or at the time of, the first loan disbursement. In the Direct Loan Program, a school may elect to provide this disclosure to the student, or, if the school prefers, the statement will be provided to the student by the Direct Loan Service Center. In addition to general information about the student's rights, this disclosure will include some information that is specific to the student's loan, such as –

- the principal amount of the loan and the actual interest rate;
- the amount of any charges, including any origination and insurance fees to be collected by the lender before or at the time of each loan disbursement;
- when repayment is required and when the borrower is required to pay the interest that accrues on the loan;
- the name and address of the lender and the address to which communications and payments should be sent;
- the minimum annual payment required, and minimum and maximum repayment periods; or
- an estimate of the monthly payment due the lender, based on the borrower's cumulative outstanding debt (including the loan applied for).

The disclosure statement must provide the most up-to-date information concerning the loan and must reflect any changes in laws or federal regulations that may have occurred since the promissory note was signed. If the student has questions about the statement or wishes to cancel the loan, he or she should contact the lender immediately.

## USING ELECTRONIC PROCESSES FOR NOTIFICATIONS AND AUTHORIZATIONS

The Department continues to encourage and support schools' use of electronic recordkeeping and communications. So long as there are no regulations specifically requiring that a notification or authorization be sent via U.S. mail, a school may provide notices or receive authorizations electronically.

Of course, any time a school uses an electronic process to record or transmit confidential information or obtain a student's confirmation, acknowledgment, or approval, the school must adopt reasonable safeguards against possible fraud and abuse. Reasonable safeguards a school might take include:

- password protection,
- password changes at set intervals,
- access revocation for unsuccessful log-ins,
- user identification and entry-point tracking,
- random audit surveys, and
- security tests of the code access.

### *The E-Sign Act*

The E-Sign Act permits lenders, guaranty agencies, and schools to use electronic signatures and electronic records in place of traditional signatures and records that, under the HEA and underlying regulations, otherwise must be provided or maintained in hard-copy format.

The E-Sign Act provides specifically for the creation and retention of electronic records. Therefore, unless a statute or regulation specifically requires a school to provide or maintain a record or document on paper, your school may provide and maintain that record electronically. Similarly, unless a statute or regulation specifically requires schools to obtain a pen and paper signature, you may obtain the signature electronically as long as the electronic process complies with the E-Sign Act and all other applicable laws.

### **E-Sign Act**

The Electronic Signatures in Global and National Commerce Act (E-Sign Act) was enacted on June 30, 2000. The E-Sign Act provides, in part, that a signature, contract, or other record relating to a transaction may not be denied legal effect, validity, or enforceability solely because it is in electronic form, or because an electronic signature or electronic record was used in its formation.

**Disbursing funds cite**

34 CFR 668.164

**Interim disbursements for verification**

A school can make an interim disbursement of certain types of FSA funds to a student who is selected for verification (including a student selected for verification by the school rather than the CPS). If the school has any conflicting documentation or other reason to believe that it does not have a valid output document, it may not make such a disbursement. See “The Application and Verification Guide,” for more details.

**Disbursements to students on leave of absence (LOA) prohibited**

A student **cannot earn** FSA funds during an LOA. In addition, there are limitations on disbursing earned FSA funds to a student on an approved LOA.

A school may **NOT** make a disbursement of the proceeds of a FFEL or Direct Loan to a student on an LOA.

You may disburse Pell Grant, FSEOG, and Perkins funds to a student on an LOA.

You may also disburse any funds that are part of a Title IV credit balance to a student on an LOA.

**DISBURSING FUNDS**

*Except for the FWS Program, the disbursement requirements apply to all FSA programs. In paying a student his or her wages under the FWS Program, a school must follow the disbursement procedures in 34 CFR 675.16.*

**Checking eligibility at the time of disbursement**

Before disbursing FSA funds, a school must first determine whether a student may receive them. That is, it must confirm that –

- the intended recipient is an eligible student;
- the student is enrolled for classes for the period;
- for loans, the student is enrolled at least halftime; and
- if the disbursement occurs on or after the first day of classes, that the student has begun attendance.

Before disbursing FSA funds, a school must first make sure that the student is eligible to receive them. Note that a student may have been making satisfactory academic progress when award letters were mailed in the spring term, but may no longer be making progress when he or she comes to the business office to receive the disbursement at the beginning of the fall term. You must make sure the student still meets the eligibility requirements for the FSA funds, and that the appropriate documentation is kept.

In the case of Stafford and PLUS loans, the financial aid office certified the student’s eligibility when you sent the loan information to the lender. However, you must also ensure that the student has maintained continuous eligibility before you disburse the loan. The most common change that would make a student ineligible for a Stafford or PLUS disbursement is if the student has dropped below half time enrollment, so it is important that your office have a system to check the student’s enrollment status at the time of disbursement.

If the student has dropped below half time temporarily, you may still make a Stafford or PLUS disbursement after the student resumes at least half-time enrollment. However, you must make sure that the student continues to qualify for the entire amount of the loan—the change in enrollment may have resulted in a significantly lower cost of attendance. The aid administrator must document this review in the student’s file.

## Defining the date of disbursement

It is important to define the date of disbursement because several regulatory requirements are based on that date. For instance, you must notify a student of a loan disbursement no sooner than 30 days before the date of disbursement and no later than 30 days after the date of disbursement.

The date of disbursement also determines when the student becomes an FSA recipient and has the rights and responsibilities of a FSA recipient. For example, when FSA loan funds are disbursed to a recipient, the student or parent assumes responsibility for the loan and has the right to cancel the loan.

A disbursement occurs when your school credits a student's account with the funds or pays a student or parent directly with:

- FSA program funds received from the Department or an FFEL lender, or
- school funds labeled as FSA program funds in advance of receiving actual FSA program funds (except as noted below).

## Exceptions

When using school funds in place of FSA funds, there are two situations where the FSA disbursement is considered to have taken place on *the earliest day that the student could have received FSA funds* rather than the actual disbursement date:

- If a school credits a student's account with its own funds earlier than 10 days before the first day of classes of a payment period, that credit is not considered an FSA disbursement until the 10th day before the first day of classes (the earliest a school may disburse FSA funds).
- If a Stafford borrower is subject to the 30-day disbursement delay and a school credits the student's account with its own funds before the 30 days have elapsed, this is not counted as an FSA loan disbursement until the 30th day after the beginning of the payment period.

If your school simply makes a memo entry for billing purposes or credits a student's account and does not identify it as an FSA credit (for example, an *estimated Federal Pell Grant*), it is not a disbursement. For example, some schools prepare billing statements or invoices showing the estimated amount of FSA funds that students are eligible to receive. These estimated amounts are not FSA disbursements.

**Applying direct loan funds cite**

CFR 34 668.164(d)(3)

**Definition of tuition and fee charges**

Tuition and fee charges for the FSA programs are defined in Section 472 of the Higher Education Act.

FSA funds are provided under the assumption that they are used to pay institutional charges ahead of all other funds. While schools may establish their own policies for distributing FSA funds, those policies will not change the presumption that FSA funds are first used to pay institutional charges. However, if a school's policies allow a school to disburse directly to a student FSA funds to which the school is entitled, the school must bear the consequences of those policies in the event the student withdraws.

Consider a case in which, in order to assist a student with living expenses, a school elects to disburse the first Federal Student Aid the school receives for a student to the student. Then, the student withdraws before the school receives anticipated aid from a second FSA program. The Return calculations might indicate the school has to return funds the school had passed through to the student. **The school still must return the funds it is responsible for returning as a result of the Return calculation.**

FSA funds may not be used to repay a student's loan. Loan payments are not part of the cost of attendance for the period of enrollment.

**METHOD OF DISBURSEMENT**

There are two ways to disburse FSA funds: by crediting the student's account for allowable charges at your school, or by disbursing to the student or parent directly.

***Crediting the student's account***

Most schools credit the student's account with FSA program funds for allowable charges before making any direct payments to students or their parents.

When a school disburses FSA program funds to a student by crediting a student's account, it may do so only for allowable charges. Funds in excess of the allowable charges must be paid directly to the student, unless otherwise authorized *in writing* by the student. (An exception is discussed under *Prior year charges* later in this chapter.)

Allowable charges include:

- current charges for tuition and fees, and room and board (if the student contracts with the school), and
- other current charges a student incurs for educationally related activities, if the school obtains the student's or parent's *prior written authorization*.

To be included as an *other charge*, the charge generally must fall under Section 472 of the HEA.

Allowable charges always include current charges for tuition and fees and room and board (if the student contracts with the school). You may pay other current charges that a student has incurred for educationally-related activities if you obtain the student's *written authorization* to pay those charges, or the parent's written authorization, in the case of PLUS loan funds. If a charge does not meet the definition of tuition and fees as described in the *Federal Student Aid Handbook, Volume 3, chapter 2* (with the exception of contracted room and board charges), the school must obtain the student's permission (or parent's, if applicable) to credit the student's account with FSA program funds for the charges.

**Prior-year charges**

In general, FSA funds may only be used to pay for the student's costs for the period for which the funds are provided. However, you may credit a student's account to pay minor prior-year school charges if you get the student's or parent's written authorization to pay the minor prior-year charges. If the minor prior-year charges are \$100 or more, you must determine that disbursement would not prevent the student from paying for his or her current educational expenses (including both school charges and any other costs of attendance).

## Direct disbursement to the student

In addition to crediting a student's account, FSA program funds may be disbursed directly to a student or parent.

A school may disburse funds *directly* by one of four methods:

- releasing a check provided to the school by an FFEL program lender to the student or parent;
- issuing a check or other instrument payable to and requiring the endorsement or certification of the student or parent (a check is considered to be issued when the school releases or mails the check to a student or parent, or notifies the student or parent that the check is available for immediate pickup);
- initiating an electronic funds transfer to a bank account designated by the student or parent; and
- paying the student in cash, provided that the school obtain a signed receipt from the student or parent.

## Disbursing PLUS loan credit balances

A parent borrower of PLUS Loan funds may (**in writing**) authorize the school to transfer the proceeds of a PLUS Loan to a bank account in the student's name.

The law requires that if Direct Loans funds are disbursed to a student's account, those funds must be applied to outstanding allowable charges before all others. This does not mean that Direct Loan funds must be credited to a student's account prior to other funds. It means that if there is an outstanding balance for current or authorized charges on the student's account when Direct Loan funds are disbursed, the Direct Loan funds must be applied to those charges before they may be disbursed directly to the borrower.

### Direct payments cite

34 CFR 668.164(c)



### Method of disbursement cites

Credit to student's account

34 CFR 668.164(d)

Direct disbursements

34 CFR 668.164(c)

Releasing a Pell check

34 CFR 690.78(c)

Direct Loans credited to student charges before other cost

34 CFR 668.164(d)(3)

Prior-year charges

34 CFR 668.164(d)

### Delivery of FSA funds must be cost-free

Schools are prohibited from charging students a fee for delivering FSA funds.

Written agreements between institutions, cite

34 CFR 668.5



**Important**

## Rules applicable to contracts and consortia

### Consortia

Under a consortium agreement, a student can only receive FSA program assistance for courses that are applicable to the student's certificate or degree program at the home school. A school may not use a consortium agreement to enroll students into a program it is not licensed and accredited to offer.

For example, if school A is not accredited to offer a distance education program in medical record keeping, it cannot enter into a consortium agreement with school B through which students at school A earn a degree in medical record keeping.

Usually, the home school is responsible for disbursing funds, but if the student is enrolled for a full term or academic year at the host school, it may be easier for the host school to monitor the student's eligibility and make payments.

When there is a written arrangement between eligible institutions, any of the institutions participating in the written arrangement may make FSA calculations and disbursements without that school being considered a third-party servicer. This is true even if the student is not taking courses at the school that is calculating and disbursing the aid.

**The school that disburses an FSA award is responsible** for maintaining information on the student's eligibility, how the award was calculated, what money has been disbursed, and any other documentation associated with the award (even if some of that documentation comes from other schools). Moreover, **the school paying the student must return FSA funds** if required (for example, in refund/return or overpayment situations). For details on how agreements affect Federal Pell Grant calculations, see *the Federal Student Aid Handbook, Volume 3 – Calculating Awards and Packaging*.

### Contracts

Under a contractual agreement, the home school performs all the aid processing and delivery functions for its students attending the ineligible school or organization. The home school is responsible for maintaining all records necessary to document student eligibility and receipt of aid.

## PAYMENT PERIODS

The definition of a payment period is applicable to all FSA programs except FWS. The common definition is integral to requirements for the administration of FSA program funds. For example, FSA program disbursements (except FWS payments) generally must be made on a payment period basis (for more information, see *the Federal Student Aid Handbook Volume 4 – Processing Aid and Managing FSA Funds*). **Note that FFEL and Direct Loan disbursements must still be made in accordance with the specific disbursement rules for those programs.**

Under the payment period definition, there are three sets of requirements: one for term-based credit-hour programs, one for nonterm credit-hour programs, and one for clock-hour programs. There is no separate definition for clock-hour programs that are offered in terms.

### *Payment period for term-based credit-hour programs*

For a program offered in semester, trimester, quarter, or nonstandard academic terms and measured in credit hours, the payment period is the term. For example, if a loan period includes three quarters, the loan must be disbursed in three substantially equal payments.

Programs that are offered in modules are not necessarily counted as programs measured in terms. The phrase *other academic terms* (also known as nonstandard terms) refers to those structured educational intervals at a school that do not fit into a normally defined semester, trimester, or quarter term. For example, other academic terms could mean six four-week terms.

A school also may choose to group modules together and treat the entire period as a standard term. (For example, grouping three five-week modules together to create a 15-week *semester*; or grouping four one-month modules into a 16-week *term* would be acceptable.)

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#### Payment period cite

34 CFR 668.4

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#### Disburse by period cite

34 CFR 668.164(b)

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#### Loan periods cite

34 CFR 682.604(c)(6), (7) and (8)

34 CFR 674.16(b) and (c)

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### Term-Based Credit-Hour Programs

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#### *Program offered in ...*

- semester
- trimester
- quarter
- other academic term

#### *Payment Period is ...*

- semester
  - trimester
  - quarter
  - other academic term
-

### Excused absences in clock-hour programs

An excused absence (an absence that does not have to be made up) may be counted as a completed clock hour under certain circumstances. For a student enrolled in a program measured in clock hours, the school may include clock hours for which the student has an excused absence in determining whether the student completes the clock hours in the payment period if:

- the school has a written policy that permits excused absences; and
- for FSA purposes, the number of excused absences under the policy does not exceed the lesser of
  1. the policy on excused absences of the school's designated accrediting agency,
  2. the policy on excused absences of any state agency that legally authorizes the school to operate, or
  3. 10% of the clock hours in the payment period.

An excused absence may only be counted if the student is excused from hours that were actually scheduled, were missed, and are not to be made up.

Excused absences may not be counted in the total hours completed in a Return to Title IV funds calculation, unless they are counted as scheduled hours under 34 CFR 668.22(f)(iii)(B)

**Excused absence cite**  
34 CFR 668.164(b)

### Payment period for clock-hour programs

Payment periods for programs measured in clock hours vary depending on whether the length of the program is –

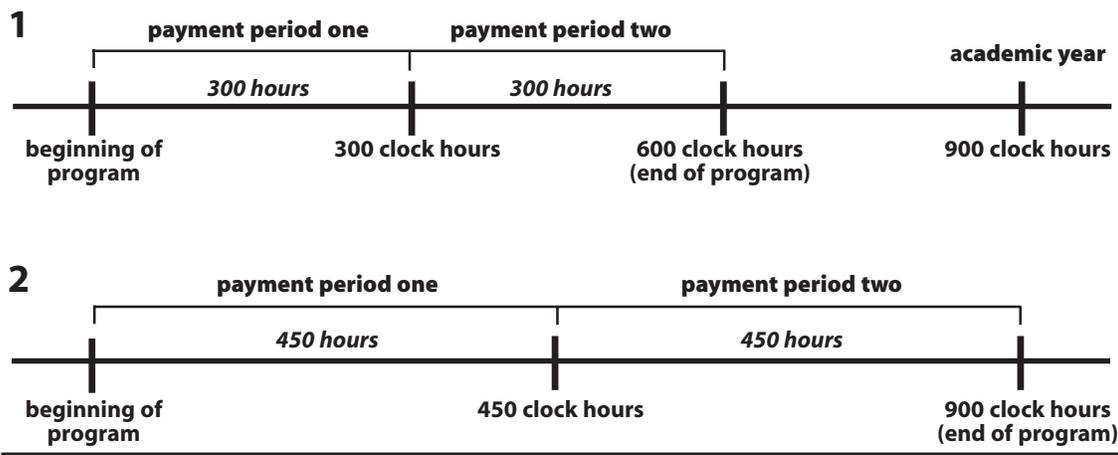
- one academic year or less,
- a multiple of a full academic year,
- longer than an academic year with a remainder shorter than or equal to one half of an academic year, or
- longer than an academic year with a remainder shorter than an academic year, but longer than one half of an academic year.

### Payment period for clock-hour programs of an academic year or less

If the program is an academic year or less in length, the first payment period is the period of time in which the student completes the first half of the program. The second payment period is the period of time in which the student completes the second half of the program.

For example, if a program is 600 clock hours and the academic year definition includes 900 clock hours and 30 weeks of instruction, the first payment period is the period of time needed for the student to complete the first 300 clock hours. The second payment period would be the period of time needed for the student to complete the last 300 clock hours (see the example that follows). If the program were equal to the academic year in hours (900 clock hours), the first payment period would be the period of time needed for the student to complete the first 450 clock hours. The second payment period would be the period of time needed for the student to complete the second 450 clock hours (see example 2 below). For FFEL and DL disbursements, the school must follow the program specific rules in 34 CFR 682.604(c)(8) and 34 CFR 685.301(b)(6).

### One Academic Year or Less Example

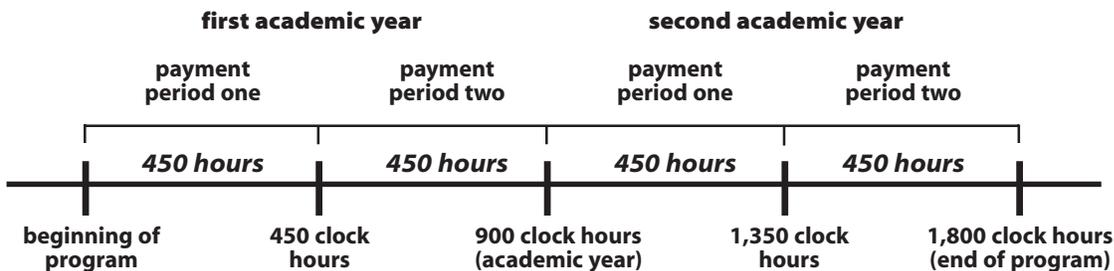


### ***Payment period for clock-hour programs with two or more academic years***

If the program is equal to two or more complete academic years (in clock hours), for the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student completes the first half of the academic year, as measured in clock hours. The second payment period is the period of time in which the student completes the second half of the academic year as measured in clock hours.

For example, if a program is 1,800 clock hours and the academic year is defined as 900 clock hours and 30 weeks of instruction, the first payment period for both the first and any subsequent academic year is the period of time needed for the student to complete the first 450 clock hours. The second payment period for each academic year would be the period of time needed for the student to complete the next 450 clock hours. For FFEL and DL disbursements, the school must follow the program specific rules in 34 CFR 682.604(c)(8) and 34 CFR 685.301(b)(6).

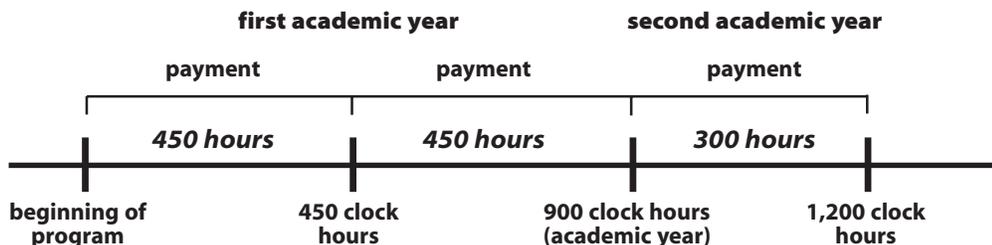
### **Multiple Academic Years Example**



### ***Clock-hour programs longer than an academic year with a remaining portion***

If the program is longer than an academic year in clock hours, but has a remaining portion of the program that is not equal to an academic year, for the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student completes the first half of clock hours in the academic year. The second payment period is the period of time in which the student completes the second half of the clock hours in the academic year. For the remaining portion of the program, if the remainder is equal to or shorter than one half of an academic year in clock hours, the payment period is the remaining portion of the program. For FFEL and DL disbursements, the school must follow the program specific rules in 34 CFR 682.604(c)(8) and 34 CFR 685.301(b)(6).

## Remainder Equal To or Shorter Than Half an Academic Year Example

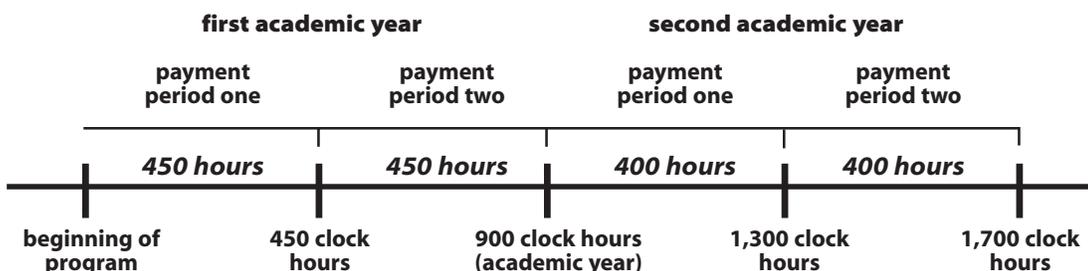


For example, if a program is 1,200 clock hours and the academic year is defined as 900 clock hours, the first payment period for the first academic year is the period of time needed for the student to complete the first 450 clock hours. The second payment period is the period of time needed for the student to complete the next 450 clock hours. The first, and only, payment period for the second academic year is equal to the remaining portion of the program.

If the remaining portion of the program is more than one half of an academic year in clock hours, but less than a full academic year, for the remaining portion of the program the first payment period is the period of time in which the student completes the first half of the remaining portion of the program, as measured in clock hours. The second payment period is the period of time in which the student completes the second half of the remaining portion of the program as measured in credit or clock hours.

For example, if a program is 1,700 clock hours and the academic year is defined as 900 clock hours, the first payment period for the first academic year is the period of time needed for the student to complete the first 450 clock hours. The second payment period would be the period of time needed for the student to complete the next 450 clock hours. The first payment period for the second academic year would be the period of time needed for the student to complete the next 400 clock hours. The second payment period for the second academic year would be the period of time needed for the student to complete the final 400 clock hours.

## Remainder Greater Than Half an Academic Year Example



## Payment Period for Clock-Hour Programs Longer Than One Academic Year

<i>Program Length (in clock hours)</i>	<i>First and subsequent full academic years</i>		<i>Remainder of program</i>	
	<i>First payment period</i>	<i>Second payment period</i>	<i>First payment period</i>	<i>Second payment period</i>
<i>multiples of a full academic year</i>	<i>period of time in which student completes first half of academic year</i>	<i>period of time in which student completes second half of academic year</i>	N/A	N/A
<i>longer than 1 academic year, remainder shorter than or equal to one half an academic year</i>	<i>period of time in which student completes first half of academic year</i>	<i>period of time in which student completes second half of academic year</i>	<i>period of time in which student completes remainder of program</i>	N/A
<i>longer than 1 academic year, remainder shorter than academic year, but longer than half an academic year</i>	<i>period of time in which student completes first half of academic year</i>	<i>period of time in which student completes second half of academic year</i>	<i>period of time in which student completes first half of remainder of the program</i>	<i>period of time in which student completes second half of remainder of the program</i>

### *Payment periods for programs that measure progress in credit hours and do not have academic terms (nonterm credit-hour programs)*

Payment periods for programs measured in credit hours without terms vary depending on whether the length of the program in credit hours and weeks of instructional time is –

- one academic year or less,
- a multiple of a full academic year,
- longer than an academic year with a remainder shorter than or equal to one half of an academic year, or
- longer than an academic year with a remainder shorter than an academic year, but longer than one half of an academic year.

If you are determining the payment periods for a program for which one of the measures (either credit hours or length of instructional time) is less than an academic year and the other measure is not less than (or equal to) an academic year, you follow the payment period rules for a program that is less than an academic year.

For all credit-hour nonterm programs, a student must successfully complete both the weeks of instructional time and the credits in a payment period in order to progress to the next period (and be eligible for additional FSA funds).

**Clarification**

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**When students don't earn credits in increments**

If a school is unable to determine when a student has completed half of the credit hours in a program, in an academic year, or in the remainder of a program, the student is considered to have begun the second payment period of the program, academic year, or remainder of a program at the later of –

- For a program offered in credit hours and increments – the date the school identifies as the point when the student has successfully completed half of the academic coursework in the program, academic year, or the remainder of the program; or
- For a program offered in credit hours but not increments – the calendar midpoint between the first and last scheduled days of class of the program, academic year, or the remainder of the program.

***Payment period for programs measured in credit hours without academic terms where the program is one academic year or less***

For a program to be considered an academic year, both the credit hours and weeks of instructional time must meet the definition of an academic year.

For a student enrolled in an eligible program that is one academic year or less in length, the first payment period is the period of time in which the student successfully completes half the number of credit hours in the program and half the number of weeks of instructional time in the program. The second payment period is the period of time in which the student successfully completes the remainder of the program.

***Payment periods for credit-hour programs without academic terms that are two or more academic years***

If the program is equal to two or more complete academic years, for the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student completes half the number of credit hours in the academic year and half the number of weeks of instructional time in the academic year. The second payment period is the period of time in which the student successfully completes the academic year.

***Payment periods for credit-hour programs without academic terms that are longer than an academic year with a remaining portion***

If the program is longer than an academic year, but has a remaining portion that is not equal to an academic year, for the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student completes half the number of credit hours in the academic year and half the number of weeks of instructional time in the academic year. The second payment period is the period of time in which the student successfully completes the remainder of the academic year.

For any remaining portion of an eligible program that is more than one-half an academic year in both weeks of instruction and credit hours but less than a full academic year in length, the first payment period is the period of time in which the student completes half the number of credit hours in the remaining portion of the program and half the number of weeks of instructional time remaining in the program. The second payment period is the period of time in which the student completes the remainder of the program.

For any remaining portion of an eligible program that is not more than half an academic year in both weeks of instruction and credit hours, the payment period is the remainder of the program. That is, if both are not greater than half an academic year, there is only one payment period in the remaining portion.

### ***When a school chooses to have more than two payment periods per academic year***

For a program measured in credit hours without terms and for clock-hour programs, a school may choose to have more than two payment periods in the program or academic year, as applicable. If a school so chooses, the requirements for completing a payment period are modified to reflect the increased number of periods. For example, if a school chooses to have three payment periods in an academic year in a program that measures progress in credit hours but does not have academic terms, each payment period must correspond to one-third of the academic year measured in both credit hours and weeks of instruction. Each subsequent payment period cannot begin until the student completes the credit hours and weeks of instruction in the previous payment period. If a school chooses to have more than two payment periods per academic year, the school must have that policy in writing and must apply the policy to all students enrolled in the programs affected.

### ***Payment periods and the return of FSA funds***

Schools that use payment periods as the basis for their return of funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period. A student's FSA education loan appropriately might be included as "Aid that Could Have Been Disbursed" even though under the late disbursement rules, the loan funds could not actually be disbursed. Please see DCL-GEN-00-24, December 2000, DCL-GEN-03-04, February 2004, and *Appendix G, chapter 2* to see how multiple disbursements within a period affect the return of funds calculation.

**Note:** While the program regulations permit schools flexibility in making disbursements, schools should recognize the added complexity that making Pell disbursements over different periods than loan disbursements might cause if a student withdraws. To avoid overly complicating their Return of Title IV funds calculations, we recommend that, whenever possible, schools disburse all Title IV funds in the same payment periods.

### **Academic coursework and loan periods**

The term academic coursework does not necessarily refer to credits. It may refer to the lessons or other measures of learning within a course or a program. For instance, if a course or program is made up of 40 equal lessons, and the student doesn't earn credit until he or she has completed the entire course or program the student reaches the halfway point as follows:

- If the student completes the first 20 lessons before the calendar midpoint of the academic year, the second payment period does not begin until the calendar midpoint.
- If the student completes the first half of the academic year before completing the first 20 lessons, the second payment period does not begin until the student completes the first 20 lessons.

## Payment periods and eligibility for FFEL or Direct loans

For certain academic programs, FFEL and Direct Loans are disbursed differently than other FSA funds.

For programs offered in standard terms, or nonstandard terms of substantially equal length, the payment period for FFEL and Direct Loans is the term. A student in this type of program does not have to successfully complete the coursework to move to the next payment period. (If a single term is the loan period, a student may not receive a second disbursement until the calendar midpoint of the term (loan period) is reached.

However, if the program is a clock-hour, nonterm credit-hour, or nonstandard term credit-hour program with terms that are not substantially equal in length, loan proceeds for FFEL and DL are not disbursed by payment period. Instead, the loan program rules for scheduling disbursements apply. For a student to be eligible for the second half of his or her loan proceeds, the student must reach **BOTH** the calendar midpoint of the loan period **AND** successfully complete half the coursework of the loan period.

Consider a program with no terms that is 24 credit hours long and offered in successive 4-hour modules with two 12-hour payment periods. The student can not receive the second half of the loan proceeds until the student successfully completes 12 hours and reaches the calendar midpoint. If the student fails the first module, he or she cannot progress to the next payment period until he or she has completed successfully three additional modules (a total of 12 hours) **and** reached the calendar midpoint of the loan period.

### Disbursement by Payment Period

Schools must disburse all FSA program funds (except FWS and FFEL/DL when the educational program is clock-hour, nonterm credit hour, or nonstandard terms not substantially equal in length) on a payment period basis. However, disbursement requirements vary by program. For information on the specific effects of the payment period disbursement requirement on disbursement of funds under a particular FSA program, please see the applicable volume in *the Federal Student Aid Handbook*. Under certain circumstances schools are exempted from the multiple disbursement and 30-day delay requirements Section 428G(e) of the HEA.

Unless a student is eligible to receive a late disbursement of FSA program funds, a school may disburse them to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

#### Disbursement by payment period cite

34 CFR 668.164(b)  
Sec. 428G(a) of the HEA



Loans made to students for attendance at an eligible school outside of the U.S. and loans made to students for attendance in a program of study abroad approved by a home eligible school and loans if the home school has a cohort default rate of less than 5% are exempt from the multiple disbursement requirement (Sec. 428G(e) of the HEA.)

## TIMING OF DISBURSEMENTS

Schools disburse FSA program funds by payment period or at the beginning and calendar midpoint of the loan period. Typically, the amounts that you award to a student for an academic year are divided into lesser amounts among the payment periods or other subdivisions.

The timing of disbursements is especially important for Pell Grant and Stafford/PLUS loan funds, because you must schedule disbursement dates with the Department and/or private lenders.

## EARLY DISBURSEMENTS

The earliest a school may disburse FSA funds is –

- for a student enrolled in a credit-hour program offered in semester, trimester, or quarter academic terms, 10 days before the first day of classes for a payment period;
- for a student enrolled in a clock-hour program or a credit-hour program that is not offered in semester, trimester, or quarter academic terms, the later of 10 days before the first day of classes for the payment period, or the date the student completed the previous payment period for which he or she received FSA program funds (see the example below).

If a student is in the first year of an undergraduate program and is a first-time borrower under the FFEL or Direct Loan program, a school may not disburse the first installment of his or her loan until 30 days after the student’s first day of classes.

### Disbursement timing citations

Disbursement by payment period:  
34 CFR 668.164(b)  
Section 428G(a) of the HEA

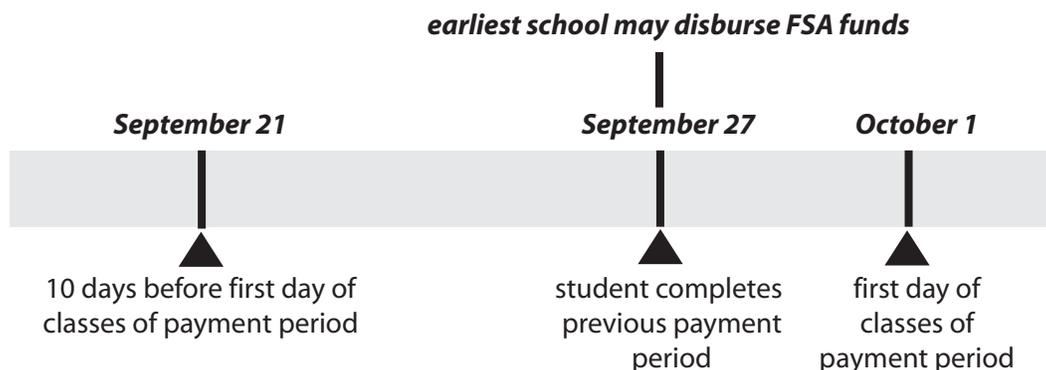
Disbursement by calendar midpoint:  
34 CFR 682.604(c)  
Early disbursements  
34 CFR 668.164(f)  
Returning Pell, Perkins, or FSEOG for a student who doesn’t begin attending classes  
34 CFR 668.21  
Returning Stafford & PLUS for a student who doesn’t register:  
FFEL 34 CFR 682.604(d)(3) and (4)  
DL 34 CFR 685.303(b)(3)  
30-day delay for 1st-time Stafford borrowers  
FFEL 34 CFR 682.604(c)(5)  
DL 34 CFR 685.303(b)(4)

### Early disbursements cite

34 CFR 668.164(f)



## Early Disbursement Example



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**Exceptions to the 30-day delay, cite**

Section 428G(e) of the HEA

**Note:** Eligible institutions outside of the U.S., and eligible home institutions with cohort default rates of less than 5% for the single most recent fiscal year for which data are available that are certifying loans to cover a students' cost of attendance in a study abroad program, are exempt from the 30-day delay requirements for first-year, first-time borrowers. These institutions are also exempt from the requirement to make multiple disbursements of FSA loans.

***Early disbursement to a student enrolled in modules***

If a student is enrolled in a series of modules within a term, a school may not make an early disbursement until 10 days before the student is scheduled to begin the first module in the term for which the student is registered. For example, if a term begins on September 1, but the first module in which the student is enrolled doesn't begin until September 25, the school may not disburse funds to the student before September 15.

***When a school makes an early disbursement to a student who fails to begin attendance***

A student who withdraws before beginning attendance is not entitled to any FSA program funds. Though our regulations allow a school to credit a student's accounts before the first day of classes, schools have a fiduciary responsibility to safeguard federal funds. Therefore, if a school disburses FSA funds to a student before the start of classes, and the student fails to begin attendance, the school will have to return 100% the disbursed FSA funds.

If your school disburses Pell, Perkins, or FSEOG funds, but the student never actually begins attending any classes, you must return the disbursed amounts to the respective programs. If the student begins attending some but not all of his or her classes, you will have to recalculate the student's Pell Grant award based on the student's actual enrollment status.

If your school disburses Stafford or PLUS funds but the student does not register for the period of enrollment for which the loan was made, or a registered student withdraws or is expelled prior to the first day of classes of the period of enrollment for which the loan is made, you must return the loan funds to the lender.

If your school disburses Stafford or PLUS funds but the student doesn't begin attendance or you cannot document that the student ever began attendance, you must return any loan funds that were credited to the student's account, as well as the amount of any payments that the student made to your school. (The total amount to be returned is limited to the original amount of the Stafford and PLUS disbursements.)

## Number of Stafford/PLUS disbursements: standard terms and substantially equal nonstandard terms

If the program uses *standard academic terms* (semester, trimester, or quarter) or it has *nonstandard terms of substantially equal length*, at least one disbursement is made for each term in the loan period. A program is considered to have substantially equal terms if no term in the loan period is more than two calendar weeks longer than any other term in the loan period.

- *If there is more than one term in the loan period*, the loan must be disbursed over all terms of the loan period. For example, if a loan period includes all three quarters of an academic year, the loan must be disbursed in three substantially equal disbursements.
- *If there is only one term in the loan period*, the loan must be disbursed in equal amounts at the beginning of the term and at the term's calendar midpoint.

## Number of Stafford/PLUS disbursements: 1) credit-hour programs without terms, 2) credit-hour programs with non-standard terms that are not substantially equal in length, and 3) clock-hour programs

If the program is one academic year or shorter, the loan period is usually the length of the program. If the program is longer than an academic year, there will usually be another loan period for any subsequent academic year or remaining portion of an academic year. For each loan period in these programs —

- The loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- The second half of the loan proceeds may not be disbursed until the later of:
  - a. the calendar midpoint between the first and last scheduled days of class of the loan period, or
  - b. the date the student successfully completes half the clock hours in the loan period or, for credit hours, completes half the credit hours. In programs where the student cannot earn the credit hours until the end of the loan period, the school must determine when the student has completed half the coursework for the loan period.

## Stafford/PLUS multiple disbursements requirement & exceptions

See 34 CFR 682.207(c-e) and 34 CFR 685.301(b)

There are two significant exceptions to this multiple disbursement requirement:

- If any payment period has elapsed before a lender makes a disbursement, a single disbursement may be made for all completed payment periods.
- You may pay a student in an eligible study-abroad program in one disbursement, regardless of the length of the loan period, if your school's most recently calculated Stafford loan default rate is less than 5% for the single most recent fiscal year for which data is available.

For more information, please refer to the "**Cohort Default Rate Guide**" on the IFAP Web site.

<http://ifap.ed.gov/drmaterials/finalcdrg.html>

The statutory provision that allowed schools with default rates <10% to make single disbursements for a term or 4-month period expired on September 30, 2002. (DCL GEN 02-06)

## Multiple disbursements within a payment period

When scheduling loan payments, you can request multiple disbursements of a loan within a payment period or loan period, as long as the disbursements are substantially equal installments. (See Section 428G(c) of the HEA.)

Schools that use payment periods as the basis for their return of funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period.

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### Timing of Pell disbursements cite

34 CFR 690.76

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### Perkins and FSEOG disbursements

Payment by payment period

34 CFR 674.16(b) and 676.16(a)

Uneven costs/uneven payments

34 CFR 674.16(c) and 676.16(b)

Paying prior to student beginning attendance

34 CFR 674.16(f) and 674.16(d)

Reporting Perkins Loans to credit bureau

34 CFR 674.16(i)

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### Uneven costs example

Dan is enrolling in a one-year program at Ingram Technical College and must spend \$300 for books and supplies at the beginning of the program. ITC has awarded Dan a \$1,000 Perkins Loan. Rather than simply dividing the award in half, ITC may pay Dan a larger amount in the first payment period to meet the one-time cost for books and supplies.

To determine the first payment, the aid administrator at ITC subtracts the extra amount (in this case, \$300) from the total loan (\$1,000) and divides the remainder (\$700) by the number of payment periods (in this case, 2). The aid administrator then adds the regular amount for one payment period (\$350) to determine the initial payment (\$650=\$300+\$350). The remaining amount (\$350) is then disbursed during the second payment period for a total loan of \$1,000.

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### Credit bureau reporting

Schools must report the date and amount of each disbursement of a Federal Perkins Loan to at least one national credit agency.

## Timing of Pell Grant disbursement within a payment period

You must time the disbursement of Pell funds for a payment period to best meet the needs of students at your school. For instance, some schools credit the student accounts for school charges as soon as is permissible, and then pay the credit balance to students when they begin classes. Other schools wait until the end of the add/drop period to disburse funds, or pay students in monthly installments to help meet living expenses throughout the payment period. (If as opposed to making multiple disbursements within the payment period, your school rations disbursements to students by crediting the entire disbursement for the payment period to the student's account and making periodic disbursements to the student from these funds, it must have the student's written authorization.)

## Disbursing FSEOG and Perkins

A school that is awarding an FSEOG or a Perkins Loan for a full academic year must advance a portion of the grant or loan during each payment period.

In general, to determine the amount of each disbursement, a school will divide this award amount by the number of payment periods the student will attend.

A school may advance funds within a payment period in whatever installments it determines will best meet the student's needs. However, if the total FSEOG or Perkins award is less than \$501 for an academic year, only one disbursement is necessary.

If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, your school may advance the additional FSEOG or Perkins amounts to the student in whatever manner best meets the student's needs.

## Retroactive disbursements for completed periods

Your school must pay a student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if you don't receive a valid SAR/ISIR for a student until the spring term, but the student was also enrolled and eligible for a disbursement in the previous fall term, that student must be paid retroactively for the fall term.

A Pell Grant disbursement for any completed term is based on the hours *completed* by the student for that term. If the student had enrolled full time at the beginning of the fall term but dropped to half-time status by the end of the term, the retroactive disbursement must be based on half-time status. At a term school, all completed coursework counts towards enrollment status, including earned F's and incompletes. (This Pell requirement does not apply to any other FSA program.)

To include an earlier period of eligibility when certifying a Stafford Loan, the student would have had to complete at least a half-time courseload in that period. For instance, you could include the Fall term and its costs when certifying a loan for the student in the Spring, if your school's half-time standard is six credit hours and the student received a B and an incomplete in two 3-hour courses taken that Fall.

In the case of loans disbursed on a payment period basis, if a student attended the previous payment period but did not maintain eligibility for a Stafford loan, you may not include the previous payment period or its costs in the loan period.

*A school can make any retroactive disbursements in one lump sum payment.*

## COMPLETION OF COURSEWORK REQUIREMENTS

### *Pell Grants*

For a student enrolled in a credit-hour program without terms or a clock-hour program, a school may disburse a Federal Pell Grant to an eligible student only after it determines that the student has successfully completed the payment period for which he or she has been paid a Federal Pell Grant.

### *Stafford and PLUS loans in clock-hour programs*

If an educational program measures academic progress in clock hours, the school may not disburse the second half of the loan proceeds until the later of the calendar midpoint between the first and last scheduled days of class of the loan period; or the date, as determined by the school, that the student has successfully completed half of the clock hours in the loan period. The school must disburse loan proceeds in substantially equal installments, and no installment may exceed one-half of the loan.

### **Completion of coursework cites**

Pell Grants: 34 CFR 690.75(a)(3)

FFEL: 34 CFR 682.604(c)(8) and (c)(9)

Direct Loans: 34 CFR 685.301(b)(5) and (b)(6)

Excused absences: 34 CFR 668.164(b)(3)

### **Terms with clock hours**

The payment periods for clock-hour term programs are determined in the same way as for nonterm clock-hour programs. The student must complete all the clock hours in the payment period before receiving any more Pell funds. If a student doesn't complete all the hours scheduled for a term, each payment period still contains the number of clock hours originally scheduled, even if this means that none of the student's succeeding payment periods coincide with the terms.

## Disbursing FSA funds to students in programs where credits aren't awarded as courses are completed or until the end of the program.

In some programs, credits aren't awarded until the end of the program. In others, it may not be possible to determine when the credit hours are earned, and thus it may be difficult to tell when a student is eligible to receive the next disbursement. In such cases, the student is eligible to receive their next loan disbursement on the later of —

- the date your school identifies as the point when the student has successfully completed half of the academic coursework in the program, academic year, or the remainder of the program, or loan period, or
- the calendar midpoint between the first and last scheduled days of class of the program, academic year, or the remainder of the program, or loan period.

### Important

For programs of **less than one year in length** in which students do not receive grades or credits until the end of the program, your school must —

1. have an SAP standard as described in Volumes 1 and 2 of the "FSA Handbook;"
2. measure a student's standing vis-a-vis SAP by the time the student has completed one-half of the program; and
3. **not** make second disbursements of FSA funds to a student who is not making satisfactory academic progress.

For programs greater than one year in length in which students do not receive grades or credits until the end of the program, your school must —

1. have an SAP standard as described in Volumes 1 and 2 of the "FSA Handbook;"
2. measure a student's standing vis-a-vis SAP at least once a year; and
3. **not** award FSA funds for any additional period to a student to a student who is not making satisfactory academic progress.

FFEL 34 CFR 682.604(c)(7)

DL 34 CFR 685.301(b)(5)

## Example of completion requirement in a modular program

A one-year program with no terms awards 24 credit hours, which are taught in a series of six 4-hour modules. The school groups the modules into two 12-hour payment periods. The first payment period takes 15 weeks to complete. The student can not progress to the second payment period until the student successfully completes 12 credit hours **and** the 15 weeks of instruction have elapsed. If the student fails the first 4-hour module, he or she will still need to successfully complete three modules (for a total of 12 credits) to progress to the next payment period.

## Stafford and PLUS loans in credit-hour programs without terms, credit-hour programs with nonstandard terms that are not substantially equal in length and clock-hour programs

For credit-hour term-based programs there is no requirement that a student successfully complete all of the coursework to receive payment in the next term except when nonstandard terms are not substantially equal in length.

However, for Stafford and PLUS loans to students enrolled in credit-hour programs without terms, credit-hour programs with nonstandard terms that are not substantially equal in length and clock-hour programs, there is a completion requirement. For each loan period in these programs, the second half of the loan proceeds may not be disbursed until the later of: the calendar midpoint between the first and last scheduled days of class of the loan period, or the date the student successfully completes half the credit hours or clock hours in the period. In programs where the student cannot earn the credit hours until the end of the loan period, the school must determine when the student has completed half the coursework for the loan period.

## Excused absences

In a clock-hour program, you're allowed to count a limited number of "excused absences" when deciding whether the student has completed the hours in a payment period. An excused absence may only be counted if the student is excused from hours that were actually scheduled, were missed, and do not have to be made up for the student to receive the degree or certificate for the program.

For instance, a student in a program that has 450-clock-hour payment periods might miss 20 clock hours and only have attended 430 clock hours at the point where 450 clock hours of instruction had been given. If your school has an excused absences policy, and the hours missed are considered excused, this student could be paid the next disbursement.

To be counted for FSA purposes, excused absences must be permitted in your school's written policies. Under FSA regulations, no more than 10% of the clock hours in a payment period may be considered excused absences. If your school's *accrediting agency* or the *state agency that legally authorizes your school to operate* allows fewer hours to be counted as excused absences, you must follow the stricter standard rather than the FSA standard.

## RETAKEING COURSEWORK

### *Term-based credit-hour programs*

In general, students at term-based credit-hour schools may receive FSA funds for retaking coursework and the credits may be included in the total number of credits that the student is taking when determining enrollment status as long as he or she is considered to be making satisfactory academic progress and as long as the school is allowing the student to receive credit for the repeated course. Generally, schools do not give a student credit for repeating a course to earn a better grade unless the student failed the course the first time and received no credit.

If a student who received an incomplete in a course in the prior term is retaking the coursework in the subsequent term only to erase the incomplete in the prior term, the student is not considered to be enrolled in the course for the subsequent term. Therefore, the hours in the course do not count toward the student's enrollment status for the subsequent term, and the student may not receive FSA funds for retaking the course.

However, if a student who received an incomplete in a course in the prior term is retaking the course from the beginning for credit in the subsequent term, the hours in the course count toward the student's enrollment status and the student may receive FSA funds for retaking the course.

For satisfactory academic progress purposes, each time a course is taken counts as an attempt; only the first time a passing grade is received is counted as a completion.

## ***Clock-hour and nonterm credit-hour programs***

### **Withdrawal and reentry within 180 days**

When a student withdraws from a clock-hour program or nonterm credit-hour program during a payment period or period of enrollment and then reenters the same program *within* 180 days, the student is put back into the same payment period, and any FSA funds that the school or student returned to FSA are repaid to the student. The student may not be paid additional FSA funds for repeating coursework. Correspondingly, a student who ceases attendance between payment periods or periods of enrollment but returns within 180 days may not be paid for repeating coursework.

### **Withdrawal and reentry after 180 days**

A student who withdraws from a clock-hour program or nonterm credit-hour program and then reenters the same program *after* 180 days is treated in the same manner as a student who transfers into the program from another school i.e., the student immediately begins a new payment period or period of enrollment. In this circumstance, the student may be paid for repeating coursework as the student is receiving credit for the repeated course. A student who ceases attendance *between* payment periods or periods of enrollment but returns to the same program after 180 days may also be paid for repeating coursework.

Take, for example, a student who withdraws after completing 302 clock hours of a 900-clock-hour program, so there are 148 hours in the payment period that the student did not complete. The student re-enrolls after 180 days in the same program and receives credit for 100 hours. The program length for purposes of determining the new payment periods and period of enrollment is 800 clock hours (the remainder of the student's program), so the new payment periods are 400 hours and 400 hours. (The first payment periods would not be limited to 148 hours.) If the student in this example received no credit for previously completed hours, the student's program length for purposes of determining the payment periods would be 900 clock hours.

For more information on the treatment of FSA funds when a student reenters a program, including the effect on awarding FSA funds. (See *Appendix G, chapter 2.*)

### **Repeating after program completion**

Any student who completes an entire nonterm credit-hour or clock-hour program, and later re-enrolls to take that same program again or to take another program may be paid for repeating coursework regardless of the amount of time between completion of the first program and beginning the program or another program again.

## LATE DISBURSEMENTS

Generally, a student becomes ineligible to receive FSA funds on the date that:

- for purposes of the Direct Loan and FFEL programs, the student is no longer enrolled at the school as at least a half-time student for the loan period; or
- for purposes of the Pell Grant, FSEOG, and Perkins Loan programs, the student is no longer enrolled at the school for the award year.

However, if certain conditions are met, students may qualify for disbursements after the date they became ineligible. These disbursements are called “late disbursements.”

### Conditions for a late disbursement

A student must be considered for a late disbursement as long as the Department has processed a SAR/ISIR with an official EFC before the student became ineligible. Therefore, a school must review its records to see if a student who did not receive a disbursement of FSA funds before becoming ineligible is eligible for a late disbursement. Generally, this condition is easy for a school to document, since each ISIR record includes the date the Department processed the application and created the SAR/ISIR. In addition, for an FFEL or Direct Loan program loan, the loan must be certified or originated, as applicable, prior to the date the student became ineligible. Similarly, for an FSEOG or a Federal Perkins Loan, the school must have made the award to the student prior to the date the student became ineligible.

### Late disbursements that must be made vs. late disbursements that may be made

If a student who qualifies for a late disbursement completes the payment period or period of enrollment, or withdraws during the payment period or period of enrollment, a school *must* make or offer, as appropriate, the late disbursement. A late disbursement for a student who has withdrawn during the payment period or period of enrollment is called a post-withdrawal disbursement.

If a student did not withdraw or complete the payment period or period of enrollment but ceased to be enrolled as at least a half-time student, a school *may* make a late disbursement of a loan under the FFEL or Direct Loan programs to pay for educational costs incurred while the student was eligible.

### Late disbursement of a PLUS loan

A school does not have to rely upon a SAR/ISIR to determine if a parent qualifies for a late disbursement of a PLUS loan. However, in cases where a school does not have a SAR/ISIR, it may not certify or originate a PLUS loan until it documents that the student for whom the loan is intended meets all the applicable eligibility requirements (e.g., the student is not in default, does not owe an overpayment, is a citizen or eligible noncitizen, etc.).

### SAR documenting eligibility for late disbursement

In some cases the student may have a SAR/ISIR with an official EFC processed while the student is enrolled, but the school is not listed. When the school receives an ISIR listing the school after the student ceases to be enrolled, it will have a processing date subsequent to the date the student ceases to be enrolled. In this circumstance the student’s eligibility is documented by obtaining a copy of the SAR processed while the student was enrolled and eligible.

### Processed date

The applicable dates on an ISIR or SAR that are the processing dates for purposes of determining eligibility for a late disbursement are: for an ISIR, the field labeled “Processed Date;” for a SAR, the date above the EFC on the first page; and for a SAR Acknowledgment, the date labeled “transaction process date” in the School Use box

### Pell Grant disbursements

If the school receives a valid SAR or valid ISIR within the applicable deadlines, it must disburse the student’s Pell Grant.  
34 CFR 690.61(a)

### **Post-withdrawal disbursements**

A post-withdrawal disbursement, a type of late disbursement, is Title IV aid that was not disbursed before a student withdrew, but which the student has earned based on a Return of Title IV Funds calculation. The conditions and limitations for a post-withdrawal disbursement are the same as for all other late disbursements. However, the requirements for paying a post-withdrawal disbursement are made in accordance with 668.22(a)(4).

### ***Limitations on making a late disbursement***

The regulations prohibit a school from making a late disbursement in certain situations, even if a student otherwise meets the conditions for a late disbursement. A school is prohibited from making:

- a late second or subsequent disbursement of FFEL or Direct Loan funds unless the student has graduated or successfully completed the loan period (34 CFR 668.164(g)4(ii));
- a late disbursement of FFEL or Direct Loan funds to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study (34 CFR 668.164(g)(4)(iii)); and
- a late disbursement of Federal Pell Grant funds to a student for whom the school did not have a valid SAR/ISIR by the deadline established by ED.

Generally, a school may not make a late disbursement later than 120 days after the date the student becomes ineligible. (Note that for an FFEL that was certified prior to the student becoming ineligible, the funds would have to be disbursed to the school by the lender in sufficient time for the school to disburse the funds to the student within 120 days of the date the student became ineligible.) However, on an exception basis, the Department may approve a school's request to make a late disbursement after 120 days if the reason the disbursement was not made during the 120-day period was not the fault of the student or parent.

## Requirements and Procedures for Requesting Approval to Make a Late Disbursement Beyond 120 Days

1. Requests for approval to make a late disbursement after the 120 day late disbursement period must be made directly by a school or its third party servicer. A lender, guaranty agency, or other entity may not submit a request on behalf of a school, regardless of the reason the funds were not disbursed.
2. The school must fax its request on school (or school servicer) letterhead to the Department's Common Origination and Disbursement (COD) School Relations Center at (877) 623-5082. The fax cover sheet should be addressed to:  
  
ATTN: FSA Support Team, "Late" Late Disbursement Approval Requests
3. A separate request must be submitted for each student or parent.
4. A separate request must be submitted for each FSA program, except that a single request may be submitted for approval to make a late disbursement of both a subsidized and unsubsidized FFEL or Direct Loan program loan for the same student and same loan period.
5. Each faxed request must include the information listed below. Failure to provide all of the required information will delay consideration of the request. It is particularly important to explain why the disbursement could not be made before the end of the 120 day late disbursement period allowed by the regulations. Although no specific format for the request is required, we have included a sample request format as an attachment to this letter.

All requests must include:

- Date of request
- School's name
- School's OPE ID
- Contact person's name, title, phone number, fax number, and email address
- Student's (and parent's, for PLUS loans) name and social security number
- Type of aid (Pell Grant, FFEL, Direct Loan, FSEOG, Perkins Loan)
- Amount to be disbursed (gross amount for FFEL and Direct Loan requests)
- A clear and concise explanation as to why the disbursement was not made while the student was still enrolled for the payment period or loan period or during the 120 day late disbursement period allowed by the regulations.

Pell Grant, FSEOG, and Perkins Loan requests must include:

- Award year
- Payment period beginning and ending dates
- Answers to the following questions:
  - Did the student complete the payment period?
  - If the student did not complete the payment period, on what date did the student cease to be enrolled?
  - Date the award was made to the student (FSEOG and Perkins Loan requests only)

FFEL and Direct Loan requests must include:

- Loan type (subsidized, unsubsidized, PLUS)
- Loan certification date (FFEL) or origination date (Direct Loan)
- Loan period beginning and ending dates
- Lender's name (FFEL requests only)
- Award ID (Direct Loan requests only)
- Answers to the following questions:
  - Did the student complete the loan period?
  - If the student did not complete the loan period, when did the student cease to be enrolled at least half time?
  - Does the request involve a late first disbursement of the loan or a late second or subsequent disbursement of the loan?

## CONDITIONS AND LIMITATIONS ON LATE DISBURSEMENTS

<b>THESE CONDITIONS MUST BE MET BEFORE A STUDENT LOSES ELIGIBILITY IN ORDER FOR THE STUDENT TO RECEIVE A LATE DISBURSEMENT (34 CFR 668.164 (g)(2))</b>		
<b>PROGRAM</b>		
Pell Grant	For all Programs, the Department processed a SAR/ISIR with an Official EFC.	
FSEOG		Student is awarded a grant.
FFEL		A loan application is certified.
Direct Loans		An origination record is created.
Perkins Loans		Student is awarded the loan.
<b>THESE ADDITIONAL LIMITATIONS MUST BE SATISFIED BEFORE A SCHOOL MAY MAKE A LATE DISBURSEMENT ( 34 CFR 668.164 (g)(4))*</b>		
<b>PROGRAM</b>		
Pell Grant	School received a valid SAR/ISIR by the date established by ED.	
FSEOG		
FFEL	1 For a first-time, first-year borrower, student completed 30 days of the program. 2 For a second disbursement, student graduated or completed the period for which the loan was intended.	
Direct Loans		
Perkins Loans		

\* For all programs, unless approved by ED, the late disbursement is made no later than 120 days after the date of the institution's determination that the student withdrew. Or, for a student who did not withdraw, 120 days after the student became ineligible.

## Paying a late disbursement

If a school chooses to make a late disbursement of an FFEL or Direct Loan to a student who ceases to be enrolled as at least a half-time student, the school determines the amount of the late disbursement of the FFEL or Direct Loan by determining the educational costs the student incurred for the period of instruction during which the student was enrolled at least half time.

For a student who has completed the payment period or period of enrollment, the school is permitted to credit the student's account to pay for current and allowable charges in accordance with the current cash management regulations. The school must pay or offer any remaining amount to the student or parent.

For a post-withdrawal disbursement to a student who withdrew during a payment period or period of enrollment, a school must follow the rules for paying and/or offering a post-withdrawal disbursement in the regulations governing the Return of Title IV Funds. (See *Appendix G, chapter 2.*)

A school would have to provide notice to a student, or parent in the case of a PLUS loan, when the school credits the student's account with Direct Loan, FFEL, or Federal Perkins Loan Program funds in order to give the student or parent an opportunity to cancel all or a portion of the loan disbursement.

## PROMPT DISBURSEMENT RULES

In general, a school that uses the *advance payment* method must make disbursements as soon as administratively feasible but no later than three business days after receiving funds from the Department or an FFEL lender. The disbursements may be credited to the student's account or made directly to the student or parent, as discussed earlier.

Note that these timeframes for disbursing to the student's account (or directly to the student/parent) are different than those for paying FSA credit balances to the student or parent. A school generally has 14 days to pay an FSA credit balance to the student or parent, unless it has written permission to hold the credit balance.

### Paying or offering amounts not credited to a student's account

A student or parent is never required to accept a late disbursement payment. For example, a student may decline a late disbursement of a loan to avoid taking on debt. In cases where a late disbursement is declined, a school has met the late disbursement requirements by offering the late disbursement funds.

### Post-Withdrawal Disbursement

34 CFR 668.22(a)(4)

### Excess cash rules

- In general, excess cash is any FSA funds other than Perkins that are not disbursed by the end of the third business day after funds are received from the Department. [34 CFR 668.166]
- The regulations specifically exempt schools using the "just-in-time payment method" from this requirement.
- The cash management regulations allow a school to hold FFEL funds for up to 10 days if the student is expected to become eligible in that time.
- [34 CFR 668.167(b) and (c)]
- The verification regulations provide a 45-day exception for holding FFEL loan funds [34 CFR 668.58(c)]

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### Cash management in FFEL

The Cash Management regulations (34 CFR 668.167) establish specific time frames for schools to disburse FFEL Program funds or return the funds to the lender.

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### Returning FFEL funds promptly

For purposes of the cash management regulations and this discussion, returning funds “promptly” means that a school may not delay its normal process for returning FFEL Program funds to lenders. 34 CFR 668.167

## ***Holding FFEL funds if student is temporarily ineligible***

When a school receives FFEL Program funds from the lender by *EFT or master check*, it usually must disburse the funds within three business days. If the FFEL lender provided the loan funds through a *check requiring the endorsement of the student or parent*, the school must credit the student’s account or issue a direct disbursement to the eligible student (or parent borrower) no later than 30 calendar days after the school receives the funds.

In some cases, your school may receive the loan funds at a point when the student is temporarily not eligible for a disbursement—for instance, if the student needs to complete the clock hours or credit hours in the previous payment period (for an academic program without terms). If you expect such a student to become eligible for disbursement in the immediate future, your school has an additional 10 business days to disburse the funds. In effect, this means that your school can wait 13 days after receipt of the EFT or master check (40 days for a check requiring endorsement) to make a disbursement to a student who is expected to regain eligibility during this 10-day window.

A school must return FFEL Program funds that it does not disburse by the end of the initial or conditional period, as applicable, promptly but no later than 10 business days from the last day allowed for disbursement. However, if a student becomes eligible to receive FFEL Program funds during the return period, the school may disburse those funds provided that the disbursement is made on or before the last day of the return period.

The requirement that a school *return funds no later than* a certain number of days means that a school must mail a check or initiate an EFT of FFEL funds to the lender by the close of business on the last day of that period.

## ***Holding Stafford loan funds for verification***

If you have certified or originated an FFEL Stafford Loan for a student who was selected for verification, and the loan funds arrive before verification is completed, your school may hold the loan proceeds for up to 45 days. If the applicant does not complete the verification process within the 45-day period, your school must return the loan funds to the lender.

## EXCESS CASH

As mentioned in the discussion of the advanced payment method, a school must disburse funds no later than three business days following the date the school receives them. *Excess cash* is any amount of program funds, other than Perkins funds and funds received under the just-in-time payment method (see the discussion in chapter 13), that a school does not disburse to students by the end of the third business day. Excess cash must be returned to the Department immediately.

Sometimes a school cannot disburse funds in the required three days because of circumstances outside the school's control. For example, a school may not have been able to disburse funds because of a change in a student's enrollment status, a student's failure to attend classes as scheduled, or a change in a student's award as a result of verification. In view of these circumstances, a school may maintain an excess cash balance for up to seven additional days if the conditions of 34 CFR 668.166(b)(1)(i) are met.

### *Allowable excess cash tolerances*

During a period of *peak enrollment*, a school can maintain an excess cash balance that is less than 3% of the school's total prior-year drawdowns. A period of peak enrollment occurs when at least 25% of the school's students start classes during a given 30-day period. The school is required to eliminate the excess cash balance within the next seven days by disbursing program funds to students for at least the amount of that excess cash balance. Any amount over 3% must be returned immediately.

For any award year, a school calculates the percentage of students who started classes during any 30-day period by:

1. determining the number of students who started classes during that period for the prior award year in which the 30-day period began;
2. determining the total number of students who started classes during the entire prior award year in which the 30-day period began;
3. dividing the number of students in step 1 by the number of students in step 2; and
4. multiplying the result obtained in step 3 by 100.

### **Excess cash cite**

34 CFR 668.166



### **Allowable excess tolerances cite**

34 CFR 668.166(b)

$$\frac{\text{Number of students who started classes in the comparable 30-day period in the prior award year}}{\text{Total number of students who started classes during the entire prior award year}} \times 100 = \text{Percentage of students who started classes during the 30-day period}$$

For any period other than a period of peak enrollment, the school can maintain the excess cash balance if the excess cash balance is less than 1% of the school’s prior-year drawdowns. In this case also, the school is required to eliminate the excess cash balance within the next seven days by disbursing program funds to students for at least the amount of that balance. Any amount over 1% must be returned immediately.

Consider a school that did not participate in the Direct Loan Program during the prior year. Such a school does not have prior-year drawdown data. To arrive at an amount to use for prior-year drawdowns, the school should use the total amount of loans guaranteed under the FFEL Program for students attending the school during the prior year.

## TITLE IV CREDIT BALANCES

A Title IV credit balance occurs whenever a school credits Title IV program funds to a student's account and those funds exceed the student's allowable charges. A school must pay the excess Title IV program funds (the credit balance) directly to the student as soon as possible, but no later than 14 days after:

- the date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period (see *Example 1* on the next page); or
- the first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period (see *Example 2* on the next page).

**A Title IV credit balance occurs only if the total amount of Title IV funds exceeds allowable charges.** For example, if a student's total allowable charges are \$1,500, and credits to the student's account comprise \$1,000 in FSEOG, \$500 in state aid funds, and \$500 in Pell Grant funds, although there is an excess of \$500 on the account, a Title IV credit balance would not exist. This is because the total amount of Title IV funds (\$1,500) does not by itself exceed the amount of allowable charges (\$1,500). If, in this example, the amount of Pell Grant funds credited to the student's account was \$600 rather than \$500, a Title IV credit balance of \$100 would exist: \$100 is the amount by which the total Title IV funds credited to the account (\$1,600) would exceed the allowable charges (\$1,500). The order in which these funds were credited does not matter.

The law requires that any excess PLUS Loan funds be returned to the parent. Therefore, unless the parent has otherwise authorized, if a school determines that PLUS Loan funds created a credit balance, the credit balance would have to be given to the parent. However, if the parent has provided the school with **written authorization** to disburse any excess PLUS funds to the student, the school may follow that authorization.

You have the latitude to determine which FSA program funds create an FSA credit balance. At this time, the Department does not specify how a school must determine which FSA program funds create an FSA credit balance, except to say that Direct Loan funds must be applied to unpaid institutional charges before they can be applied to other charges or disbursed to the student.

Please see *Appendix G, chapter 2* for a discussion of the treatment of credit balances when a student withdraws.

### Credit balances cite

34 CFR 668.164(e)



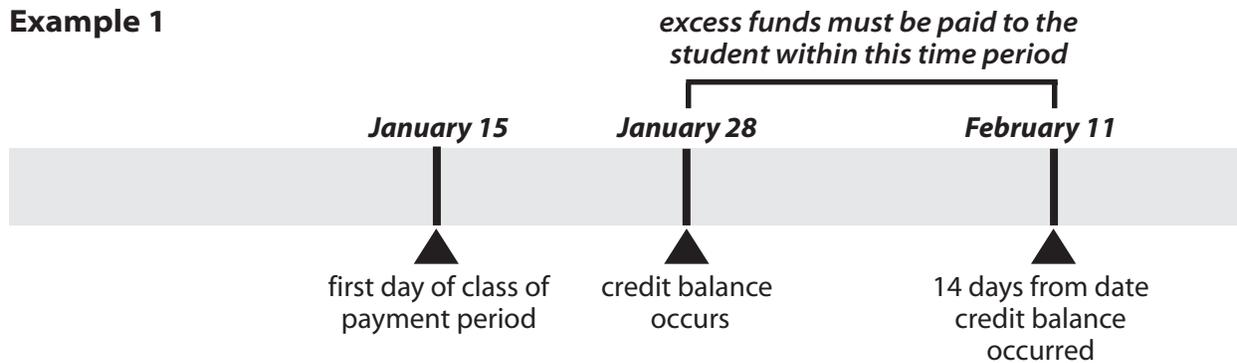
### De minimus credit balances

Schools are required to disburse credit balances to students as soon as possible. However, schools do not have to disburse FSA credit balances of less than \$1.00.

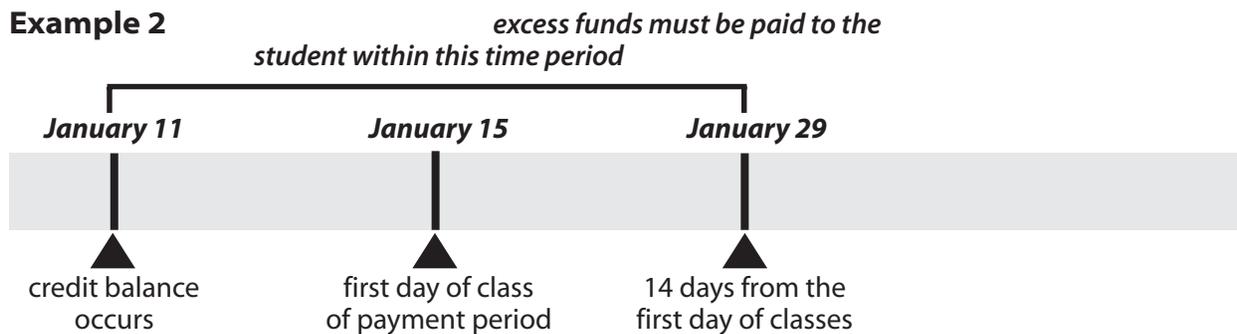


## Payment of a Credit Balance Examples

### Example 1



### Example 2



### *Holding credit balances*

A school is permitted to hold excess funds (credit balances) if it obtains a voluntary authorization from the student or parent. If a school receives authorization to hold excess funds, the school must identify the amount of funds the school holds for the student or parent in a subsidiary ledger account designated for that purpose. The school also must maintain, at all times, cash in its bank account at least equal to the amount the school holds for students. Because FSA program funds are awarded to students to pay current year charges, notwithstanding any authorization obtained by a school from a student or parent, the school must pay –

- any remaining balance on loan funds by the end of the loan period, and
- any other remaining programs funds by the end of the last payment period in the award year for which they were awarded.

If your school has lost contact with a student who is due a credit balance, you must use all reasonable means to locate the student. If you still can't find the student, your school must return the credit balance to the appropriate FSA program(s) and/or lender. The FSA regulations do not set specific rules for determining which funds created a credit balance. However, we encourage schools to return FSA funds to loan programs first to reduce the borrower's loan balance.

The school is permitted to retain any interest earned on the student's credit balance funds. However, the Department may prohibit a school that has been placed on reimbursement from holding excess funds. In addition, if the Department determines that the school has failed to meet the financial standards (see the *Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations, chapter 11*), a limitation may be placed on the school preventing it from holding excess funds for any student.

### **Prior-year charges**

In general, FSA funds may be used only to pay for educational expenses a student incurs in the period for which those funds are provided. However, a school is permitted to use a student's program funds to pay minor prior-year institutional charges if the school obtains the student's or parent's authorization to pay the prior-year charges.

A school may obtain authorization from a student in advance to use FSA program funds to cover prior-year charges that are less than \$100. Before paying prior-year charges for amounts equal to or greater than \$100, in addition to obtaining an authorization, a school must determine that payment would not prevent the student from paying for his or her current educational expenses (including both institutional charges and noninstitutional costs of attendance).

### **Schools are prohibited from allowing FSA credit balances to escheat**

Because program funds are awarded to a student to pay current year charges, notwithstanding any authorization obtained by a school from a student or parent, the school must pay any –

- remaining balance from loan funds by the end of the loan period; and
- other remaining program funds by the end of the last payment period in the award year for which they were awarded.

If a school cannot locate a student to whom an FSA credit balance must be paid (i.e., the school has made a reasonable effort and failed to find the student), the school must return the credit balance to the Department. If a school pays credit balances by check, the school must exercise its fiduciary responsibility to the student and the Title IV programs, and return the credit balance to the programs.

### **Prior-year charges cite**

34 CFR 668.164(d)



A school must determine whether any portion of the credit balance that cannot be delivered is composed of Perkins funds. If Perkins funds are the source of any portion of the credit balance, at the end of the loan period, the school must reimburse its Perkins Loan fund for that amount and report those funds as other income on line 24, Part III, Section A of the FISAP.

### Example of a policy to prevent escheating

Typically, each state establishes the useful life of a check or bank draft used to disburse Title IV program funds. After this established date, the check cannot be negotiated and the proceeds of a check that has not been cashed normally escheat to an unintended third-party (the state or the school).

In state A, a bank check has a useful life of 180 days. In order to prevent Title IV funds from escheating to a third-party, the Business Office at School A, at the end of each month, identifies all outstanding uncashed checks containing Title IV funds. Prior to the 180th day, the Business Office voids the uncashed checks and restores the funds back to the applicable Title IV program.

**Important**

A school has a fiduciary responsibility to –

- safeguard Title IV funds;
- ensure Title IV funds are used only for the purposes intended;
- act on the student's behalf to repay a student's Title IV education loan debt when the school is unable to pay a credit balance directly to the student, and
- return to the Department any Title IV funds that cannot be used as intended.

A school must have in place a procedure to insure that funds do not go to an unintended third-party. Moreover, a school must have a process through which it identifies a credit balance that remains on a student's account or undelivered to the student (or parent, if applicable) and returns those funds to the Title IV programs on behalf of the student. The search for the student should end and the credit balance should be returned to the Department prior to the date the funds would otherwise escheat, but **no later than a few days before a check to the student would cease to be negotiable under state law** (usually 180 days).

Under this process, **Title IV funds would never escheat to a state, the school, or a third party.** A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the Department's regulations.

The Department does not specify how a school must determine which Title IV funds create a credit balance. However, when possible, the Department encourages schools to return Title IV funds to loan programs first to reduce the likelihood of default.

### **School-issued smart cards**

When a school pays a Title IV credit balance to a student by making those funds available through a **school-issued** smart card **over which the school exercises control**, the school is, in effect, holding a student's Title IV credit balance.

A school must obtain a student's permission to hold a student's Title IV credit balance.

Moreover, since a school may not charge a student a fee for accessing his or her credit balance, a school may not charge a fee for withdrawing or spending all or part of that credit balance by using a school-issued smart card. Note that a school may not pay a student's FWS earnings by crediting those earnings to a school-issued smart or debit card without first obtaining additional specific written permission from the student.

### ***Bank-issued stored-value cards***

A stored-value card is a prepaid debit card that can be used to withdraw cash from an ATM or to purchase goods from a merchant. We distinguish a stored-value card from a traditional debit card in this discussion by defining a stored-value card as **not being linked to a checking or savings account**.

Typically, a school enters into an agreement with a bank under which the bank issues stored-value cards directly to students identified by the school. In a payroll or credit balance transaction, the school electronically transfers funds to the bank on behalf of a student, and the bank makes those funds available to the student by increasing the value of the card. Since the funds are transferred from the institution's account to the bank, so long as the school cannot recall those funds to pay other charges for the student without the student's written permission, the transaction would be equivalent to paying the funds directly to the student.

Under the following conditions, providing a stored-value card to a student will be considered equivalent to paying FSA funds directly to a student:

1. The school must obtain the student's authorization to use a stored-value card for paying credit balances or FWS wages, just like the authorization the school must obtain before it makes an electronic funds transfer to a student's checking account.
2. The value of the card must be convertible to cash (e.g., the student must be able to use it at an ATM or branch bank to make a cash withdrawal). In some cases, the cards are branded with the VISA or MasterCard logo, so the card may also be used to buy goods and services. However, we would not expect the school to limit the use of the card to specific vendors.
3. The student should not incur any fees for using the card to withdraw the disbursement from the school over a reasonable period of time.

It appears to be common for ATM withdrawals from the issuing bank to be free, or to provide several free withdrawals per month. So long as ATMs from the issuing bank are conveniently located for the student, it also appears to be reasonable for a fee to be charged if the student chooses to use an ATM that is not affiliated with the issuing bank.

4. Since the stored-value card would be an alternative means for the school to make the disbursement to the student, the student should not be charged by either the school or the affiliated bank for issuing a stored-value card, but it would be reasonable if the student is charged for a replacement card.

5. In order to minimize any risks with disbursing funds to a stored-value card account set up for a student, the account at the bank should be FDIC insured. This means that there has to be an individual account for each student that is FDIC insured.
6. In order for the disbursements to the stored-value card to be treated as payments made to the student, the school cannot make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
7. Since the stored-value card is being set up to disburse Federal student aid funds to the student, this account should not be marketed or portrayed as a credit card account, and should not be structured to be converted into a credit card at any time after it is issued.

The bank may wish to use its relationship with the student to offer other banking services such as checking accounts, savings accounts, or credit cards, but those should not link to the stored-value card account.

8. The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.
9. The school must ensure that its stored-value card process meets all regulatory timeframes. (For example, the student must have access via the card to any credit balance within the 14-day timeframes in 34 CFR 668.164, or to any FWS wages at least once per month.)
10. The student's access to the funds on the stored-value card should not be conditioned upon the student's continued enrollment, academic status, or financial standing with the school.

**Important**

If the procedures of the school issuing the smart card require a student to take some positive action in order to receive a stored-value card and a student fails to take that action, the school must have an alternative means of ensuring the student has access to his or her Title IV credit balance within the time allowed by regulations, and at no cost to the student.

## When a school enters into a contract with a third-party to issue debit, demand, or smart cards

Institutions are increasingly changing the way they disburse funds to students by moving away from issuing checks to transferring funds electronically. In response to this trend, several companies are offering services that include:

- Obtaining the student’s authorization to perform electronic transfers,
- Transferring the funds electronically to the student’s bank account,
- Opening a bank account for the student, and
- Issuing debit cards in conjunction with a participating bank.

Companies that contract with institutions to provide these types of services in some instances become third-party servicers.

The regulations in 34 CFR 668.2 define a third-party servicer as an entity that contracts with a school to administer any aspect of its Title IV programs. Thus, if a school contracts with a company to perform activities that are the institution’s responsibilities under the Title IV programs, the company is a third-party servicer.

**In the contract between the school and the servicer, both parties must agree to comply with all statutory and regulatory provisions governing the Title IV programs, and agree to be jointly and severally liable for any violation by the servicer of these provisions.** Other items that the school and servicer must agree to are described in 34 CFR 668.25 (c). Also, unless a third-party servicer has only one client, the servicer must submit an annual audit of the activities it performs on behalf of the school to the Department, as specified in 34 CFR 668.23(c).

The general guidance previously set out in the discussion under *Bank-issued stored-value cards* applies to debit cards issued by a servicer through a participating bank.

### Schools are ultimately responsible

Schools are responsible for ensuring compliance with the regulations applicable to Title IV credit balances. Those regulations include the requirement to disburse Title IV credit balances to students within 14 days.

**A school that enters into a contract with a third-party servicer to provide debit, demand, or smart cards, through which Title IV credit balances are paid to students must have a system to ensure compliance with all regulatory timeframes.**

### Reminder

Included in the administration of the institution’s participation are all functions required by any statutory provisions of or applicable to Title IV of the HEA, any regulatory provisions prescribed under that statutory authority, and any applicable special arrangements, agreements, or limitations entered into under the authority of statutes applicable to Title IV of the HEA.

### ***Paying room charges to a third-party (pass-through)***

With respect to housing costs, the law allows a school to credit a student's account with FSA funds only to pay for *institutionally provided* housing. Moreover, under 34 CFR 668.164 (d)(1), a school may credit a student's account at the school with FSA, program funds to satisfy current charges for room, if the student contracts with the school.

It is not necessary that the school actually own the student housing. The school may enter into a contract with a third party to provide the institutional housing.

Only when a school enters into a contract with a third party to provide institutional housing, may the school credit FSA funds to a student's account to pay for housing provided by a third party.

FSA statutory and regulatory provisions apply to both the funds used for the housing payment and to the physical location of the housing. Among those provisions are –

*Withdrawals and the Return of Title IV Funds* – A school would have to include the cost of housing as an institutional charge in any Return calculation required under the provisions of 34 CFR 668.22 for the treatment of Title IV funds when an eligible recipient ceases to be enrolled prior to the end of the payment period or period of enrollment.

*Campus Security and Crime Statistics* – Under Section 485(f) of the Higher Education Act (HEA) an eligible school is required to report statistics concerning the occurrence of crimes on campus and in or on noncampus buildings or property that it owns, leases, or controls. A school is considered to have control where it enters into a written agreement with a third party for student housing.

*Civil Rights and FERPA* – The Program Participation Agreement requires a participating institution to comply with the civil rights and privacy requirements contained in the Code of Federal Regulations and the Family Educational Rights and Privacy Act of 1974. The third party must also comply with those requirements.

## POWER-OF-ATTORNEY

### *Power-of-attorney in disbursing FWS and Perkins*

A school may not obtain a student’s power-of-attorney to authorize FWS disbursements unless the Department has granted prior approval (contact your School Participation Team). Your school must be able to demonstrate that there is no one else (such as a relative, landlord, or member of the clergy, for example) who could act on behalf of the student.

Similarly, a school official may not use a student’s power-of-attorney to endorse any Perkins Loan disbursement check or to sign for any Perkins loan advance unless the Department has granted prior approval. Approval may be granted only if –

- the student is not available to sign the promissory note and there is no one else (such as a relative, landlord, or member of the clergy) who could act on behalf of the student;
- the school shows that the funds cannot be directly deposited or electronically transferred;
- the power-of-attorney is not granted to a school official or any other official who has an interest in the loan; and
- the power-of-attorney meets all legal requirements under the law of the state in which the school is located and the school retains the original document granting power of attorney in its files.

### *Power-of-attorney for foreign study (Stafford/PLUS)*

If a student who is enrolled at a foreign school requests it, the lender may disburse Stafford and PLUS funds directly to an eligible foreign school, or to a domestic (home) school in the case of a study-abroad arrangement. The borrower (the student or the parent, in the case of PLUS) must provide power-of-attorney to an individual not affiliated with the school to endorse the check or complete an electronic funds transfer authorization.

#### **Power-of-attorney**

Perkins 34 CFR 674.16 (h)

FWS 34 CFR 675.16(d)

FFEL 34 CFR 682.207(b)(1)(v)(C)(2) and (D)(2)

## RETURNING FUNDS

*This discussion does **not** include the return of FSA funds required when a school must correct an overaward or an overpayment, or the Return of funds required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment. To serve as “Appendix G” in this publication, we are including a copy of the “Federal Student Aid Handbook, Volume 5 – Overawards, Overpayments and Returns.” That volume includes a complete discussion of the requirement to return funds in the aforementioned situations.*

There are a number of reasons why a school may have to return funds to the Department including –

- having FSA funds on hand with no expectation they can be disbursed to other eligible students within three days (excess cash);
- owing the Department for expenditures disallowed during a program review or audit;
- having earned interest on your federal funds (other than in your Perkins account) in excess of \$250.00; and
- holding large Federal Perkins Loan cash balances on hand ((COH) balances on the FISAP).

As mentioned in chapter 12 under the heading *Reconciling federal funds*, you are required to reconcile your federal funds monthly. If your reconciliation reveals that you have FSA funds that must be returned, you can do that – electronically or by check.



In order to have a return applied to the available balance of an award, you must specify “Open Awards.”

This applies to prior-year awards as well. Even though the performance period may have ended, the award is still considered “open” for refunds.

GAPS allows Payees to return money to the Department (including excess interest) using the Electronic Refund Functionality in GAPS for up to 10 years following the end of the award year. From the GAPS main page, you’ll select **Refunds** (to open or closed awards) and click **Initiate Refunds**. You’ll then click continue and, depending on your previous selection, be taken to either **Refunds to Open Awards**, or **Refunds to Closed Awards**. For each award, you’ll see the net amount you’ve drawn down, and the bank account you’ve indicated into which you want ED to make deposits and from which you want ED to withdraw draw refunds and returns. You’ll enter the amount to be refunded/returned and click **continue**.

For complete instructions on returning funds through GAPS, see the GAPS refund manual.

**Only in exceptional circumstances should a school return funds by sending a check instead of using the electronic refund functionality in GAPS.**



If you are returning Pell or Campus-Based funds by check you must –

1. use a separate check for each award year;
2. note the school's D-U-N-S number and the appropriate Program Award Number on the check;

The GAPS lockbox address for Pell and Campus-Based funds is

**U.S. Department of Education  
P.O. Box 979053  
St. Louis, Missouri 63197-9000**

If you are returning Direct Loan funds by check, you must –

1. use a separate check for each award year;
2. note the school's D-U-N-S number, Direct Loan school code, and award year on each check; and
3. include a completed *Direct Loans Return of Cash* form with each check (see DLB 04-06).

The address for returning Direct Loan funds by check is:

**U.S. Department of Education  
Attention Refunds of Cash  
P.O. Box 9001  
Niagra Falls, New York 14302**

A return of Pell or Direct Loan funds, whether made through GAPS or by check, must be offset by a corresponding reduction in COD.

1. All returns of Direct Loan funds must be offset by downward reductions in a borrower's loan in COD.
2. All returns of Pell funds made by a school receiving funds under the Pushed Cash method must be offset by reductions in the student's Pell in COD.
3. All returns of Pell funds previously disbursed (unclaimed credit balances) must be offset by reductions in COD.

Any return of Direct Loan cash of \$100,000 or more must be made electronically. See the discussion under "Returning Funds" (later in this chapter) for more information.

### ***Returning Funds from an Audit or Program Review***

If, as a result of a program review or audit, a school is required to repay Title IV funds, a copy of its Final Audit Determination Letter (FADL) or Final Program Review Determination (FPRD) letter is sent to ED's Receivables and Cash Receipts Team (RCRT) where an account receivable is established for the school. The Department will then, through its billing agent, bill the school for the disallowed expenditures, accrued interest, and penalties, if any. Payment instructions will be included with the bill.

- If a school owes ED \$100,000 or more, it must remit payment through its financial institution by FEDWIRE.
- If a school owes ED less than \$100,000 it must remit payment by check to ED's billing agent.

A school may not reduce amounts reported as net drawdowns on its GAPS Activity Reports to account for expenditures disallowed as a result of an audit or program review. Any Title IV funds returned for this purpose will not be credited to a school's GAPS account.

Unless otherwise directed by the FADL or FPRD letter, a school may **not** adjust its prior-year FISAPs or Federal Pell Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review. Also, the school should send repayments directly to any FFEL Program lender, or to the Direct Loan Servicing Center.

# Common Origination and Disbursement



## COMMON ORIGATION AND DISBURSEMENT

The Common Origination and Disbursement (COD) System was implemented in April 2002 by the Office of Federal Student Aid (FSA). Through COD, FSA has re-engineered delivering and reporting Federal Pell Grants and Direct Loans from two processes into one Common Origination and Disbursement Process. COD has replaced the Recipient Financial Management System (RFMS) and the Direct Loan Origination System (DLOS). All school data for the Pell Grant Program (beginning with 99-00) and the Direct Loan Program (beginning with 02-03) is now stored in and processed by COD.

COD provides –

- access to students' Pell Grant and Direct Loan histories online via a secure Internet accessible web site;
- funding information for the Pell Grant and Direct Loan programs;
- a consolidated and streamlined process for requesting and receiving Pell Grant and Direct Loan funds, and reporting student disbursements in the Pell Grant and Direct Loan programs;
- the ability to process exceptions more quickly, minimizing delays in delivering funds to students;
- a single point of contact for customer service support for all participants in the Pell and Direct Loan programs;
- the opportunity to view, in real time, the same data screens used by customer service representatives at ED;

Please see the Electronic Announcement of March 18, 2003, for more information on accessing the COD system.

The COD system interfaces with –

1. Post-Secondary Educational Participation System (PEPS) to provide a source for data about institutions and their eligibility for Title IV programs;
2. Central Processing Systems (CPS) to process the FAFSA and send applicant data to schools, students and COD;
3. Financial Management System (FMS) & Grant Administration and Payment System (GAPS);

COD sends data to FMS in the process of providing funds to schools via GAPS.

4. Direct Loan Servicing System (DLSS) – COD provides data on all Direct Loans to support the collection and servicing of loans;
5. National Student Loan Data System (NSLDS) – COD provides data to NSLDS for Pell Grant disbursements;
6. Schools – the source of origination disbursement data; and
7. Data Management Collections System (DCMS) and reports data on payments, overpayments and repayment arrangements.

FSA has migrated all RFMS origination and disbursement data for award years 1999-2000 through 2001-2002 to COD. Moreover, COD is now processing Direct Loan archived data for award years 1997-1998 and forward. As a result, schools have to access only on system (COD) to request data and report changes.

- a common record layout that facilitates exchange of student data between servicers, schools and FSA;
- the ability to access aggregate information across programs in order to provide a comprehensive view of a school's transactions and funding information;
- faster turnaround time on data submitted to FSA, and faster delivery of funds to students;
- promissory note linking (linking an existing master promissory note to new loans by matching certain data elements);
- information to support a comprehensive student view of financial aid data at your school, and
- enhanced reconciliation and cash management tools.

COD began processing all schools' origination and disbursement data for award year 2002-2003. Schools can access the COD web site at

**[www.cod.ed.gov](http://www.cod.ed.gov)**

to process and view Pell Grant and Direct Loan data from Award Year 2002-2003 forward.

### **Customer Service**

The COD Technical Reference should be your first stop for information about the COD system. You'll find it at the FSA Download site

**<http://fsadownload.ed.gov/index.htm>**

To assist with your school's questions and help resolve issues COD customer service representatives are available Monday through Friday from 8 a.m. – 8 p.m. Eastern Time to answer your questions.

For assistance with the Direct Loan program, call

**1-800-848-0978**

For assistance with the Pell Grant program, call

**1-800-474-7268**

You can email your COD questions to

**[CODSupport@acs-inc.com](mailto:CODSupport@acs-inc.com)**

Each school is assigned a Primary Customer Service Representative (CSR). The CSR is available to –

- answer COD processing questions about both the Pell Grant and Direct Loan programs;
- assist in obtaining access to the COD web site as well as navigating through it; and
- assist with any additional concerns or questions regarding COD.

If you need to send documents to COD, use the following addresses:

Mail all Promissory Notes to

**US Department of Education  
P.O. Box 5692  
Montgomery, Alabama 36104-5692**

Send Promissory Notes overnight to

**US Department of Education  
601 TechnaCenter Drive  
Montgomery, Alabama 36117**

Request Bulk Mail of Direct Loan documents from:

**ED Pubs  
P.O. Box 1398  
Jessup, Maryland 20794-1398**

Students and parents send promissory notes and correspondence to:

**US Department of Education  
P.O. Box 5691  
Montgomery, Alabama 36104-5691**

Schools electing **not** to use ED printed MPNs, submit sample MPNs for review, testing, and approval to:

**COD-Document Testing  
P.O. Box 5691  
Montgomery, Alabama 36103-5691**

Note: Documents and shipping packages must be clearly marked *For Testing Only*.

## **Record Layout**

All participants now use the Common Record in Extensible Markup Language (XML) format to submit Pell Grant and Direct Loan origination and disbursement data to the COD System. COD will continue to process applicable Pell and Direct Loan phase-in participant data for prior award years.

*Participants should refer to the 2005-2006 COD Technical Reference, Volume II - Common Record Full Participant Technical Reference for record layouts and processes.*

Schools may submit data to the COD system in award year 2005-2006 in three ways:

1. over the Student Aid Internet Gateway (SAIG) through batch processing of Common Record documents;
2. using the COD web site via entry of Common Record data; and
3. via EDEExpress.

# The Business Office and the Federal Pell Grant Program



*This chapter assumes that confirming student eligibility and determining the appropriate Federal Pell Grant award are financial aid office responsibilities that have been satisfactorily completed before the business office is notified of a student's award. The primary responsibilities of the business office in the Federal Pell Grant Program (Pell Grant) are drawing down, reconciling and returning Federal Pell Grant cash.*

## THE FEDERAL PELL GRANT PROGRAM

For students who qualify, the Federal Pell Grant (Pell Grant) Program is the foundation of Federal Student Aid (FSA). Pell Grants provide undergraduate students who have financial need and meet the other requirements for FSA assistance with a foundation of financial aid to help defray the costs of postsecondary education. Other forms of financial aid can then be added to a student's Pell Grant to help meet the student's full need. Unlike other programs such as the Campus-Based programs, schools don't have to make decisions about who receives Pell Grant funds or how much they receive. ED pays Pell Grant funds to all eligible students, and standard formulas determine how much each student receives.

For more information about the Federal Pell Grant program, please see "the Federal Student Aid Handbook, Volume 3 – Calculating Awards and Packaging," and "Volume 4 – Processing Aid and Managing FSA Funds."



## DEFINITIONS

Some terms we use in this chapter such as award year, academic year, and standard or nonstandard terms, are also used for other FSA programs. Other terms such as *Scheduled Award* and *annual award* are only used in the Pell Grant Program.

### ***Scheduled Award***

A primary concept in the Federal Pell Grant Program is the *Scheduled Award* – the amount a full-time student would receive during an academic year for a given cost of attendance (COA) and Estimated Family Contribution (EFC). The Scheduled Award assumes a student is enrolled full time for a full academic year. Therefore, a student will receive less than a full Scheduled Award if he or she does not complete or attend a full academic year.

The concept of the Scheduled Award is important because it limits the student to a maximum payment for an award year. The Scheduled Award can't be exceeded, even if the student transfers to another school or attends for a period longer than one academic year during the award year (e.g., by attending a summer session considered part of the same award year).

## **Annual Award**

The annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. (*For a full-time student, the annual award will be the same as the Scheduled Award.*)

## **Award Year**

The award year begins on July 1 of one year and ends on June 30 of the next year. For example, the 2005-2006 award year begins July 1, 2005, and ends June 30, 2006. A student can't be paid more than one Scheduled Award during an award year.

## **Academic Year**

Your school must define the academic year for each of its programs of study. After doing so, you must use that definition for all FSA purposes. The law and regulations provide minimum requirements for an academic year. A defined academic year must contain at least 30 weeks of instructional time during which a full-time student is expected to complete at least 24 semester or trimester hours or 36 quarter hours at a school measuring program length in credit hours, or at least 900 clock hours at a school measuring program length in clock hours.

## **Financial Need in the Pell Grant Program**

A student's eligibility for a Pell Grant is determined when the Department's *Central Processing System (CPS)* applies the Federal Needs Analysis formula to data a student and the student's parents, if applicable, provide on the *Free Application for Federal Student Aid (FAFSA)*.

When applied to the data from a student's FAFSA, the formula produces an *Expected Family Contribution (EFC)*. The lower the EFC, the greater the student's financial need. Thus, the neediest students will have an EFC of 0 and may be eligible for the maximum Pell Grant award for the year (if their COA is high enough and they are attending full time for a full academic year).

## **Output Documents**

After the EFC is computed by the CPS, it is included, along with the student's application information, on the student's *output document*. There are two types of output documents, *Institutional Student Information Records (ISIRs)* and *Student Aid Reports (SARs)*. An ISIR is a computer-generated electronic record sent to a school by the CPS. The SAR is a paper document sent to the student by the CPS. These output documents (ISIRs and SARs) contain the student's application information, the EFC, and the results of several database matches automatically conducted by the CPS.

To pay a student a Pell Grant, the school must have a valid output document for the student. A valid output document is one where all the information used to calculate the EFC is complete and accurate. Once the school has received a valid output document, assuming all other eligibility requirements are met, the school **must** pay the student.

## CHOOSING A FORMULA

The regulations specify different ways of calculating Pell Grants. The formula your school uses depends on the type of program the student is enrolled in. Once your school chooses a formula, the aid office must use the same formula when calculating Pell Grant awards for all students in the same program of study for the entire award year.

Two other variables combine with the EFC to determine the amount of a student's Pell Grant –

1. the cost of attendance at the school the student is attending; and
2. the student's enrollment status (full-time, half-time, etc.).

## DETERMINING ENROLLMENT STATUS

Your financial aid office will determine a student's enrollment status based on the number of credit or clock hours for which the student is enrolled. A student's enrollment status determines the Pell Grant Payment Schedule the financial aid office uses to determine the student's annual award.

## CALCULATING THE COST OF ATTENDANCE

The components your financial aid office uses to calculate a student's Pell Grant COA are the same as those it uses to calculate the COA for the other FSA Programs. (See the *Federal Student Aid Handbook, Volume 1 – Student Eligibility* for a list of those components.) However, unlike the other programs, the Pell Grant COA used by the financial aid office is always based on costs for a full-time student for a full academic year.

For Pell Grant, costs for programs or enrollment periods longer or shorter than an academic year are prorated or adjusted so that the costs used to determine a student's grant are the costs for a full academic year. This is true for both parts of the academic year definition, the number of weeks and the number of clock/credit hours. If the program or period of enrollment differs from the defined academic year in either part, the financial aid office must prorate costs to determine the Pell Grant COA.

**Pell Grant Formulas, cite**

34 CFR 690.63



For a complete treatment of determining a student's PELL award, see "the Federal Student Aid Handbook, Volume 3 – Calculating Awards and Packaging." 

## DETERMINING THE ANNUAL AWARD

Once your school has determined a student's COA, it can use the appropriate Payment or Disbursement Schedule to look up the student's annual award. For students in credit-hour, term-based programs, the financial aid office looks up the annual award on the full-time Payment Schedule, three-quarter-time, half-time, or less-than-half-time Disbursement Schedule, depending on the student's enrollment status. For students enrolled in clock-hour or nonterm credit-hour programs, the financial aid office always determines the annual award payment using the full-time schedule, even if the student is attending less than half time. **Schools do not have the discretion to refuse to pay an eligible part-time student.**

For a complete treatment of student eligibility, see "the Federal Student Aid Handbook, Volume 1 – Student Eligibility." 

## CONFIRMING STUDENT ELIGIBILITY

Before informing the business office that a student will be receiving a Pell Grant your financial aid office must ensure that the student is eligible. An aid officer will have confirmed (in part) that the student –

1. is a regular student enrolled, or accepted for enrollment, in an eligible program at your eligible school, and is not enrolled in either an elementary or secondary school;
2. for purposes of the Federal Pell Grant Program –
  - a. does not have a baccalaureate or first professional degree; or
  - b. is enrolled in a postbaccalaureate teacher certificate or licensing program;
3. is not incarcerated;
4. satisfies the appropriate citizenship and residency requirements;
5. has a high school diploma or its recognized equivalent; or
  - a. has obtained a passing score on an independently administered *Ability-to-Benefit (ATB)* test as described in the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*, and *Volume 2 – School Eligibility and Operations*; or
  - b. has completed a qualifying home-schooled program as described in the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*, and *Volume 2 – School Eligibility and Operations*;
6. is maintaining *satisfactory academic progress (SAP)* in his or her course of study;

7. is not disqualified for having defaulted on an FSA loan, or for exceeding annual or aggregate loan limits made under any FSA loan program;
8. does not own property subject to a judgment lien for a debt owed to the United States;
9. if applicable, satisfies the requirements for enrollment in telecommunication and correspondence courses, and in study abroad programs, respectively; and
10. meets the individual program eligibility requirements.

At the same time, the aid office may also examine the student's eligibility for other FSA programs by confirming that the student is–

- for purposes of the FFEL and Direct Loan programs, is at least a half-time student and is not incarcerated in a federal or state penal institution; and
- for purposes of the FSEOG Program, does not have a baccalaureate or first professional degree.

## PELL GRANTS AND COD

Once your financial aid office determines a student is eligible to receive a Pell Grant at your school the office will create and submit award (origination data) and disbursement data in the COD system described in chapter 15.

*Award data*, submitted to originate an award, does not include actual disbursement dates and amounts. Therefore, your school can originate Pell awards as early in the award cycle as it chooses. By submitting award data early your aid office can allow time to correct data that later might delay acceptance of actual disbursements.

Creation of an award, and acceptance of that award in the COD system, establishes the framework through which your school later can tie the individual student's Pell Grant disbursement to your school.

A school may submit *disbursement data* in advance of the actual disbursement date with the *Disbursement Release Indicator (DRI)* set to *True*. If your school submits disbursement data more than 30 days in advance of the actual disbursement date, you must set the DRI to *False* to alert the system that you are not actually requesting funds.

When a school may submit actual disbursement data depends on the way ED provides FSA funds to the school (as described in chapter 13). To create an actual disbursement record, your school must set the DRI to *True*.

Although COD will accept disbursement records 30 days before the payment date, COD will not generate a funding increase until seven days before the payment period. For example, if the school sends disbursement data on October 1 that has an October 30 payment date, COD will accept the data but will not create and send a funding transaction to GAPS until October 23.

Advanced Funded schools may submit actual disbursement records up to 30 days in advance of the intended disbursement date. Just-in-Time or HCM1 schools can submit actual disbursement records up to seven days in advance of the intended disbursement date. A school operating under the Reimbursement or HCM2 methods may not submit actual disbursement records in advance of the disbursement date. For schools on either HCM2 or Reimbursement, School Participation will not initiate a drawdown of Pell Grant funds through GAPS until –

1. the school has made a disbursement to the student from the school's own funds; and
2. FSA School Participation has reviewed the required documentation.

Setting the DRI to *False* allows your school to submit *anticipated* disbursement data more than 30 days in advance of the intended disbursement date, regardless of funding method. The DRI set to *False* alerts the COD system that you are not actually requesting funds.

At the beginning of each year, Advance Funded schools receive an Electronic Statement of Account (**ESOA**) with an initial Current Funding Level (**CFL**) based on an estimate of the Pell Grant Funds the school will need to cover its first payments. (CFL is the equivalent of what has commonly been referred to as an authorization in GAPS.) An initial CFL is created in May and does not increase in COD nor in GAPS until that initial level has exceeded through submission of disbursement records. A school cannot draw money in GAPS that exceeds its CFL.

As a school reports disbursements in COD, COD makes any necessary adjustments to the CFL based on the actual dollar amount of those disbursements. When COD has accepted and posted enough actual disbursements to exceed the CFL, a new ESOA is generated and sent to the school. Note that a subsequent ESOA is generated only when the CFL is exceeded or decreased, not each time a disbursement is accepted. Only accepted, actual disbursements drive funding.

Funding is not made available and the CFL in GAPS increased by the accepted disbursement amount until seven days before the actual disbursement date. All disbursement records (increases or decreases) must be submitted within 30 days of the date the school becomes aware of a Pell Grant change. Failure of a school to comply with the 30-day reporting requirement may result in its Pell Grant allocations being reduced.

Pell Grant CFL adjustments are generally school generated, resulting from schools' submission of disbursement increases and decreases throughout the year. However, these adjustments may also be system generated, as the result of a negative pending amount or

potential overaward (POP). A negative pending amount occurs when the sum of actual Pell Grant disbursements is greater than the award amount. (Negative pending amounts and POPs are updated daily.)

If the school does not increase the award amount or decrease the disbursement by at least the negative pending amount within 30 days, COD will reduce the disbursement with the highest disbursement number and send a system generated Negative Disbursement Response to the school.

A POP occurs when the combination of payments reported by more than one school would cause the student to receive more than a Scheduled Award. In this case, COD will accept and process the disbursement and send a Multiple Reporting Record (MRR) to all schools involved. The student will be allowed to remain in an overaward status for 30 days, after which each school involved will receive a negative disbursement decreasing all previously accepted disbursements for the award year to zero.

It is important to remember that system generated Pell Grant CFL adjustments, as well as school-generated adjustments, (upward or downward) directly affect the CFL or authorization reported in GAPS. Failure to consider this may result in difficulty when reconciling Pell Grant Program funds. Too often, schools overlook the possibility that a system-generated adjustment is the cause of a discrepancy between their own and Department records, choosing to focus only on the disbursements they submitted.

In addition to the daily system generated reductions, COD creates three types of Pell Grant global reductions that occur several times a year and are part of funds control measures.

The first Pell Grant global job is the *Reduction to the Net Accepted and Posted Disbursements*. COD runs this job in late winter and reduces school authorization levels from the amount of the Initial Authorization down to the level of net accepted and posted disbursements. For example, if a school received \$1,000,000 as an Initial Authorization in May and only submitted \$750,000 in disbursement records by January, COD will reduce the authorization level by \$250,000 from \$1,000,000 to \$750,000.

The second Pell Grant global job is the *“W” verification reduction*. Schools are permitted to make a first payment to a student without verifying student income and eligibility data on selected students, but before the end of the award year they must change the “W,” for Processed Without Verification, to either a “V,” “S,” or blank. In the second half of the award year (generally in April), COD will generate warning messages to affected schools telling them that they have 30 days to change the verification code. After these 30 days, COD runs a global job that reduces the awards of students who are still coded “W” to zero.

The third Pell Grant global job is the *Reduction to GAPS Net Drawdown*. COD runs this job after the award year ends, generally in March after the end of the award year. For example, if a school had an authorization of \$1,000,000 and only drew down \$750,000 in cash in GAPS, COD will reduce this school's authorization by \$250,000 to \$750,000. A school where authorizations exceed draws apparently does not need the extra funds. Moreover, the school is not abiding by the 30 day reporting requirement, and its accounts are not reconciled. The school should have submitted decreases to their disbursement records so that the authorization level, the amount of the disbursement records, and the GAPS drawdown are equal.

### ***Unprocessed Deobligations***

*Unprocessed Deobligations* are negative available balances that are generally created when a school submits disbursement decreases and those decreases cause the CFL to fall below the amount already sent to the school by GAPS.

Unprocessed Deobligations occur routinely during the course of an award year when financial aid administrators submit decreases to disbursement records for which the Business Office has not yet submitted cash refunds to GAPS. However, these discrepancies should be cleared up as the award year ends. In the Pell Grant and Campus-Based programs, unprocessed deobligation that exist after a year has closed will result in audit findings that a school must resolve.

Unprocessed Deobligations are unlikely to occur while large numbers of disbursement increases are being reported to COD. However, during periods where few or no disbursement increases but numerous disbursement decreases are being reported, an Unprocessed Deobligation may easily occur. An example of this would be where a school has reported most of its Pell Grant disbursements for students in a term, and drawn funds through GAPS equal or nearly equal to the Pell Grant CFL. Adjustments are then made to account for students who failed to begin attendance, withdrew, or whose enrollment status differed from what was initially anticipated. These adjustments (reported as disbursement decreases) result in a Pell Grant CFL that is now less than the amount already drawn from GAPS on that Pell Grant award.

Frequent reconciliation of business office and financial aid office records throughout the award year is the surest method of avoiding Unprocessed Deobligations or quickly resolving them when they do occur. Resolution can be accomplished by –

- refunding the amount of the Unprocessed Deobligation;
- submitting disbursement records that cover the amount of the Unprocessed Deobligation; or

- making an electronic adjustment in GAPS if the Unprocessed Deobligation was caused by a school making an error in the drawing down cash from the wrong program or award year.

If an Unprocessed Deobligation is listed on your GAPS account and you have made a refund, you need to contact the GAPS help desk as soon as possible to get the Unprocessed Deobligation resolved.

As final, year-end reconciliation of Pell Grant funds should be completed by the end of March following the close of an award year; no Unprocessed Deobligations should remain beyond that point. When this does occur, the Department will have customer service staff call you, and will mail warning letters to affected schools apprising them of the steps that need to be taken and the consequences of failing to take those steps.

## DISBURSING PELL GRANT FUNDS

For the most part, schools must disburse Pell Grant funds according to the general rules for disbursing FSA funds described in chapter 14. However, there are some rules for disbursing Pell Grant funds that the business office should be aware of so it can serve as a check on financial aid office procedures.

Some students who are ineligible at the start of an award year become eligible later in that year. When a student becomes eligible for FSA funds in the middle of an award year, the student's eligibility for funds during that year is dependent **both** on the FSA program and on the date the student becomes eligible.

For Pell Grant (and Campus-Based) aid, in general, a student becomes eligible beginning with the payment period in which the eligibility issue was resolved. So a student enrolled at a school offering classes in an academic year composed of a fall and a spring semester who gains eligibility during the spring semester would only be eligible for Pell Grant and Campus-Based aid for that semester.

However, there are three exceptions. If the student's initial ineligibility was due to an issue related to the –

1. requirements for citizenship;
2. validity of the student's social security number; or
3. student's registration for selective service;

and the student resolves that issue during the spring term, the student becomes eligible for Pell Grant and Campus-Based aid retroactively to the beginning of the award year.

**Paying Pell Grant in a lump sum, cite**

34 CFR 690.76(b)

**Clarification**

In all cases, when a school receives Pell Grant funds for a student who has already completed one or more payment periods for which the student was eligible to receive funds in the award year, the school may pay the Pell Grant funds in one lump sum for the current payment period and all the prior payment periods for which the student was eligible within the award year. However, **the student's enrollment status for any term already completed must be determined according to academic coursework actually completed.**

For example, consider a student who registered for and began 12 credits (four courses of three credits each) in the fall term, but completed only nine credits (three courses). If the student's Pell Grant funds are not received until the spring term, the school may only pay the student for the fall term using the schedule (3/4 time) for nine credits.

Moreover, if the student received a "B" in two classes and a "F" in the third, the school must determine if the student completed the course in which the student received the "F." That is, a school must have a procedure to differentiate between a student who completed a course but failed to achieve the course objectives, and a student who did not complete the course. **In determining a student's enrollment status for Pell Grant funds for a term that has already ended, a school may not include credits for a course the student failed to complete.** For additional information on procedures a school may use to determine whether a student completed a course, see *Appendix G, chapter 2*.

A single disbursement for a payment period (excluding payments for terms a student has already completed) can never be more than 50% of the student's Annual Award. If the amount of Pell Grant funds a student is eligible to receive within a single payment period is more than 50% of the student's Annual Award, you must pay those funds in at least two disbursements, regardless of whether the term is a standard term or nonstandard term.

Within a payment period, so long as a school does not violate an existing disbursement regulation, the school may pay a student at such times and in such installments as it determines **will best meet the student's needs.**

## RECOVERY OF PELL GRANT OVERPAYMENTS AND RESTORING THE PELL GRANT FUND

A Pell Grant overpayment occurs any time a student receives a payment of Pell Grants funds that exceeds the amount for which he or she is eligible. Most overpayments are due to one of the following:

- Student error, such as failing to report the spouse's income on the application, or failing to report attendance and financial aid received at a previous school.
- School error, for instance when a student's award is taken incorrectly from the Payment Schedule, or when the school pays a student who isn't making satisfactory progress.
- Required recalculations, such as when a student never begins attending class or does not begin attending all of his or her classes.
- Required Repayments, for instance, when the school makes an interim disbursement to a student selected for verification, but the student never completes verification.
- Return of Title IV funds, in cases where the calculation determines that a student who has withdrawn or otherwise ceased enrollment during a payment period or period of enrollment must repay an unearned portion of his or her Pell Grant award.

If the overpayment is the result of a school error the school **must** restore its Pell Grant fund by the amount of the overpayment.

A school may **choose** to restore the fund for an overpayment that is the result of student error and, consequently is a student liability. However, it is not required to do so. If a school chooses to return an overpayment for which a student is responsible, and debit the student's account for the amount returned, the resultant debt can never be considered an FSA debt. It is a debt to the school.

A Return of Title IV funds calculation may result in the school, the student, or both having to repay money to the Pell Grant Program. As noted above, the student portion of any Pell Grant award that must be returned is considered an overpayment for which the student has responsibility. For more information about the Return of Title IV Aid requirements, see *Appendix G, chapter 2*.

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### Pell Grant overpayments, cite

34 CFR 690.79

Generally, amounts restored to the school's Pell Grant fund may be used to pay Pell Grant awards to other students. These recovered funds represent cash on hand and must be taken into account when determining cash needs and making drawdown requests through GAPS. Failure to do so may result in an accumulation of excess cash in the school's Pell Grant fund.

Recovered Pell Grant funds that the school does not need to pay awards to other students, or does not wish to use for this purpose, must be returned to the Department, using the Electronic Refund function in GAPS.

## RECONCILIATION IN THE PELL GRANT PROGRAM

To fulfill its responsibility to safeguard federal funds and ensure they are expended as intended, **a school must perform reconciliation in each FSA program monthly**. Through reconciliation, a school ensures that ED's records reconcile with the school's records, both at the cumulative and individual student levels.

Monthly reconciliation for the Pell Grant program should include verifying that **individually and cumulatively** the –

1. records of awards made to students maintained by the financial aid office match the records of pending disbursements for those students maintained by the business office;
2. business office records of pending disbursements and financial aid office records of student awards match the records of actual disbursements posted to the students' accounts;
3. the disbursements posted to students' accounts match the disbursements to those students in the COD system; and
4. cumulative school and COD records of Pell Grant disbursements match Net Draws in GAPS for the award year Pell Grant Program.

Monthly reconciliation is an important internal control procedure and it can make a significant contribution to increasing the overall program integrity of the FSA programs.

## Reconciling school-level data

Whether you maintain your records electronically or on paper, comparing the records of Pell Grant awards made to students by the financial aid office to the records of those awards maintained by the business office is straight forward. Likewise, comparing the reconciled business office/financial aid office records to the Pell Grant disbursements recorded in individual student accounts is not complex. If awards recorded by the aid office automatically populate the business office records, the data should always agree.

If your school's processes are automated, your systems' staff can create a program that compares the relevant data elements and generates an exceptions report that identifies discrepancies between the three sets of data. Reconciliation of school level data functions is an internal control check mechanism. By reviewing the exception report on a daily basis, the bursar not only ensures that the school's internal records agree, he or she also confirms that the school's system for communicating data between offices is functioning correctly.

## Reconciling school-level data with COD

An ongoing reconciliation process with COD will help avoid, or greatly minimize, post-deadline adjustments. Moreover, because each office has access to and expertise with data needed to facilitate the process, cooperation between the business and financial aid offices is essential if reconciliation of Pell Grant program funds is to be successful. For example, the financial aid office will likely be the source of information and reports from the COD system, whereas the business office is generally responsible for GAPS and student accounts. While it is possible and even advisable for financial aid and business office staff to be able to view information in each other's systems, there is no substitute for the direct involvement of professionals in each office in the reconciliation process.

Some schools reconcile institutional records with the *Net Accepted and Posted Disbursements* in the COD system for each submission of Pell Grant disbursement data during the year. At a minimum, this data should be reconciled monthly. There are various COD reports your school can use in reconciling school level Pell Grant records of individual awards to students with individual student records maintained in COD.

The **Reconciliation File** (Reconciliation Report) is a one-record summary of the award and disbursement data in COD for an individual student. This report is especially useful for reconciling the total Pell Grant disbursement per student in a school's records, with the total per student in COD. The Reconciliation Report can be helpful to a school as the school completes both ongoing and year-end reconciliation processes

## Internal controls in automated systems

Since no one person may have the ability to change data that affect both authorization and disbursement, if award entries made by the financial aid office automatically roll over and populate award fields in the business office, then the separation of functions must take place elsewhere.

For example, if your system automatically awards funds based on a student's budget, then your system must insure that only employees with a special security standing can change those budgets or otherwise modify a student's award. In addition your system must be able to identify any employee who makes a change to a data element that can affect the level of a student's award (anyone who initiates a budget or award override).

## COD reports, cite

"The 2004-2005 Common Origination and Disbursement (COD) Technical Reference, Volume VIII, Section 8" is at



<http://ifap.ed.gov/cod/0405CODTechRefDraft.html>

## The Pending Disbursement List report

contains disbursements not yet funded in COD. This "list by student" reports all anticipated disbursements received and accepted, but not yet made, in a school's Pell Grant Program.

In addition, the Pending Disbursement report lists any actual disbursements accepted by COD with disbursement dates 8–30 days in the future. This report is helpful to a school trying to determine the amount of funds to draw through GAPS.

## The Funded Disbursement List report

is available to schools using the Just-in-Time (Pushed Cash) payment method. This report provides a listing by student of all actual disbursements that have been accepted and funded in COD.

A Year-to-Date Record (**YTD Record**) can be requested for an individual student or for all Pell Grant recipients at a school. A YTD Record contains more detailed origination and disbursement data than a Reconciliation Report. The YTD Record can be used to replace a corrupt database or to reconcile school records with accepted data in COD.

The YTD record shows the award information that COD is using for each student. You can view each individual disbursement as well as the total disbursed to a student for the year. The YTD *Summary* will show total number of recipients at your school, and the number of awards, and disbursements that were accepted, rejected, or corrected. The detailed information in a YTD record can help your school resolve discrepancies between school and COD data.

You should speak with your school's administrative software systems specialists about creating a program that compares –

- COD student level data; to
- student Pell Grant award information maintained separately by the financial aid office; to
- Pell Grant funds posted to each student's account

and reports exceptions. The COD School Relations staff at

**1-800-474-7268**

is available to help you identify the elements in the COD reports that will be helpful in the process.

If you identify a discrepancy between COD and your school for a specific student, you can request a YTD Record for that student and examine each separate disbursement in order to locate the source of the discrepancy.

If you are using a COD report in the reconciliation process and you identify discrepancies, the following are examples of conditions that might cause them:

- A recipient's disbursement data appears on the school's records for an award amount less than the amount shown in the COD system;
- A recipient's data appears on the school's records for an award amount greater than the amount shown in the COD system;
- A recipient's disbursement data appears on the school's records but does not appear in the COD system.

## Reconciling with GAPS

In reconciling its institutional records a school confirmed that the record of a student's Pell Grant award as calculated by the financial aid office and the record of that award posted to the student's account by the business office agree. By reconciling those school records with the individual student-level disbursement data in COD, the school confirmed that ED has accepted a school's request for those funds, and forwarded that request to GAPS. On a monthly basis, a school should also reconcile the record of its Pell Grant award in the GAPS system with the record for that award in the COD system and with the school's records of awards in the program.

The primary GAPS functions a school should use in reconciling are the *GAPS Activity Report (Activity Report)* and the *GAPS Award Balance Report (Balance Report)*.

The Balance Report lists the authorizations, net draws, and available balance for each of a school's awards. It provides a school with the opportunity to verify that the school's record of net drawdowns and available balance in the Pell Grant Program agree with that in GAPS and COD. The *Net Draws* in the GAPS Balance Report should match *Net Drawdowns* in COD, and that figure should match the school's records of deposits made to its Pell Grant account and net awards posted to student accounts. (In most cases, the *Authorization* reported in the GAPS Balance Report will also match the *Current CFL* on the School Funding Information page in COD.)

If you have difficulty reconciling your net drawdowns, you can use the Activity Report to compare more detailed information. The Activity Report is essentially a bank statement for a school's GAPS awards that a school can create whenever it wishes. The Activity Report displays both cumulative and detailed information on drawdown activity, refunds, and authorization changes for each grant award. The report is divided into two separate tables – a cumulative summary table and a detail table.

The GAPS system contains data on all of a school's active awards, from the start of the award period to the present date. A school can specify both a specific award (Pell Grant, Direct Loan, FWS, etc.) and time period it wants included in the Activity Report.

You can access the Activity Report and Balance Report using GAPS External Access. From the GAPS main page, you'll select **Reports** and when you're taken to a the *Reports Menu* page, select the report you want to display.

If you select **Balance Report**, you'll be taken to the report for the report for the Payee that you signed in as. If you select **Activity Report** the system will automatically populate the fields *Payee DUNS/SSN* and *Payee Name*. Next to the field *PR/Award Number*, you will enter the award number for your school's Pell Grant award. Then, next to the field *Period*, you will enter the starting and ending dates you want included in your report.

If you want to examine your drawdowns for only the month of September 2005, next to *From* you would select **September** from the drop-down menu and enter **2005** in the next field. Then, next to *Through*, you would select **September** from the drop-down menu and enter **2005** in the next field. The system will create and display the Cumulative Summary Table for the period September 2005.

If it's October 3, 2005 and you want to examine your drawdowns so far for the 2005 award year, next to *From* you would select **July** from the drop-down menu and enter **2005** in the next field. Then, next to *Through*, you would select **September** from the drop-down menu and enter **2005** in the next field. The system will create and display the Cumulative Summary Table for the period July 1, 2005 through September 30, 2005.

The Cumulative Summary Table provides summary information on activity that occurred on the selected grant for the period chosen. On the left side of the Cumulative Summary Table is a column headed *Row ID*. By selecting the gray numbered box on the left of the appropriate row, you can access The Detail Table for the selected award. The Detail Table shows the detail (individual) transactions that make up the Cumulative Summary Table in chronological order. If your net drawdowns don't match, you can use the record of individual drawdowns in your search for the source of the discrepancy.

For help with drawdown discrepancies in the GAPS system call the GAPS Help desk at

**1-888-336-8930**

# The Business Office and the Direct Loan Program



## OVERVIEW OF THE DIRECT LOAN PROGRAM

The William D. Ford Federal Direct Loan Program (Direct Loan Program) was authorized under Title IV of the Higher Education Act of 1965, as amended (HEA) when the Student Loan Reform Act of 1993 was enacted. It began operation in the 1994-1995 award year. A major source of federal student financial assistance, the Direct Loan Program provides low-interest loans to eligible borrowers to cover postsecondary education costs. The Direct Loan program uses funds provided by the federal government, and makes loans available directly through participating institutions.

### *Types of Direct Loans*

The following types of loans are available through the Direct Loan Program:

*Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)* are made to students (undergraduate, graduate, and professional) who demonstrate financial need. Borrowers are not charged interest while they are enrolled in school at least half time and during grace periods and deferment periods. When borrowers cease to be enrolled at an eligible school on at least a half-time basis, a six-month grace period begins. The repayment period for a Direct Subsidized Loan begins and interest begins to accrue the day after the grace period ends.

*Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)* are made to students (undergraduate, graduate, and professional). They do not require students to demonstrate financial need. Borrowers are responsible for the interest that accrues during all periods over the life of a Direct Unsubsidized Loan. During periods of enrollment and the grace period borrowers may choose to pay the interest, or have it capitalized. When a borrower ceases to be enrolled at an eligible school on at least a half-time basis, a six-month grace period begins. The repayment period for a Direct Unsubsidized Loan begins the day after the grace period ends.

*Federal Direct PLUS Loans (Direct PLUS Loans)* allow parents, and in some cases stepparents to borrow on behalf of their dependent undergraduate children who are enrolled at least half time at a postsecondary school. Interest on a Direct PLUS Loan begins to accrue when the first installment is disbursed. Repayment begins when the loan is fully disbursed.

Traditionally, the FFEL regulations have referred to the lender's "disbursement" of funds to a school, and the school's "delivery" of the loan proceeds to a student. More recently, the Cash Management regulations have used the term "disbursement" to refer to the payment of FSA funds to a student or parent, including the payment of loan funds. In this chapter, we will use "disbursement" in the sense of the Cash Management regulations, that is, all payments to a student or borrower.

### **Direct Loan Program, cites**

Title IV, Part D of the HEA  
34 CFR 685



*Federal Direct Consolidation Loans (Direct Consolidation Loans)* allow borrowers (students or parents) to combine one or more federal education loans into one new Direct Loan requiring only one monthly payment. There are three types of Direct Consolidation Loans:

1. Direct Subsidized Consolidation Loans,
2. Direct Unsubsidized Consolidation Loans, and
3. Direct PLUS Consolidation Loans.

Even if a borrower consolidates his or her federal education loans from more than one category, the borrower still has only one Direct Consolidation Loan and makes only one monthly payment.



Direct Loan schools that use the e-MPN have found that e-MPNs link more easily to loans and disbursements if the schools have a process that ensures that a student doesn't create an e-MPN until after the school has created an origination record for the loan.

## THE PROMISSORY NOTE

To receive a Direct Loan, a student (or parent, in the case of a Direct PLUS loan) must complete a Master Promissory Note (MPN). In the traditional paper process, the MPN will be printed by the school (or Common Origination and Disbursement (COD), at the school's option), and the borrower signs a copy and returns it to COD, or the school as appropriate. The borrower gets a copy, and the school may keep a third copy on file if it chooses to do so. If the school receives the signed MPN, the school forwards the MPN to COD.

Schools also have the option of participating in the electronic Master Promissory Note process (e-MPN). Students (or parents, if applicable) interested in an e-MPN should go to the Department's e-MPN Web site ([www.dlenote.ed.gov](http://www.dlenote.ed.gov)) where they can obtain a pin, complete, electronically sign, and print a copy of the note. They can also return later to view an already executed e-MPN. Of course, borrowers may only sign an e-MPN if the school participates in the electronic Master Promissory Note process.

A student attending a school that participates in the e-MPN process has the option of requesting that a paper MPN be created and printed for his or her signature. If a student requests a paper MPN, the school **must** provide one.

## Multi-year use of the MPN

When a school first joins the Direct Loan Program the school is automatically assigned participation in the *multi-year feature* of the MPN. The multi-year feature of the MPN enables student borrowers (and parents who borrow PLUS loans) to get additional loans without having to sign a new MPN each academic year. However, a student attending a school that uses the multi-year feature, has the option of asking to sign a new MPN for each new loan the student receives. The school must honor that request.

Direct Loans originated at your school may incorrectly link to MPNs that were created for the same student at a different Direct Loan school. Your school may want to develop a process for ensuring that loans made by your school are always linked to MPNs associated with loans and students at your school.

Parents who receive Direct PLUS Loans may also use the multi-year feature. However, a PLUS MPN signed by a parent can only be used to borrow for one student. If a parent wants to borrow on behalf of more than one child, the parent must sign a separate MPN for each child. Also, when a parent with an adverse credit history receives a Direct PLUS Loan by getting an endorser, the PLUS MPN automatically becomes a single-loan promissory note, and the parent will have to sign a new MPN for any subsequent loans.

## Single-year use of the MPN

A school may choose not to use the multi-year feature of the MPN. Instead, a school can elect to use the *single-year feature*. A school that wants to sign up for the single-year feature should call COD Direct Loan customer service at

**800-848-0978**

## Schools using school-developed promissory notes

Schools may elect to print promissory notes locally. A school-produced promissory note must match the text and format of the ED (OMB approved) MPN. Schools electing **not** to use MPNs printed by ED **must** submit sample promissory notes for review, testing, and approval to:

**COD-Document Testing**  
**P.O. Box 5691**  
**Montgomery, Alabama 36103-5691**

Documents and shipping packages must be marked *For Testing Only*.



Note that a single-loan promissory note is not the same as a single-year note. A single-loan note is good for only one loan.

If an e-MPN is used as a single-year note, more than one loan can be made within an academic year. That is not the case with a single-loan note.

## THE DISCLOSURE STATEMENT

A disclosure statement, providing loan-specific information is sent to all borrowers before or at the time of the first disbursement of the proceeds of a Direct Loan. A student disclosure statement can accommodate up to 20 disbursements for each type of student loan (subsidized and unsubsidized). The disclosure statement provides borrowers with information about the –

- types of loans,
- anticipated loan disbursement amounts,
- loan fee rates,
- the amount of the borrower's loan fee,
- anticipated disbursement dates, and
- anticipated net disbursements.

In general, COD prints the disclosure statement and sends it to a borrower at his or her permanent address 30 calendar days before the first anticipated disbursement date reported on the loan origination record for each loan made by the borrower.

Even if loan origination records for a student's Direct Subsidized Loan and Direct Unsubsidized Loan arrive in COD on different days, COD sends a single disclosure statement if –

- both loans have the same first anticipated disbursement date; and
- both loan origination records were processed earlier than 30 calendar days before the first anticipated disbursement date for the loans.

In addition, a school may also provide disclosure statements. If a school chooses to print disclosure statements, the school must also provide a Plain Language Disclosure (**PLD**). A school may send a disclosure statement up to 30 days before the anticipated disbursement date. It must provide the disclosure statements no later than the date it disburses Direct Loan funds.

## THE PLAIN LANGUAGE DISCLOSURE (PLD)

A PLD supplements the Borrower's Rights and Responsibilities Statement (BRR) that accompanies a borrower's MPN. A PLD is provided to students (and parents borrowing on behalf of students) who attend schools that use the multi-year feature of the MPN. Since borrowers at these schools don't sign a new promissory note for each loan, a PLD is forwarded with each disclosure statement to remind Direct Loan borrowers of their rights and responsibilities.

### A school providing disclosure

statements must use the same format and provide the same information on the disclosures provided by COD. You can find copies of those forms at



<http://www.ed.gov/offices/OSFAP/DirectLoan/brr.html>

## SCHOOL RESPONSIBILITIES

A school's responsibilities in the Direct Loan Program begin with meeting and maintaining loan-program-participation requirements. Operational requirements can include –

1. establishing borrower eligibility;
2. originating Direct Loans;
3. counseling students;
4. requesting Direct Loan cash;
5. disbursing Direct Loan cash;
6. reconciling school-based Direct Loan records with records in ED's Direct Loan database;
7. carrying out administrative and fiscal management functions; and
8. closing out each award year.

## ESTABLISHING BORROWER ELIGIBILITY

Before informing the business office that a borrower will be receiving a Direct Loan, your financial aid office will have confirmed a borrower's general eligibility for FSA funds and the borrower's general eligibility for a Direct Loan as described in the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*, and chapter 16 of this volume.

A student borrower must also demonstrate financial need to receive any FSA funds except Direct unsubsidized and Direct PLUS loans. (See the *Federal Student Aid Handbook, Volume 3 - Calculating Awards and Packaging* for more information.)



While the business office does not usually report changes in enrollment status and borrower information to ED, when it becomes aware of such changes it must provide them to the school's "Coordinating Official" as described in chapter 10, "Administrative Standards," so that the school office with the reporting responsibility can be informed.

### **Borrower eligibility, cite**

34 CFR 685.200



## Consumer Information for Borrowers

Because students are often first-time borrowers, they need to be fully advised on the costs and responsibilities of borrowing.

Accordingly, the law requires that borrowers receive the following information:

- At the same time as the MPN, a Statement of Borrower's Rights and Responsibilities.
- At or prior to the first disbursement, a disclosure statement with specific information about that borrower's loans (usually provided by the lender or the Direct Loan Servicing Center).
- For any subsequent loans provided under an existing MPN, a "Plain Language Disclosure (PLD)" developed by the Department.

## ESTABLISHING A CONFIRMATION PROCESS

### *Borrower confirmation*

A crucial step in multi-year use of the MPN is the confirmation process that takes the place of the previous requirement that the borrower sign a new note for each academic year (in Direct Loans) or period of enrollment (in FFEL). Schools must develop and document a confirmation process to ensure that a borrower wants subsequent loans. FFEL schools must work with the lender. The confirmation process may be part of the required notices and disclosures that already exist, or it may be separate and supplement them.

A student must accept, either actively or passively (i.e., through notification), the loan amount offered.

**Active confirmation** – a school does not disburse the loan until the borrower accepts the proposed loan type and amount or requests changes to the proposed loan package.

**Passive confirmation** – school does not disburse the loan until the borrower is notified of the proposed loan package. (The notification can come from the school, lender, and/or guarantor.) The borrower only needs to take action if he or she wants to decline the loan or make adjustments to the type or amount of the loan.

For example, your school's award letter may include proposed loan amounts and types. For active confirmation, the student would be asked to accept the loan amount offered by responding to your school's offer. For passive confirmation, the student would be asked to respond only if he or she wanted to cancel or reduce the loan amount offered.

### *Establishing a confirmation process for Stafford Loans*

As long as regulatory requirements and the Department's guidelines are met, schools, lenders, and guarantors are free to establish their own confirmation process—perhaps even a process that combines elements of active and passive confirmation and/or a shared responsibility among the school, lender, and/or guarantor. Schools and the lending community have considerable discretion in setting up these processes, including the timing of confirmation.

For example, confirmation could take place when students apply for aid, when aid is packaged, when loan funds are delivered or disbursed, or at some other appropriate time. The confirmation process could cover the entire loan or, instead, could require that the student confirm each loan disbursement. DCL GEN-98-25 provides examples of each of these confirmation approaches.

The most effective processes will likely vary from school to school and participants are encouraged to use and test various technologies in this process. Some technologies suggested include the Internet, email, card technologies, and voice response.

Generally, schools (in both the Direct Loan and FFEL programs) should use the same confirmation process(es) for all borrowers. However, in some cases a school may want to establish more than one confirmation process in order to accommodate existing administrative procedures, or because the school believes that it can best inform borrowers of their loan obligations if it uses different confirmation processes for different groups of students.

For example, if a school has a policy that requires undergraduates (but not graduate students) to participate in individual counseling sessions before they receive financial aid, it would be reasonable to use the individual counseling sessions to meet the confirmation requirement for undergraduate borrowers, and to establish a different confirmation process for graduate student borrowers.

Regardless of the process(es) used, schools (and lenders in the FFEL Program) must document their confirmation procedures. A school must retain a description of the process(es) in effect for each academic year in which it makes second or subsequent loans under MPNs. The documentation of the process may be kept in paper or electronic format and need not be kept in individual borrower files. The documentation must be kept indefinitely, because it must be submitted to the Department upon request if a borrower challenges the enforceability of a loan.

We recommend that schools include a description of the confirmation process in their student consumer information and policies and procedures manuals just as they do for other school policies, such as their school refund and satisfactory academic progress policies.

## ORIGINATING DIRECT LOANS

Once your financial aid office determines a student is eligible to receive a Direct Loan at your school that office (or your school's servicer) will submit award (origination data) and disbursement data to the COD system.

Your school can originate Direct Loan awards as soon as the year's COD system software is active. When your school originates an award it will submit either *anticipated* or *actual* disbursement data. A school that is submitting anticipated data will set the Disbursement Release Indicator (**DRI**) to *False* (in ED Express, *False* is the default setting). When a school wants to submit actual disbursements, it must set the DRI to *True*.

If your school submits anticipated disbursement data, before it can draw down funds, it must later change the anticipated data to actual data. To change anticipated disbursements to actual disbursements, a school first verifies the dates and amounts are correct, and then set the DRI to *True*.

## COUNSELING STUDENTS

A school must ensure that first-year, first-time Direct Subsidized/Unsubsidized borrowers have completed entrance counseling before the school disburses Direct loan funds to those borrowers.

All Direct Subsidized/Unsubsidized borrowers are required to complete exit counseling when they leave school or drop below half-time enrollment.

The purpose of loan counseling is to help educate borrowers about the importance of repaying their loans and avoiding default.

Direct Subsidized/Unsubsidized borrowers must participate in entrance and exit counseling. It is your school's choice to offer counseling through the school, or require students to complete ED's online counseling at the Direct Loan Servicing Website.

**[www.dl.ed.gov](http://www.dl.ed.gov)**

A school must have a process for ensuring that borrowers have completed ED's online counseling.

If your school conducts its own counseling sessions, you may want to order copies of the Entrance and Exit Counseling Guides for Direct Loan Borrowers. These guides include information about the student's options for repayment including repayment plans, and conditions for forbearance, deferment, and cancellation.

You can find a discussion of entrance and exit counseling in chapter 5.

For information on obtaining ED's Entrance and Exit Counseling Guides for Direct Loan Borrowers, see "Publications and How to Order" on the Schools Portal at

**[fsa4schools.ed.gov](http://fsa4schools.ed.gov)**

If counseling is conducted by electronic interactive means, the school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the counseling.

## REQUESTING DIRECT LOAN CASH

Schools that receive funds through the Pushed Cash funding method do not request funds directly through GAPS. COD pushes funds (automatically sends electronic payments) through GAPS to these schools based on disbursement records submitted and accepted by COD. Similarly, schools on the Reimbursement or HCM2 funding method do not request funds directly through GAPS. These schools receive funds based on disbursement records accepted by COD and approved by a reimbursement analyst.

Schools that receive funds through the Advanced Payment method must request funds directly through GAPS. Advance Pay schools are not required to submit disbursements prior to requesting funds. These schools receive an initial Current Funding Level (CFL) against which they can draw funds. As these schools submit disbursement records that substantiate the school's drawdowns in a timely manner (within 30 days of the disbursement date) the school's CFL will increase to a level that should allow the school to request the funds it needs to make its scheduled Direct Loan disbursements.

### Estimating drawdown requests

Before requesting Direct Loan funds, the business office should reconcile (on a student by student basis) the Direct Loan disbursements it anticipates making with the Direct Loan disbursements expected by the Financial Aid Office for the same period. Then, following procedures like those suggested in chapter 13 under *General rules for projecting cash needs*, the school will request the funds it needs to make disbursements to its Direct Loan borrowers.

Note that the amount of funds being requested should be calculated using the anticipated net disbursement amounts (gross - fee + rebate = net). For example, if the gross disbursement amount is \$2,104, the fee is \$84, the rebate is \$32, then the net amount (which should be requested by the school) would be \$2,052.

Questions you might want to consider before submitting your drawdown request include:

1. If your school requests funds based on anticipated disbursements, does this often result in excess cash (funds the school doesn't disburse that have to be returned to ED)?
2. If your school requests funds on the basis of actual disbursements, does *fronting* its own funds until ED forwards the Direct Loan funds put the school in a difficult cash flow position?
3. Does your school look at its historical trends? For example,
  - a. Does your school compare how much it requests to how much it actually spends?

## Important

### Pushed cash schools must return funds

All funds received by schools receiving funds through the pushed cash method are student specific. They are intended solely for disbursement to the students specified on the "Funded Disbursement Listing" report.

If you do not disburse the funds to the intended recipients (on the Funded Disbursement Listing Report), you must return those funds as excess cash to ED.

An Advance Pay school can either

- estimate their drawdown based on anticipated disbursements, or
- disburse first, and then drawdown funds to replace school funds used.

In the first case, then the reconciliation of anticipated disbursements listed here is still a recommended practice. In the second, it is important that the school calculate any actual disbursements made less any disbursement adjustments for the same period, so that they do not drawdown excess funds

- b. How much did your school request last year at this time?

Was the request sufficient to cover actual disbursements? Was the request more than your school needed to cover disbursements?

- 4. Does your school have a history of having a number of first-time borrowers withdraw within a few weeks of registration resulting in your estimate of the funds you need being too high?

### Submitting actual disbursement records

Most schools may submit disbursement data with the DRI set to *True* up to seven days in advance of the intended disbursement date. Before ED sends funds for a Direct Loan to a school on *Pushed Cash*, there must be an origination and MPN accepted for the loan on the COD System.

Schools operating under the Reimbursement or HCM2 monitoring methods may not submit disbursement records before the disbursement date. These schools will receive funds when – (1) the school has made disbursements using the school’s own fund; and (2) the FSA Payment Analyst (PA) has reviewed and accepted the required documentation, and release disbursement records.

The following chart summarizes funding methods and when a school can submit actual disbursements.

**Note on Pushed Cash**  
 Schools participating in Pushed Cash can submit a Disbursement Release Indicator set to “True” up to 7 calendar days prior to the disbursement date. If

- there is an origination on file with the DRI set to “True;” **and**
- an MPN is linked to an award.

If the MPN is rejected, the actual disbursement is rejected. In addition, the COD System will not accept a PLUS actual disbursement unless there is an approved credit decision on file.

Relationship Between Funding Methods and When a School May Submit Actual Disbursements				
	Receives an Initial CFL > 0 before submission of any actual disbursements	Initiates drawdown through GAPS	Actual disbursements can be accepted without accepted promissory notes	Actual disbursements can be accepted up to 7 days before the disbursement date
Advanced Funded	X	School	X	X
Advanced Funded with HCM1 Review Status	X	School	X	X
Pushed Cash		COD		X
Pushed Cash with HCM1 Review Status		COD		X
Pushed Cash with HCM2 Review Status		COD (based on records released from action queue by School Participation)		
Pushed Cash with Reimbursement Review Status		COD (based on records released from action queue by School Participation)		

## Timing Drawdown Requests

You should time the submission of your request for Direct Loan funds in order to ensure that they will be disbursed within the three days allowed under the cash management regulations. The chart that follows shows when a school can expect to receive requested funds.

If a School Submits a Request	The School Receives Funds
By ACH/EFT before 3 p.m. Eastern Time	On second business day
By ACH/EFT after 3 p.m. Eastern Time	On second business day
By FEDWIRE before 2 p.m. Eastern Time	On the same business day
By FEDWIRE after 2 p.m. Eastern Time	On the next business day

## Receiving Direct Loan Cash

Schools receive funds when GAPS forwards a payment request to the Federal Reserve System. The Federal Reserve System will then wire the funds to the bank account the school has designated to receive FSA funds.

As described in chapter 13, a school is allowed to use a single bank account for all FSA funds, including Direct Loan funds as long as the school can identify and keep track of the funds belonging to the Direct Loan Program. However, ED recommends establishing a separate federal bank account to receive Direct Loan funds. (A separate bank account makes it easier for a school to keep track of and reconcile Direct Loan funds.)

On occasion, the transmission wiring Direct Loan funds to a school does not go through. These are called *unsuccessful transmissions*. Transmissions are unsuccessful when there are technical difficulties, or when a school changes its designated bank account without informing ED.

**If a school changes its designated bank account or the account is closed, the school must submit an updated SF1199A (direct deposit form) to ED. The school will not be able to receive additional FSA funds until it submits and ED receives the updated SF1199A.**

No matter what the cause, the Department contacts a school whenever it experiences a problem wiring Direct Loan funds.

## DISBURSING DIRECT LOAN CASH

*Be sure to review chapter 14 for a discussion of the general disbursement requirements for all FSA programs.*

After receiving the loan funds from the Department, you will disburse the funds by crediting them to the student's school charges and/or paying the student directly.

### *The MPN and disbursing Direct Loan cash*

Before disbursing Direct Loan funds, a Direct Loan school must confirm that the borrower (student or parent) has completed and signed a promissory note.

Pushed Cash schools must have an accepted and linked MPN and actual disbursements for that award on COD before funds will be pushed to the school. However, Advanced Funded schools may choose to disburse Direct Loan funds to a borrower regardless of whether the school has provided actual disbursement data to COD or received an accepted MPN Response.

Until ED has accepted and linked an MPN (either paper or electronic) to an award, the loan cannot be booked and sent to Servicing. Therefore, **any funds disbursed on an unbooked loan remain a school liability.**

### Internal controls and master promissory notes

It is important that Advanced Funded schools that disburse without an accepted/linked MPN verify that disbursements are linked to an MPN in a timely manner, so that the loan can book, liability can devolve from the school to the borrower, and the borrower can be properly notified of amounts owed, interest accumulated, and appropriate repayment information. If MPNs have not been linked/accepted, your school should have procedures for identifying and resolving the outstanding issues.

ED provides two reports to schools that may assist in the identification of unbooked loans. These include the *30 Day Warning Report* and the *Direct Loan School Account Statement (SAS Report)*. The 30 Day Warning Report provides information regarding any element needed by ED to book a loan: the origination, promissory note, and/or initial disbursement (and accepted credit check for PLUS loans). It also provides a list of any accepted MPNs that have not been linked to an award.

### Important

#### **The 30-day Warning Report**

contains information on loans a school anticipates making beginning 120 days before the anticipated disbursement dates through 30 days following those dates.

Awards with anticipated disbursements will be removed from the report 30 days after the anticipated disbursement date, unless an actual disbursement is received from the school.

In order to continue to follow the student, you may be able to use the student level disbursement data on your Direct Loan School Account Summary (SAS) Report.

The SAS Report contains a list of all unbooked loans with actual disbursements accepted on COD that are missing a valid MPN. If your school is receiving disbursement-level SAS detail, you will see a listing of all unbooked disbursement transactions (both disbursements and adjustments) and amounts for that unbooked loan. If your school is receiving loan-level SAS detail, you will see a listing of all unbooked loans, with a total amount disbursed for that loan. These reports may be used in different ways to identify either: the component needed to book the loan (30 Day Warning); or the detailed unbooked loan transactions that are missing a valid MPN (SAS). For more information on these reports, refer to the COD Technical Reference for the applicable award year (available at [fsdownload.ed.gov](http://fsdownload.ed.gov)).

If, when you examine these reports, you find that you have disbursed funds to students whose MPNs have still not been accepted/linked, you can **work with the financial aid office and COD to resolve the outstanding issues and eliminate your school's liability for the disbursed funds.**

**Until ED has accepted an origination record, a promissory note, and an actual disbursement (DRI set to True), a school is liable for the funds it has disbursed. If your school chooses to disburse funds and submit the information to ED after the disbursement is made, then your school should have a system for identifying unbooked loans and resolving them.**

For example, you could compare a list of those students to whom you have disbursed Direct loan funds to the *Direct Loan 30-day Warning Report* and note those students for whom ED had not yet accepted a disbursement record. If you work at a school making only a few Direct loans, you can do this by hand. If your school processes a large number of Direct Loans, you may want to develop an automated computer process that compares this information and provides exception reports.

If when you make this comparison, you find that you have disbursed funds to students whose disbursement records have still not been accepted, you can **work with the financial aid office and COD to resolve the outstanding issues and eliminate your school's liability for the disbursed funds.**



**Important**



A school can also use "Disbursement Acknowledgments" received from ED to identify and help resolve unbooked loan issues. These provide information on whether records have been accepted or rejected. If rejected, a reject reason code is provided that will enable the school to research the issue, correct the transaction, and resend the data.

## Reporting disbursements

If your school submits anticipated data with its award data, the Disbursement Release Indicator (DRI) is set to *False* when the COD system receives it. To indicate that the student has received an *actual* disbursement, your school must update the DRI status to *True*, and transmit the updated disbursement information electronically to COD.

Most schools may submit actual disbursement data (DRI set to *True*) up to seven days in advance of the intended disbursement date. *All* schools must submit actual disbursement data no later than 30 days after the date a Direct Loan is disbursed. Until ED receives and accepts the actual disbursement, the origination, and an MPN (either paper or electronic), the loan cannot be booked and sent to Servicing. Therefore, any funds disbursed on an unbooked loan are a school liability.

## Checking eligibility at the time of disbursement

Your financial aid office certified that a student is eligible when it originated the loan. However, **you must also ensure that the student has maintained continuous eligibility before you disburse the loan.**

The change that most often makes a student ineligible for a disbursement is a reduction in enrollment status to less than half time. Therefore, it is important that your school have a system to verify a student's enrollment status at the time of disbursement.

If a student drops below half time temporarily, you can make disbursements of the loan proceeds if the student resumes at least half-time enrollment. However, you must ensure that the student continues to qualify for the entire amount of the loan (the change in the student's enrollment status may have resulted in a significantly lower cost of attendance). The aid office must document its review of the eligibility of a student whose enrollment changes before funds are disbursed.

If a borrower has transferred from another school, you need to ensure that the student is not in default and has not and will not exceed the annual and aggregate loan maximums. You can confirm this by checking the student's loan history on the NSLDS Web site, or by reviewing the NSLDS loan history section of the ISIR, that has information that is current as of the time the ISIR was processed.

### Disbursements, cites

34 CFR 668.164(b)  
34 CFR 685.301(b)  
34 CFR 685.303(b)  
Sec. 428G(a) of the HEA



You must also submit the transfer student's name and identifiers to NSLDS through the *Inform* process, so that NSLDS can notify you of any changes in the student's loan history that might affect eligibility at your school. (See *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, and *Volume 1 – Student Eligibility* for more information on the Transfer Monitoring Process, and *Volume 3 – Calculating Awards and Packaging* for more information on using the Aggregate Outstanding Principal Balance (**Agg OPB**) in NSLDS to determine if a student has exceeded the aggregate loan limits.)

## Processing Direct Loan Funds

**Required delay in making disbursements to first-year, first-time borrowers** – If a student is in the first year of an undergraduate program and is a first-time Direct Loan borrower, your school may not disburse the first installment of the Direct loan until 30 calendar days after the student's actual attendance in the program of study begins.

**Disbursement rules for terms made up of modules** – Sometimes students enrolled in a modular program do not attend classes in the first module. The start date for disbursement purposes is the date classes begin for the first attended module. For example, the earliest the school can disburse Direct Loan funds to a first-year, first-time borrower who is scheduled to begin attendance in the second of three 5-week modules that make up the payment period is 30 days after the second module begins.

**Late disbursements** – If the student established eligibility for payment, and you originated the loan, but the student later becomes ineligible (because the student is no longer enrolled at the school as at least a half-time student for the loan period) you may still be able to make a late disbursement to the student. Please see chapter 14 for a discussion of the conditions for and limitations on late disbursements.

### Foreign study exception to 30-day Stafford delay

A loan disbursement can be made to a first-time, first-year borrower within the normal time frame (without waiting 30 days) if the borrower is attending an eligible foreign school, or if the borrower is in a study-abroad program and the home school in the U.S. had a Stafford loan default rate less than 5% (in the most recent fiscal year for which data was available) – 34 CFR 685.303(b)(4)(i)(B).

### A late disbursement of a Direct Loan to a student who was enrolled in a series of modules may be prohibited

A school may not disburse the proceeds of a Direct Loan to an ineligible borrower. Therefore, if a student who was enrolled in a series of modules withdraws before beginning attendance as a half-time student, and the student had not received the first disbursement of a Direct loan before withdrawing, the school may not make the first disbursement because the school knows the student withdrew before beginning half-time attendance. The school may not make a late disbursement because the regulation 34 CFR 668.164(g)(3)(iii), that permits a school to make a late disbursement of a Direct Loan for costs incurred to a student who did not withdraw, but ceased to be enrolled as at least a half-time student, does not apply. (The student never really began attendance in the classes needed to make the student half time.)

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**When a student fails to begin attendance, cite**

34 CFR 685.303(b)(3)  
34 CFR 685.211(e)(3)



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**Time frame to disburse or return funds, cite**

34 CFR 668.167



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**Reasons a school might have to return DL funds:**

- The student failed to enroll for an enrollment period for which the loan was intended.
- The student failed to meet satisfactory academic progress or other eligibility requirements (for example, completing entrance loan counseling) at the time the loan was due to be delivered.
- The student withdrew during a period for which the loan was intended before the funds were delivered to a student, and the student is not eligible for a postwithdrawal disbursement.
- A return of funds is due to a lender as a result of a return of Title IV funds calculation.
- A student or parent requests a school to return DL Program funds to reduce the borrower's principal loan balance.

***When a student who has received Direct Loan funds fails to begin attendance***

If a student who received a Direct Loan withdraws or is expelled prior to the first day of classes or fails to begin attendance, the school is required to notify the Direct Loan Servicing Center (DLSC) within 30 days, and return to ED –

- any loan proceeds credited by the school to the student's account; and
- the amount of any and all payments made by the student to the school, to the extent that they do not exceed the amount of any loan proceeds disbursed by the school to the student.

After a school has returned the amount it is required to return:

1. the school makes a downward adjustment in COD reducing the borrower's loan by that amount, and
2. on school stationery, the school mails or faxes a *30-day demand request* to the DLSC, School Support Services who will then demand payment from the borrower.

The request must be on the school's letterhead and must include the –

- a. borrower's name,
- b. borrower's SSN,
- c. date(s) of any disbursements,
- d. last date of attendance (for a borrower who failed to begin attendance, this is the date the borrower was expected to start class), and
- e. balance that remains after the adjustments for what the school returned.

A school mails the request to

**The Direct Loan Servicing Center  
School Support Services  
501 Bleecker Street  
Utica, New York 13501**

Or faxes it to

**1-800-848-0984** with a subject line of *30-day demand request*.

When School Support Services receives and reviews the letter, it is forwarded to the Loan Counseling Department for verification of information. After the information is verified, a 30-Day Demand Letter is sent to the ineligible borrower.

The letter will inform the student that he or she was not eligible to receive Direct Loan funds because the student failed to begin attendance, or in some cases, maintain half-time enrollment status before the loan was disbursed. The letter will also state that full payment and interest must be received within 30 days or the loan will default and be transferred to ED's Borrower Services - Collections (Collections).

If no payment is received within 15 days, a second letter is sent by the Loan Counseling Department demanding payment within 15 days of the date of the letter, and indicating that if no payment is received the loan will default and be transferred to Collections.

If a payment is received, Loan Counseling will have the payment credited to the correct disbursement.

### Multiple disbursements requirement and exceptions

There are two significant exceptions to the multiple disbursement requirement:

1. If any payment period has elapsed before you make a disbursement, you may make a single disbursement for all completed payment periods.

If a loan is not disbursed by payment periods (i.e., terms), and the student has reached the calendar midpoint, and successfully completed one-half the hours in the loan period, you may make a single disbursement.

2. You may pay a student in an eligible study-abroad program in one disbursement, regardless of the length of the loan period, if your school's most recently calculated Stafford loan default rate is less than 5% for the single most recent fiscal year for which data is available.

### Multiple disbursements within a payment period

You can schedule more than two disbursements within a payment period, as long as the disbursements are substantially equal installments.

If a loan is not disbursed by payment periods, no more than one-half the loan proceeds may be disbursed before the student reaches the calendar midpoint of the loan period, and successfully completes one-half the hours in the loan period.

Schools that use payment periods as the basis for their return of funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period for use in a Return calculation.

## Number of Direct Loan disbursements: standard terms and substantially equal nonstandard terms

If the program uses *standard academic terms* (for example, semester, trimester, or quarter) or it has *nonstandard terms of substantially equal length*, at least one disbursement must be made for each term in the loan period. A program is considered to have substantially equal terms if no term in the loan period is more than two calendar weeks longer than any other term in the loan period.

- *If there is more than one term in the loan period*, the loan must be disbursed over all terms of the loan period. For example, if a loan period includes all three quarters of an academic year, the loan must be disbursed in three substantially equal disbursements.
- *If there is only one term in the loan period*, the loan must be disbursed in equal amounts at the beginning of the term and at the term's calendar midpoint.

## Number of Direct Loan disbursements: 1) credit-hour programs without terms, 2) credit-hour programs with non-standard terms that are not substantially equal in length, and 3) clock-hour programs

If the program is one academic year or shorter, the loan period is the length of the program. If the program is longer than an academic year, there will usually be another loan period for any subsequent academic year or remaining portion of an academic year. For each loan period in these programs –

- The loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- The second half of the loan proceeds may not be disbursed until the later of either –
  - a. the calendar midpoint between the first and last scheduled days of class of the loan period, or
  - b. the date the student successfully completes half the clock hours in the loan period or, for credit hours, completes half the credit hours. In programs where the student cannot earn the credit hours until the end of the loan period, the school must determine when the student has completed half the coursework for the loan period.

## ADMINISTRATIVE AND FISCAL MANAGEMENT FUNCTIONS

### *Enrollment Reporting with NSLDS and the Roster file*

All schools participating (or approved to participate) in the FSA programs **must** have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through a Roster file (formerly called the Student Status Confirmation Report or SSCR). Student enrollment information is extremely important, because it is used to determine if the student is in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

At scheduled times during the year, not less than semiannually, NSLDS sends Roster files electronically to your school (or its designated servicer) through its SAIG mailbox. The file includes all of the school's students who are identified in NSLDS as Stafford (Direct and FFEL) borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at your school—you also must report information for students who received some or all of their FSA loans at other schools but are currently attending your school.

Your school (or servicer) must certify the information and return the Roster file within 30 days of receiving it. You may also go to [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov) and update information for your students online. You're required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date.

If the Roster file that you are returning contains records that don't pass the NSLDS Enrollment Reporting edits, you will receive a response file with the records that didn't pass. Within 10 days, you'll need to make the necessary corrections to these records and resubmit them. If you are using a servicer, you may need to assist the servicer in correcting these errors. Please remember that your school is ultimately responsible for notifying NSLDS of student enrollment changes.

If your school reports enrollment data to the NSLDS, it does not have to complete SSCRs received directly from guaranty agencies. (Receiving an SSCR report from a guaranty agency may be an indication that your school has not reported to NSLDS within the last six months.) However, you must still respond to requests for borrower information from guaranty agencies, lenders, and loan servicers. You must continue to provide loan holders and loan servicers with a borrower's enrollment status and other information needed to locate the borrower for deferment and other repayment purposes.

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#### Schools must sign up to receive Roster Files through

<https://www.fsawebenroll.ed.gov/PMEnroll/index.jsp>

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#### Enrollment Reporting Requirements

34 CFR 685.309(b)  
DCL GEN 96-5  
DCL GEN 96-17

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#### Enrollment Reporting/SSCR Technical References

For more information on reporting enrollment information to NSLDS, including record layouts, error codes, etc., see the **Enrollment Reporting Guide** (formerly the SSCR User's Guide), which is available online on the [ifap.ed.gov](http://ifap.ed.gov) site (listed alphabetically under "Current Publications by Title").

If you will be using the SSCR software package for Enrollment Reporting, see the **SSCR Technical Reference**, which includes record layouts, error codes, etc., and is available in Word and PDF formats at:

[www.fsadownload.ed.gov](http://www.fsadownload.ed.gov)

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#### Updating enrollment information on the Web

You can create or update student enrollment status by using the "Enroll" tab on the NSLDS Web site for aid professionals:

<https://www.nslsdfap.ed.gov/>

Support: **1-800-999-8219**

### ***Providing borrower information at separation***

Within 60 days after the exit counseling session, your school must provide the Direct Loan Service Center: the borrower's name; address; references; future permanent address; Social Security Number; the identity and address of the borrower's expected employer, the address of the borrower's next of kin, and the borrower's driver's license number and state of issuance.

### ***Other notifications***

Unless it expects to report student enrollment data to NSLDS within the next 60 days, your school must notify the Direct Loan Service Center within 30 days if it discovers that a –

- Direct Subsidized/Unsubsidized Loan or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled at least half time;
- Direct Subsidized/Unsubsidized Loan or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- student who is enrolled and who has received a Direct Subsidized/Unsubsidized Loan has changed his or her permanent address.

## RECONCILIATION AND CLOSEOUT

In the Direct Loan Program, ensuring that loan and disbursement records substantiate the use of Direct Loan funds is critical to program integrity and fiscal responsibility. Reconciliation and closeout are two processes that substantiate the use of Direct Loan funds and help ensure school compliance with the appropriate regulations.

### *Reconciliation*

Direct Loan schools are required to reconcile all Direct Loan funds received and disbursements made on a monthly basis.

The SAS Report represents the Department's official monthly Ending Cash Balance for a school. We encourage schools to review and compare their internal records to the data contained within the SAS report by –

- comparing the SAS Cash Summary to school cash records;
- comparing the SAS Cash Detail to school accounting records; and
- comparing SAS Loan Detail to school loan records.

In reconciling to the SAS Cash Summary schools should ensure that:

1. at a summary level, the school records match the SAS Cash Summary amounts for individual transaction types (e.g., cash receipts, etc.);
2. if the summary level transactions do not match, that a detailed analysis is performed to identify any discrepancies;
3. the school agrees with the Department's Ending Cash Balance or can explain the differences; and
4. reasons for Ending Cash Balance discrepancies are documented and tracked for resolution in the next month's reconciliation.

In reconciling to SAS Cash Detail schools should ensure that –

1. all drawdowns and refunds of cash are accounted for and applied to the correct year;
2. funds were returned correctly as refunds of cash or payments to Servicing; and
3. funds are not recycled for disbursements in a different award year.

Documents that can assist you in comparing Cash Detail include –

- Cash Detail Comparison Report (DL Tools),
- financial aid office cash report,
- COD Website – Refund of Cash/Cash Activity,
- GAPS Website and reports,
- SAS Cash Detail,
- school’s business office cash report,
- school’s bank statements, and
- school’s cancelled checks.

In reconciling to SAS Loan Detail schools should ensure that all –

1. disbursements and adjustments are accurately reported and accepted by COD;
2. batches have been sent to and accepted by COD;
3. unbooked loans are resolved;
4. rejected records are reviewed and resolved; and
5. related refunds of cash have been returned to the Department according to the guidance provided in DLB-04-01 at

**<http://www.ifap.ed.gov/dlbulletins/DLB0406.html/>**

Documents that can assist you in comparing Loan Detail include –

- SAS Reports,
- 30-day Warning Reports,
- COD Website,
- DL Tools/SAS Compare Program,
- Booked Status Report (EDExpress or custom),
- Pending Disbursement List, and
- Funded Disbursement List.

COD Customer Relation’s Reconciliation Specialists are available to help your school with the reconciliation process.

## Closeout

Direct Loan schools are required to have –

1. a \$0 ending cash balance (total funds received = total disbursements reported); and
2. total Net Unbooked Disbursements of \$0

by the point in the program year known as *Program Year Closeout*, as reflected on the School Account Statement (SAS) Report.

ED encourages schools to include the following simple steps while reviewing their school's internal records and comparing them to the Common Origination and Disbursement (COD) System records –

- ensure all drawdowns and refunds of cash are accounted for and applied to the correct program year;
- ensure all disbursements and adjustments are accurate and have been reported to and accepted by the COD System;
- ensure all batches have been sent to and accepted by the COD System;
- ensure all unbooked loans are resolved;
- resolve all outstanding rejected records; and
- return all refunds of cash to us according to the guidance provided in DLB-04-06.

There are numerous tools available to assist schools in reconciliation and closeout efforts. These tools include –

- SAS Reports;
- 30-day Warning Reports;
- GAPS Web site and reports;
- COD Web site (particularly the Funding Information screen);
- DL Tools/SAS Compare Program; and
- Customer Service Representative/Reconciliation Specialist assistance.

If you require assistance in performing reconciliation or closing a program year, please contact the COD School Relations Center at **800-848-0978** or

**[codsupport@acs-inc.com](mailto:codsupport@acs-inc.com)**

Schools that have remaining balances at closeout are billed for any remaining balance, and a receivable is created by the Department to ensure any excess funds are repaid.

## LOAN CONCEPTS FOR THE BUSINESS OFFICE

### *Capitalizing interest*

#### **Capitalizing interest, cite**

34 CFR 685.202(b)



Capitalizing interest is adding unpaid, accrued (accumulated) interest to the principal balance of a loan (that is, to the total amount borrowed). During certain periods, borrowers can pay interest on an ongoing basis or allow interest to accrue and capitalize. For example, a Direct Unsubsidized Loan borrower can either pay the interest while he or she is in school or allow the interest to accrue and be capitalized.

### *Prepayment*

#### **Prepayment, cite**

34 CFR 685.211(a)



A prepayment occurs when a borrower –

- pays all or part of a loan before a payment is due, or
- pays an amount in addition to the amount required for a monthly payment on the loan.

Direct Loan borrowers can prepay at any time without penalty, that is, without paying an additional charge. If a prepayment amount is less than the monthly payment the borrower owes, ED applies the prepayment first to any accrued charges or collection costs, then to any outstanding interest, and then to outstanding principal.

When a borrower makes a prepayment that equals or is more than the monthly repayment installment amount, ED –

- applies the prepaid amount first to any accrued charges or collection costs, then to any outstanding interest, and then to outstanding principal;
- advances the due date of the next payment, unless the borrower requests otherwise; and
- notifies the borrower of any revised due date for the next payment.

### *Grace Period*

#### **Grace period, cite**

34 CFR 685.207(b) & (c)



The grace period is the six-month period before a loan enters repayment. The grace period starts the day after a borrower ceases to be enrolled at least half-time in an eligible school. It ends six months later, on the day before the loan repayment period starts.

During the grace period, Direct Subsidized Loan borrowers are not required to make payments on the loan principal and are not charged interest. Direct Unsubsidized Loan borrowers are not required to make payments on the loan principal, but they are responsible for the interest that accrues during the grace period.

If a student returns to school at least half time before the grace period ends, the student may again postpone loan repayment while in school, and the student will be entitled to a full six-month grace period after terminating enrollment or after dropping below half-time status.

## Deferments

Deferment refers to periods during which payments of principal on Direct Loans are postponed. No interest is charged to borrowers on Direct Subsidized Loans during periods of deferment. However, interest accrues and is charged to borrowers of Direct Unsubsidized Loans. Direct Unsubsidized loan borrowers may choose either to pay the interest or to have it capitalized (added to their loan principal).

To receive a deferment, borrowers must request (and be granted) deferments by ED. Borrowers must meet specific eligibility requirements in order to receive a deferment.

## Discharge

Under certain conditions, all or a portion of a borrower's loan debt may be cancelled or discharged. Examples of conditions for which discharge may be granted include:

- borrower death or total and permanent disability,
- borrower bankruptcy,
- a closed school,
- a school falsely certifying a loan, and
- a school failing to refund loan proceeds.

## Forbearance

Forbearance refers to periods in which borrowers are allowed to –

- temporarily stop making payments,
- extend the time for making payments, or
- temporarily make smaller payments than previously scheduled.

## Borrower

An individual to whom a Direct Loan is made.

## Co-Maker

One of two married individuals who jointly borrow a Consolidation loan, each of whom are eligible and who are jointly and severally liable for repayment of the loan.

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### Deferments, cite

34 CFR 685.204




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### Discharge, cite

34 CFR 685.212




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### Forbearance, cite

34 CFR 685.205



### ***Default***

The failure of a borrower and endorser, if any, to make an installment payment when due, or to meet other terms of the promissory note, if the Department finds it reasonable to conclude that the borrower and endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for 270 days.

### ***Endorser***

An individual who signs a promissory note and agrees to repay the loan in the event that the borrower does not.

### ***Foreign school***

A school not located in a state.

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# The Business Office and the Campus- Based Programs



*This chapter addresses fiscal procedures and recordkeeping requirements that are specific to the Campus-Based programs – the Federal Perkins Loan Program, the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, and the Federal Work-Study (FWS) Program. For information on general fiscal procedures and records requirements for all Federal Student Aid (FSA) programs, refer to chapters 7, 13, and 14.*

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## CAMPUS-BASED PROGRAMS OVERVIEW

### ***Federal Perkins Loan Program***

The Federal Perkins Loan Program includes Federal Perkins Loans known previously as National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). No new Defense Loans were made after July 1, 1972, but a few are still in repayment. Federal Perkins Loans and NDSLs are low interest (currently 5%), long-term loans made by school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.

### ***Federal Supplemental Educational Opportunity Grant Program (FSEOG)***

The Federal Supplemental Educational Opportunity Grant Program (FSEOG) provides assistance to exceptionally needy undergraduate students. Students are exceptionally needy if they have the lowest EFCs. A priority must be given to Pell Grant recipients. Schools selecting FSEOG recipients must use the selection criteria discussed in the *Federal Student Aid Handbook, Volume 3 – Calculating Awards and Packaging*.

### ***Federal Work-Study Program (FWS)***

The Federal Work-Study Program (FWS) provides part-time employment to undergraduate and graduate students who need the earnings to help meet their costs of postsecondary education. The FWS Program encourages students receiving FWS assistance to participate in community service activities.

## FISAP, PIN, and TG # Web sites

The Department of Education's FISAP on the Web at

[www.cbfishap.ed.gov](http://www.cbfishap.ed.gov)



enables schools to transmit, receive, and report FISAP data. In order to submit your FISAP on the Web, you must have a PIN. The PIN serves as your identifier to let you access information in various Department systems. If you do not have a PIN, go to

[www.pin.ed.gov](http://www.pin.ed.gov)



to apply. You must also have a TG number. The TG number is used to identify your school and your access rights to the eCampus-Based system. If you do not have a TG number, go to

[www.fsaweberroll.ed.gov](http://www.fsaweberroll.ed.gov)



Before you can enter data on the FISAP, your school's Destination Point Administrator must designate your access rights.

## FISAP Documents

The FISAP Desk Reference is available at

<http://cbfishap.ed.gov/deskref/2004deskreference.pdf>



Instructions for the FISAP are available at

<http://cbfishap.ed.gov/fisapinstructions/2004fisapinstructions.pdf>



## THE FUNDING PROCESS

### Applying for funds

#### The Application to Participate

The Fiscal Operations Report and Application to Participate (FISAP) is divided into three main parts:

1. Identifying Information, Certifications and Warnings,
2. The Application to Participate in the three Campus-Based programs in the upcoming award year, and
3. The Fiscal Operations Report in which schools provide information on any Campus-Based expenditures made during the award year just completed.

Any school that wants to obtain Campus-Based program funds for an upcoming year, and all schools that have received Campus-Based program funds for the reporting year must complete an electronic FISAP. All schools that complete a FISAP must provide the information requested in the *Identifying Information, Certifications and Warning* section. A school that wishes to apply for Campus-Based program funds must complete *The Application to Participate*. A school that received Campus-Based program funds for the award year that just ended must complete *The Fiscal Operations Report* portion of the FISAP.

The Department uses the information your school provides in the Application to Participate and Fiscal Operations Report to determine the amount of funds your school will receive for each program. The Department uses your Fiscal Operations Report data to manage the Federal Perkins Loan portfolio and monitor expenditures in the Campus-Based programs.

For program review and audit purposes, you must retain accurate and verifiable records for three years following the end of the award year in which the FISAP is submitted. For example, the **award year in which you will submit** the FISAP due on September 30, 2005 ends on June 30, 2006 (Award year = July 1, 2005 – June 30, 2006). You must retain all records used in the creation of the FISAP due on September 30, 2005 until June 30, 2009 (three years from June 30, 2006 – the end of the award year in which the FISAP is submitted).

The important dates in the FISAP award process are:

- *August 1* – ED must make the FISAP software available to all participating schools;
- *October 1st* – the final deadline for submitting the FISAP to the Department; unless it falls on a weekend, in which case the deadline is the previous business day;

- *December 15* – all corrections to FISAP data and resolution of edits must be submitted to the Department, and you must update your Federal Perkins cash-on-hand;
- *February 1* – ED must send tentative award notifications to all schools; and
- *April 1* – ED must send final award notifications to all eligible schools.

You will find additional information on the Fiscal Operations Report later in this chapter.

## Allocation of funds

The Department allocates funds for the Campus-Based programs directly to schools each award year, indicating for each program the amount of funding the school is authorized to receive from the Department for the award year. Using the information on the FISAP, the Department calculates the allocation amount using statutory formulas and the amount of funds appropriated by Congress for the program(s). *A school will not receive an allocation that is in excess of its request.* Your school's initial Perkins allocation (Federal Capital Contribution (FCC)) is based on the amount allocated for the base award year, 1999-2000 (however, see sidebar for 2005-2006).

A school can receive two types of Campus-Based fund allocations – initial and supplemental.

- *Initial Allocation* – the amount that the Department first allocates to each participating school for an award year from new funds appropriated by Congress, according to statutory allocation formulas. An eligible school receives an initial allocation for each Campus-Based program in which the school participates. ED bases your school's initial allocation on the amount allocated to it for the 1999-2000 award year.
- *Supplemental Allocation* – an additional amount of Campus-Based funds from the Department that is reallocated from the amount of unused Campus-Based funds returned from the previous award year by participating schools. Criteria for distributing these funds for each program are established in accordance with the statute and regulation.

## Allocation schedule

If your school submits the FISAP by the deadline (normally October 1), the Department will provide your school with tentative allocation information and your worksheet in January of the following year, and with final allocation information and worksheets by April 1 for the upcoming award year. In a Dear Colleague Letter, the Department notifies participating schools that they can view the methodology used for final award figures. The methodology can be examined at [<http://www.ifap.ed.gov>].

### Federal share limitations, cite

34 CFR 675.26



### Private for-profit organizations, cite

34 CFR 675.26(a)(3)

### Reading tutor and family literacy projects, cite

34 CFR 675.26(d)

### Strengthening institutions, cite

34 CFR 675.26(d)

### 90% federal share, cite

34 CFR 675.26(a)(2)

### Restrictions, cite

34 CFR 675.26(b)

### JLD, cite

34 CFR 675.33(b)

### 2005-2006 Perkins FCC

There will be no new FCC for 2005-2006, but there may be allocations from unused funds from the 2004-2005 award year.

It is important for schools to review their tentative allocations and the supporting worksheets so that they can address any concerns before the allocation becomes final.

You can find the final funding worksheets for your school, your Electronic Statement of Account (ESOA), and your final award at

<http://cbfisap.ed.gov>

To access your school's final funding level worksheets and individual school awards, log in to the eCB Web site, select *the Self-Service* link from the top navigation bar, and scroll to the *Campus-Based Notification Section*. Then, select *Final Awards* and *Statement of Account*.

The *Final Funding Worksheet* shows the data that was used to determine a school's allocation for each campus-based program in which it participates and how each final allocation was determined.

If your school doesn't receive its final allocation by April 1, it may mean that –

- your school lost its eligibility to participate in FSA programs;
- your school is a new applicant for the FSA programs and/or for the Campus-Based programs and its participation hasn't been approved yet; or
- the Department has not received the FISAP signature/certification form with the required original signature of the school's CEO.

If the reason(s) for holding the school's final allocation is/are resolved, the Department will release the school's final allocation.

The worksheet shows the actual numbers that were used to determine a school's allocation for each campus-based program in which it participates and how each final allocation was determined.

If your school is awarded a Supplemental Allocation, the Department will inform you before the end of September of the award year.

## RELEASING UNEXPENDED FUNDS

If a school does not use its total allocation during an award year, it should return unexpended allocations of federal funds to the Department so that the money can be reallocated to schools that need additional funds (supplemental allocations). This return of unexpended funds is called *releasing Campus-Based funds*.

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### Releasing unexpended funds, cite

34 CFR 673.4(d)(3)



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### Reallocation

If you return unexpended Perkins funds, the Department reallocates 80% in accordance with 462(i) of the HEA and 20% in a manner that best carries out the purposes of the Federal Perkins Loan Program.

Unexpended FSEOG funds returned to the Department are reallocated to an eligible school in a manner that best carries out the purposes of the FSEOG Program.

Unexpended FWS funds returned to the Department are reallocated to an eligible school that used at least 5% of its total FWS allocation to pay students employed as reading tutors of children or performing family literacy activities in family literacy projects in the preceding award year. A school must request the reallocated FWS funds, and **the school must have a fair-share shortfall** (found in the final allocation worksheets) **to receive these funds**. A school must use the reallocated funds only to pay students employed in community service jobs.

Each year in July the Department posts a Dear Partner Letter at [<http://www.ifap.ed.gov>] that asks schools to release any previous award year funds that they have not expended and offers schools the opportunity to request supplemental FWS funds for community service. The Reallocation Form for schools wishing to return funds or request supplemental FWS funds can be found in the Setup Section of the *e-Campus-Based* website (<http://www.cbfisap.gov>).

If a school returns more than 10% of its allocated funds for a given award year in any one of the Campus-Based programs, the Department may reduce the school's allocation for the second succeeding award year by the dollar amount returned unless the Department waives this provision. For example, if the school returns more than 10% of its 2004-2005 allocation, its 2006-2007 allocation may be reduced by the dollar amount returned for 2004-2005. If the school can show just cause, the Department can waive this provision. The waiver must be requested in writing.

The Department may waive this penalty provision for a school if it finds that enforcement would be contrary to the interests of the program. To request a waiver, a school must submit an explanation with its FISAP by the deadline that shows that the school returned more than 10% of its allocation due to circumstances beyond its control and that are not expected to recur.

After schools release their unexpended allocations, the Department reallocates the funds to schools that have met the criteria for receiving a supplemental allocation. Criteria for distributing these funds for each program are established in accordance with the HEA and the Campus-Based program regulations.

## PAYMENT METHODS AND CONDITIONS

Before requesting and disbursing FSA program funds, schools must meet certain conditions. These conditions vary depending on the way ED provides funds to schools. For more detail about the methods and conditions through which ED provides funds, see chapters 13 and 14 of this publication.

In all cases, a school may not request funds in excess of the actual disbursements it has made or will make to students (plus any Administrative Cost Allowance (ACA), if applicable).

### Applying for Title III Designation

Institutions must apply annually for a Title III designation. If a school is unsure of its Title III eligibility for an award year, or if it needs to apply for Title III eligibility, the school should contact:

U.S. Department of Education  
Institutional Development  
Undergraduate Education Service  
Title III Eligibility Designation  
1990 K Street, NW, 6th Floor  
Washington, DC 20006-8512

Telephone: **202-502-7777**

## OVERVIEW OF FEDERAL AND NONFEDERAL SHARES (MATCHING)

The amount that a school may spend in a Campus-Based program is composed of both federal and nonfederal funds. With the exception of certain schools (see below), schools that participate in the Campus-Based programs must provide nonfederal funds as a *match* for the federal funds they receive. The specific matching requirements for each Campus-Based program are different. For more detail on the requirements of federal and nonfederal shares for each program, see the program-specific sections later in this chapter.

### Matching at Excepted Institutions

If you receive designation as one of the following types of schools, you are exempt from the matching requirement for students receiving FWS and FSEOG at your school. **You must reapply annually for this designation.** If you do not apply and receive certification that you have been designated as one of these types of institutions, your school is not excepted from the matching requirement. For more on applying for this designation, see the FISAP instructions at

<http://www.cbfisap.ed.gov>.

#### Excepted Institutions

**Part 606 of 34 CFR:**

Developing Hispanic-Serving Institutions Program

**Part 607 of 34 CFR:**

Strengthening Institutions Program,  
American Indian Tribally-Controlled Colleges and  
Universities Program,  
Alaska Native and Native Hawaiian-Serving Institutions  
Program

**Part 608 of 34 CFR:**

Strengthening Historically Black Colleges and Universities

**Part 609 of 34 CFR:**

Strengthening Historically Black Graduate Institutions  
Programs

## ADMINISTRATIVE COST ALLOWANCE (ACA)

A school participating in the Campus-Based programs is entitled to an ACA for an award year if it advances funds under the Perkins Loan Program, provides employment under the FWS Program, or awards grants under the FSEOG Program to students in an award year. The ACA may be used to help offset administrative costs, such as salaries, furniture, travel, supplies, and equipment. The ACA can also be used for service fees that banks charge for maintaining accounts. Computer costs associated with Perkins Loan billing may also be paid from this allowance. Schools may use the allowance to help pay the costs of administering not only the Campus-Based programs but the Federal Pell Grant Program as well. Administrative costs also include expenses for carrying out the student consumer information services requirements.

The amount of the ACA is calculated as a percentage of the school's Campus-Based expenditures for students in a given award year (see table below).

### Administrative Cost Allowance Calculation, cite

34 CFR 673.7(c)



### Administrative Cost Allowance (ACA) Calculation

5% of the first \$2,750,000 of a school's expenditures to students under the Campus-Based programs	+	
4% of expenditures to students greater than \$2,750,000 but less than \$5,500,000 under the Campus-Based programs	+	
3% of expenditures to students greater than \$5,500,000 under the Campus-Based programs		

When a school calculates its ACA for the 2005-2006 award year, the school must include the full amount of a school's FSEOG awards – both the 75% federal share and the required 25% nonfederal share. However, a school that chooses to provide more than a 25% institutional share to FSEOG recipients may not include an FSEOG institutional share in excess of 25% in its FISAP or in the calculation of its ACA.

If the Department has granted a school a waiver of its required institutional share for the FSEOG Program or the FWS Program, that school's ACA may be calculated only on the full federal portion of its awards for those programs.

The school takes the ACA out of the annual authorizations the school receives for the FSEOG and FWS programs and from the available cash on hand in its Perkins Loan fund. It is not a separate allowance sent to the school. A school may draw its allowance from any combination of Campus-Based programs, or it may take the total allowance from only one program provided there are sufficient funds in that program. However, a school may not draw any part of its

allowance from a Campus-Based program unless the school has disbursed funds to students from that program during the award year. If a school charges any ACA against its Perkins Loan fund, it must charge these costs during the same award year in which the expenditures for these costs were made.

Your school may use up to 10% of the ACA, as calculated above, as attributable to its expenditures under the FWS Program to pay the administrative costs of conducting its program of community service. These costs may include:

- developing mechanisms to assure the academic quality of a student’s experience;
- assuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives; and
- collaborating with public and private nonprofit agencies and programs assisted under the National and Community Service Act of 1990 in the planning, development, and administration of these programs

Some schools do not claim an ACA so that all the funds can be used for student awards. This option is the school’s decision.

## FUNDS AVAILABLE FOR AWARDS

The general principle for all Campus-Based programs is that the amount of funds available for awards is the federal share, plus the institutional match, minus the ACA.

## TRANSFERRING FUNDS BETWEEN CAMPUS-BASED PROGRAMS

To help meet their students’ need, schools may transfer funds from certain Campus-Based programs into certain other Campus-Based programs. The Department’s permission is not required. Schools may also carry FWS or FSEOG funds back to the previous award year or forward to the next year.

Descriptions of individual program fund transfers follow. Note that in all cases, funds transferred that are unexpended at the end of the award year must be transferred back to the original program, and **all transfers must be reported on the FISAP.**

### Transfer, cites

- 34 CFR 676.18(b)
- 34 CFR 675.18(b)(c)
- 34 CFR 674.18(b)
- 34 CFR 675.18(e)



A school's future allocations for all Campus-Based programs are not affected by past transferring of funds between programs.

## FSEOG

A school may **not** transfer funds *from* its FSEOG funds to another Campus-Based program, but may transfer up to 25% of its total FWS and Federal Perkins federal allocations *to* the FSEOG Program. This 25% maximum is based on a school's current award year allocation and includes both initial and supplemental FWS allocations.

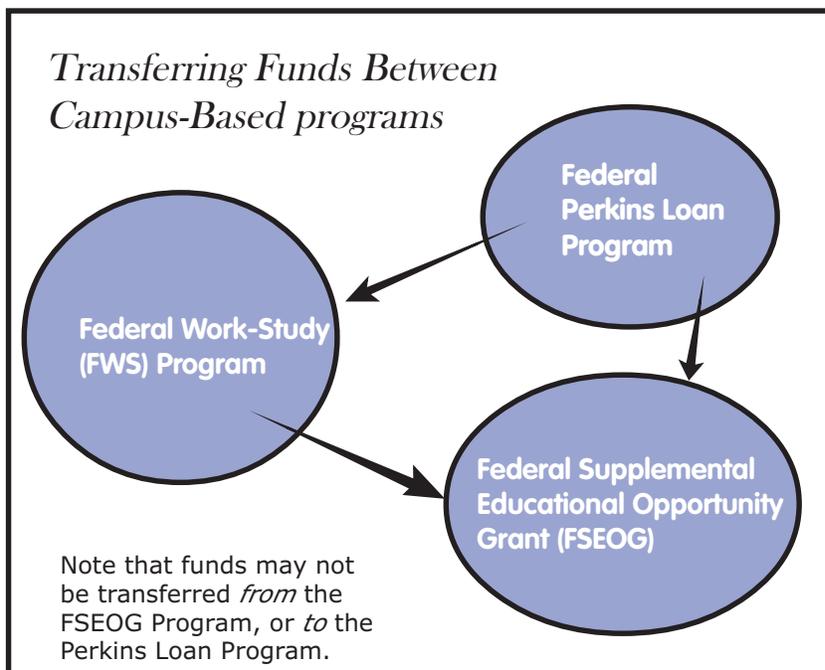
A school may not transfer funds carried forward or back from other award years.

The school must match any FWS funds transferred to FSEOG at the matching rate of that FSEOG program, but the match doesn't have to be made until the transfer has occurred.

## FWS

Schools may transfer up to 25% of their total Federal Work-Study allocation (initial plus supplemental) for an award year to the FSEOG Program. No transfer may be made from FWS to Federal Perkins. Funds carried forward to the next year or carried back to the previous year do not change the basis for the 25% maximum transfer. You must match any FWS funds transferred to FSEOG at the matching rate of the FSEOG Program, but the match doesn't have to occur until after the transfer has occurred.

The following chart illustrates how funds may be transferred:



**Perkins Transfer, cite**

34 CFR 674.18(b)



If a school transfers Federal Perkins loan funds to either FSEOG or FWS before depositing those funds in the school's Federal Perkins Loan fund, the school does not have to provide the ICC match for the transferred funds, only the match required by the FWS or FSEOG programs.

**Carry forward/carry back, cites**

34 CFR 676.18(c)(d)

34 CFR 675.18(b)(c)(d)(f)



**Carry Forward and Back Authority**

The official allocation letter for a specific award period is the school's authority to exercise these options. A school may not carry forward or back FWS funds to any award year in which there is no specific FWS allocation and the same requirement holds for FSEOG funds.

**Federal Perkins**

A school may transfer up to 25% of its annual Federal Perkins Loan allocation to FSEOG or FWS. If your school is a work-college, you may transfer up to 100% of your total Federal Perkins Loan allocation (initial plus supplemental) to the Work-Colleges Program. (See page 29.) You must match any Federal Perkins funds transferred to FSEOG or FWS at the matching rate of that program. You must adjust the match as soon as you make the transfer.

Except for work-colleges, the total transfer cannot exceed 25% of the Federal Perkins Loan allocation, whether the transfer is made only to one program or divided between FSEOG and FWS.

**FWS AND FSEOG CARRY FORWARD AND CARRY BACK**

Your school may spend up to 10% of its current year's FWS or FSEOG allocation (initial and supplemental) in the **following** award year (carry forward). Before a school may spend its current year's allocation, it must spend any funds carried forward from the previous year. Your school is also permitted to spend up to 10% of its current year's FWS or FSEOG allocation (initial and supplemental) for expenses incurred in the **previous** award year (carry back).

Your school must match FWS or FSEOG funds carried forward or carried back in the award year that they are spent. A school's future FWS or FSEOG program allocation is not affected by carrying forward or carrying back funds between award years.

**Carry Back Funds for Summer FWS Employment and FSEOG Awards**

In addition to the 10% carry-back authority discussed previously, schools may also carry back and expend in the previous award year a portion of their FWS allocations for the current award year to pay student wages earned from May 1 through June 30 of the previous award year (that is, for summer employment). Similarly, schools may carry back any portion of their FSEOG allocation for the current award year to make FSEOG awards for payment periods that begin on or after May 1 of the previous award year but end before the beginning of the current award year (July 1). This carry back authority is **in addition to** the authority to carry back 10% of the current year's FSEOG allocation.

## 10 % Carry Back/Carry Forward for FWS and FSEOG



### Reporting Funds Carried Forward and Back

On the FISAP, you must report FWS or FSEOG funds that your school carries back and carries forward. For example, if a school carried forward 10% of its FWS 2004-2005 allocation to be spent in 2005-2006, the school must report this amount on the FISAP that is due no later than September 30th, 2005, in Part V of the Fiscal Operations Report for 2004-2005.

### FWS Limitations on Use of Funds Carried Forward or Back

Schools are not permitted to add funds that are carried forward or back to the total FWS allocation for an award year when determining the maximum percentage of available funds that may be used in that award year for any of the following purposes –

- the transferring of FWS funds to FSEOG;
- providing the federal share of wages in private for-profit sector jobs; or
- the Job Location and Development (JLD) Program.

For example, for the 2005-2006 award year, a school may **not** include as part of its FWS allocation, FWS funds carried forward from 2004-2005 or carried back from 2006-2007 and then include those funds when calculating the maximum percentage of available funds that may be used in 2005-2006 for the purposes listed above. The maximum amount usable for each of the three purposes listed in the previous paragraph is the appropriate percentage of a school's total 2005-2006 **original** FWS allocation plus any supplemental 2005-2006 FWS allocation.

#### Recording Funds Carried Forward or Back in GAPS

Any FWS funds carried forward or carried back between award years must be entered in GAPS as an expenditure against the FWS authorization for the award year from which the funds were taken, not the authorization for the award year in which the funds were used.

Also, do not confuse carry forward/back with the transfer of funds between programs. Funds may only be carried forward and back between award years in the same program.

## PROJECTING NEED

The maximum amount of federal funds a school may draw down from each Campus-Based program is based on the school's initial allocation and supplemental allocation for that program, as reported to the school in its Final Funding Authorization from ED.

Except at those schools qualifying for the waivers discussed previously, each Campus-Based program requires that awards made to students be a combination of both federal and nonfederal funds. To accurately determine immediate cash need for Campus-Based programs, you must calculate the portion of disbursements from each program that may be made up of federal funds, including funds carried forward. *The amount of funds drawn down represents the federal share only.* You must deposit institutional matching funds **at the time the federal funds are deposited** into the account from which Campus-Based awards will be made.

A school on the **advance payment method** must determine the amount of funds it needs before it transmits a request through the **Grant Administration and Payment System (GAPS)**. The amount requested must be limited to the minimum amount needed to make disbursements, so excess funds do not exist after disbursements are made. For the Campus-Based programs, the amount must be enough to meet the federal share of Campus-Based disbursements and the ACA when applicable.

The following equation may be used to calculate projected immediate needs:

$$\begin{array}{r}
 \text{Anticipated Disbursements} \\
 \textit{minus} \text{ Balance of Cash on Hand} \\
 \textit{minus} \text{ Anticipated Recoveries} \\
 \textit{minus} \text{ ACH/EFT Cash in Transit} \\
 \hline
 \textit{equals} \text{ Projected, Immediate Need}
 \end{array}$$

In general, a school's request for funds should not exceed its **immediate need**.

### *Program-Specific Considerations*

#### **Federal Perkins Loan Program**

A school must determine whether the cash available in its Federal Perkins Loan fund is sufficient to make loan advances to students. A school may draw down only that portion of the FCC it needs to cover disbursements for the next three business days.

## FSEOG

In the FSEOG Program, a school must time its drawdowns to coincide with the date it expects to disburse FSEOG funds to students. A school may draw down only the federal share of the FSEOG awards it will disburse to students within three business days of receiving the funds.

## FWS

A school must time its FWS drawdowns to coincide with its payroll dates. A school must calculate the amount of federal funds needed to meet payroll for a given pay period and draw down only the appropriate federal share of wages to be paid. Student wages must be paid within three business days of the date federal funds are received.

## Timing Issues

When a school initiates a drawdown from GAPS, a school should consider that processing requests within GAPS typically takes one to three business days and whether the school is using ACH/EFT or FEDWIRE. Schools should also be aware of system downtime, federal holidays, and other delays in processing cash requests when determining immediate need.

## DRAWING DOWN FUNDS

Schools use the GAPS system to draw down Campus-Based funds. To begin drawing down funds, log into the GAPS Web site using your user ID and password.

Then select *payment requests* from the main menu. The payment requests screen allows you to create, modify, and view payment requests, adjust, drawdown amounts, and view grant award authorization histories.

Once you have clicked on the payment requests button, click *create payment requests*. Using this function, you can request funds.

The *create payment requests screen* will show a list of awards associated with the payee, with corresponding authorized and available balances from which drawdowns can be initiated. A school may use the *recipient reference field* to identify the award type (i.e., FWS, FSEOG, etc.).

An important step in creating payment requests is setting the *Deposit Date*. The default deposit date displayed is based on the method the school has selected for receiving funds (ED's transmission method). The default date assumes that you are going to disburse the funds within three business days of the deposit date. However, you may set a Deposit Date that is up to 30 days after the current date.

### Disbursing timeframe

Your school must disburse as soon as possible but no later than three business days following the day your school receives those funds.

### GAPS Web site, User ID and Password

[www.gapsweb.ed.gov](http://www.gapsweb.ed.gov)

The GAPS user ID is a unique eight-character string that the Department issues to authorized users of the GAPS system. The password is another unique six to eight character string that may consist of both letters and numbers.

For ACH payments, the default deposit date is the next business day if received prior to 3:00 p.m. Eastern time. If the request is made after 3:00 p.m. EST, the Deposit Date is the current date plus two days.

For payments by FEDWIRE, the default Deposit Date is the current date if the request is submitted before 2 p.m. EST, or the next day if submitted after 2 p.m..

At the bottom of the payment request screen is an **OK** button. Click that button after you've entered the dollar amounts you want to request.

After you have created payment requests, GAPS performs edits and validations. GAPS will display an error message when it encounters a problem. If there's a problem with your request, an error message like one of the ones below will appear in red at the top of the *Create Payment Requests* screen.

Potential errors include a –

- deposit date that is not in the required format (MM/DD/YY);
- deposit date that is more than 30 days from the current date;
- deposit date that is earlier than the default date for the method of transmission selected in *Pay By* field;
- deposit date that is earlier than the award start date, or later than the last date to draw funds;
- request that is non-numeric or negative;
- request in which all fields are zero; and
- request that exceeds the available balance displayed in the available balance field.

If no errors are encountered, GAPS displays a confirmation window, to ensure that the user intends to submit the information. You must click **Yes** to certify that ***the funds will be expended within three business days for the purpose and condition of the grant.***

GAPS will then process the payment request and display a message confirming that the payment request has been accepted.

## THE FISCAL OPERATIONS REPORT

The Fiscal Operations Report is parts III, IV, V, and VI of the FISAP. You may sometimes hear these parts being referred to as the FISOP. If you participated in any Campus-Based programs in an award year, by the following October you must report on your activities for those programs by completing the appropriate portions of the FISAP.

You must complete –

- ◆ Part III, if your school is a continuing participant in the Federal Perkins Loan Program;

If your school made Federal Perkins Loans to students during the recent award year, you must fill in Part III of the FISAP, even if you did not receive an FCC.

You must also complete Part III if your school is liquidating its Federal Perkins Loan portfolio. (You must do so every year until your final report shows that all outstanding loans have been assigned, fully retired, or purchased and that the federal share of cash on hand has been returned to ED.)

- ◆ Part IV, if your school received FSEOG funds during the recent award year;
- ◆ Part V, if your school received FWS funds during the recent award year; and
- ◆ Part VI, if you participated in any of the three Campus-Based programs during the recent award year.

**Important:** In each program section you will report how much of your school's total federal allocation was used and how much remained unexpended at the end of the award year. (Your school's unexpended authorization is equal to its final adjusted authorization amount minus its total expended authorization.) If this amount is a positive dollar figure, the amount of unexpended funds will be deducted from your school's GAPS grantee account. **Any calculation that results in a negative figure will not be accepted for transmission.**

### FISAP, cites

Campus-Based programs 34 CFR 673.3  
 Federal Perkins Loan Program 34 CFR 674.19  
 FWS 34 CFR 675.19  
 FSEOG 34 CFR 676.19



### Signature Requirement

The FISAP must be signed by the CEO, president, or someone with the equivalent level of authority. With their signature, they are certifying –

- the information submitted on the FISAP is true and accurate;
- no one managing the programs has been debarred or suspended;
- the school is a drug-free work place; and
- no federal funds are spent on any lobbying activities.

### FISAP Documents

The FISAP school link is at  
[www.cbfishap.ed.gov](http://www.cbfishap.ed.gov)



You can access all FISAP references from there.

## **FISAP - Part III, the Federal Perkins Loan section**

The Federal Perkins Loan section of the FISAP consists of the following sections:

- ◆ *Section A* – is a historical/cumulative report of your school's Federal Perkins Loan fund activity from the inception of the program through the end of the award year. **It is the balance sheet for your Federal Perkins Loan fund, and it must balance.**
- ◆ *Section B* – is where you report Federal Perkins Loan activity that took place during the **recently completed award year**.

**Note:** Line 3 in Section B asks you to report the unexpended amount of final adjusted FCC for award year not drawn down from GAPS.

If the amount in this field is more than 10% of your allocation, your total award for next year will be reduced by the same amount. Many schools misread this field and report their authorization here. If you make this mistake, your award will be reduced to zero!



In field T6, your school reports the expended FSEOG authorization. This amount must agree with the final FSEOG expenditures reported in GAPS.

- ◆ *Section C* – is where you report **cumulative repayment information** as of the end of the reporting year. This summary includes all data from your school's initial participation in the program through the recently completed award year.
- ◆ *Sections D and E* are used to calculate your school's **cohort default rate**. Use Section D if your school had 30 or more borrowers who entered repayment during the award year. Otherwise, use Section E.

Here, a cohort refers to a group of borrowers that went into repayment during a particular year. The cohort moves up one year with each FISAP. Of the borrowers that went into repayment during the relevant year, the school reports how many were in default at the end of the following year. Schools that had fewer than 30 borrowers going into repayment use a three-year cohort.

### ***FISAP - Part IV, the FSEOG section***

Your school must complete Part IV if it received FSEOG Program funds for the award year. The five sections in this part of the FISAP summarize your school's use of FSEOG funds during the previous year. The data you report in this section is used to –

- determine underuse penalties in FSEOG;
- account for and close out funds awarded and transferred in FSEOG for the Fiscal Operations Report year; and
- monitor the program.

*Matching Requirements* - Remember, unless your school has a matching waiver, it is required to contribute an additional amount equal to 25% of the awards to students from its own resources. So, unless you have a waiver, when reporting the total amount of FSEOG funds paid to recipients the amount must consist **exactly** of the required 75% federal and 25% nonfederal shares. (See DCL-CB-05-03, and the discussion earlier in this chapter under FSEOG nonfederal share.)

**Note:** Any funds recovered on prior-year awards should be returned to ED using existing GAPS refund procedures. Refunds should be applied to the award corresponding to the funding year the recovered funds were awarded.

### ***FISAP - Part V, The FWS section***

Your school must complete Part V if it received FWS Program funds for the award year. The nine sections in this part of the FISAP summarize your school's use of FWS funds during the previous year. The data you report in this section is used to –

- provide data for underuse penalties;
- account for and close out funds awarded in FWS for the Fiscal Operations Report year;
- monitor the program;
- report program transfers made during the year; and
- provide data for community service requirements.

When completing this section it's important to remember that –

- The institutional share includes amounts contributed by off-campus employers in addition to amounts contributed by the school itself.

#### **Reminder**

If the nonfederal share of student compensation was paid in kind (for example, as a tuition waiver or room and board), the in-kind compensation value must be converted to a cash amount and reported in this section of the FISAP as part of your matching funds.

- If your school has a Title III/V waiver you will report this share as zero.
- Any amount that your school spends for reading tutors of children/family literacy programs does not have to be matched.

**Note:** In section E of this part you will report how much of your school's total federal FWS allocation was used and how much remained unexpended at the end of the award year. (Your school's unexpended FWS authorization is equal to its final adjusted FWS authorization amount minus its total expended FWS authorization.)

If this amount is a positive dollar figure, the amount of unexpended FWS funds will be deducted from your school's GAPS grantee account. Any calculation that results in a negative figure will not be accepted for transmission.

### ***FISAP -Part VI, The Program Summary***

Your school must complete Section A of the Part VI, if it made any awards to students from any Federal Campus-Based program. This data is used to provide statistical data for analysis. In Section A, you will report these expenditures by income category and type of student. In Section B, an amount is calculated for the ACA your school can claim on the basis of its total Campus-Based program expenditures, as reported in Parts III, IV, and V of the FISAP.

## FSEOG PROGRAM SPECIFIC RULES

### FSEOG Federal Share

In general, the federal share of **Federal Supplemental Educational Opportunity Grant (FSEOG)** awards made to students may not exceed 75% of the total FSEOG awards made by the school.

The federal share can be 100% for an school designated as eligible under Title III or Title V of the HEA. (See chart under Overview of Federal and Nonfederal Shares (Matching) earlier in this chapter.) Schools wanting a waiver of the institutional-share requirement under the FSEOG Program are no longer required to check a field on the FISAP to request this waiver. Your school will be considered to have applied for this waiver if you:

- submit a completed FISAP by October 1 of the previous year, and
- are designated as Title III eligible.

These schools will receive a letter from ED, addressed to the financial aid administrator, indicating that they have been granted a Title III waiver of the institutional-share requirement for the FSEOG program for the upcoming award year. A school that receives this waiver has the option to continue providing an institutional share and determining the amount of that share.

### FSEOG Non-Federal Share

The school must ensure there is a nonfederal match of 25% of the total FSEOG awards. The nonfederal share of FSEOGs must be made from the school's own resources. These resources may include:

- institutional scholarships and grants;
- waivers of tuition or fees;
- the nonfederal portion of state scholarships and grants; and
- funds from foundations or other charitable organizations.

The nonfederal share requirement is 25% of awards to students (unless the school qualifies for a waiver as discussed under *Overview of federal and nonfederal shares* earlier in this chapter). In the following discussion of these methods, you should note that **for a student to meet the definition of an FSEOG recipient, some portion of the grant awarded the student must have come from the FSEOG federal dollars.**

#### Federal share, cite

34 CFR 676.21(a)



#### Nonfederal share, cite

34 CFR 676.21(c)



A school must deposit into its federal funds account that portion of its institutional match it is making from school funds when the corresponding federal funds are received. However, it is important to note that outside resources can be used to match FSEOGs even if the funds are received at a later date, provided that the school has written information about funds that the noninstitutional agency or organization is awarding to the student involved. The written information must be kept on file at the school through the date the school is required to retain the FISAP data on which the match is reported. (See the discussion under *The Application to Participate* earlier in this chapter.)

### Use of LEAP/SLEAP in matching

Please note that the portion of a state scholarship or grant that comes from the Leveraging Educational Assistance Partnership (LEAP) Program or the Special Leveraging Educational Assistance Partnership (SLEAP) Program cannot be used for the nonfederal share.

The Department has determined that all state scholarships and grants, except for the Leveraging Educational Assistance Partnership (LEAP) (formerly the State Student Incentive Grant [SSIG] Program) and the Special Leveraging Educational Assistance Partnership (SLEAP) programs are eligible funds that may be used to meet the nonfederal share requirement of FSEOGs. LEAP and SLEAP grants, for this purpose, are defined as the federal LEAP and SLEAP allocation plus the minimum required state matching amount. The remaining state grants are not considered LEAP or SLEAP grants.

Dear Partner Letter CB-05-03, issued February 2005, provided a chart showing what percentage of each state's scholarships could be used to provide the nonfederal share of FSEOGs for the 2004-2005 award year. The Department computed the percentages in the chart on the basis of information furnished by the respective states regarding expected expenditures for state scholarships and grants for the 2004-2005 award year, and by using the 2004-2005 LEAP and SLEAP allocation data and required matching information. Each school can apply the appropriate state percentage to the state scholarships and grants its students receive to determine the total amount of state scholarships and grants that may be used to meet the FSEOG nonfederal share requirement.

As a variance from use of the percentages indicated in the chart, if a school has specific knowledge that a state scholarship or grant—irrespective of its name—is considered to be the required state matching portion of a LEAP or SLEAP grant, that scholarship or

#### State Scholarship as Nonfederal Share Component Example

Dominic receives a grant of \$675 from a state with a percentage of 96.26. Jacob Broadcasting School multiplies 96.26% by \$675, resulting in \$650, which is the portion of the grant that may be used to meet the nonfederal share requirement for a \$2,600 FSEOG award (\$1,950 is the federal share of the FSEOG award).

grant may not be used to meet the FSEOG nonfederal share. Also, if a school has documented knowledge that a state scholarship or grant is not comprised of LEAP or SLEAP monies (federal or state), 100% of the scholarship or grant may be used as the FSEOG nonfederal share.

The nonfederal share requirement of 25% (unless the school qualifies for a waiver) may be met by one of three methods. In the following discussion of these methods, you should note that for a student to meet the definition of an FSEOG recipient, some portion of the grant awarded the student must have come from the FSEOG federal dollars.

## Matching the FSEOG federal share

### Individual recipient basis

The school ensures that the nonfederal match is made to each individual FSEOG recipient together with the federal share in such a way that **every student's FSEOG award consists of 75% federal funds and 25% qualified nonfederal funds**. A school using this method calculates and documents on a student-by-student basis what portion of the student's FSEOG award comes from federal funds and what portion comes from nonfederal funds.

### Aggregate basis

The school ensures that the sum of all funds awarded to all FSEOG recipients in a given award year consists of 75% federal dollars and 25% qualified nonfederal funds. A school using this method calculates and documents on an aggregate basis what portion of total federal *and* qualified nonfederal funds awarded to all FSEOG recipients comes from federal funds and what portion comes from nonfederal funds.

For example, if a school awards a total of \$60,000 to all FSEOG recipients in an award year, it must ensure that \$45,000 comes from federally allocated funds and \$15,000 comes from nonfederal funds. The school may meet this requirement by awarding qualified nonfederal funds to FSEOG recipients on a student-specific basis. For example, if the school makes a total of \$60,000 in FSEOG awards to a total of 100 students, the entire nonfederal share may be met by awarding a total of \$15,000 in nonfederal resources to only five FSEOG recipients. **However, each of the 100 FSEOG recipients must receive some FSEOG federal funds.**

### Fund-specific basis

The school establishes an FSEOG account for federal program funds and deposits the required 25% qualified nonfederal matching share into the fund. The matching funds must be deposited at the same time the federal funds are deposited. Awards to FSEOG recipients are then made from this *mixed* fund. Schools using the fund-specific method must deposit their institutional match at the time they receive the federal share funds. **For the purpose of a Return of Title IV funds calculation, 100% of the funds are considered federal funds when a school uses this method of matching.**

### Frequency and Amount of FSEOG Disbursements

If the student’s FSEOG award is less than \$501 for the academic year, the student may be paid a lump sum of the entire amount of the FSEOG.

If a student is awarded an FSEOG of more than \$501, you must pay the student a portion of this award in each payment period, even if you do not use standard academic terms. Within a payment period, a school may advance funds in whatever installments it determines will best meet the student’s need. To determine the amount of each payment period’s FSEOG disbursement, you divide the total FSEOG award amount by the number of payment periods you expect the student to be enrolled:

$$\frac{\text{FSEOG Total Award}}{\text{Number of Payment Periods}}$$

For a school that measures progress in credit hours and academic terms, a payment period is defined as a term (semester, trimester, quarter). The definition of a payment period for a school that does not have academic terms or a school that measures progress in clock hours is discussed in more detail in chapter 13, and in 34 CFR 668.4.

### Uneven costs/unequal disbursements

If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, you may make unequal FSEOG disbursements.

#### Payment of FSEOG, cite

34 CFR 676.16



#### FSEOG Withdrawal and Return of Title IV Funds

If a student ceases attendance after receiving a lump sum FSEOG payment (of less than \$501) only that portion of the FSEOG intended for the payment period in which the student was attending class should be included in the Return calculation.

### ***Internal controls in the FSEOG Program – reconciliation, fiscal and program records***

As described in chapter 12, your school must reconcile, at least monthly, your FSEOG draws recorded in GAPS to the funds received in the bank account your school has designated to receive electronic transfers. You must also reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to ED, and explain all discrepancies.

In addition, you should examine your FSEOG program and fiscal records monthly. Did the fiscal records on which you based your anticipated need for FSEOG funds accurately predict your disbursements, or are you returning unused funds? Were your matching funds deposited at the same time you received your federal share?

**Federal share limitation, cite**

34 CFR 675.26(a)

**Community service vs. reading tutors**

These are not necessarily the same thing. In order to be considered community service, the job has to be in an area that is open, accessible, and used by the community at large. Community service includes a whole host of jobs and is not limited to reading tutors. On the other hand, reading tutors may provide tutoring to some group that would not be considered part of the community. For example, a school population is not considered "open, accessible, and used by the community at large," and therefore, in this context, is not considered a community.

**FEDERAL WORK-STUDY SPECIFIC RULES****Federal and Non-Federal Share**

In general, the federal share of **Federal Work-Study (FWS)** wages paid to a student may not exceed 75%. The 75% applies to expenditures for FWS wages and does not include any administrative cost allowance. Schools must provide at least 25% of a student's total FWS wages from nonfederal sources. For example, if a school wanted to spend \$45,000 of its FWS federal funds for student wages, it would be required to provide at least \$15,000 in nonfederal funds. A total of \$60,000 would then be available to pay student wages under the school's FWS Program.

There are situations when the ratio of federal share to nonfederal share of 75% to 25% does not apply:

- Any school may provide more than the required minimum 25% nonfederal share. For example, if a school received \$60,000 in federal funds and wished to spend a total of \$100,000 for student FWS wages, it could spend \$40,000 of nonfederal funds to do so. In this example, the federal share of students' total earned compensation under the FWS program expenditures would be 60%, while the nonfederal share would be 40%. (On the FISAP, however, you never report more than the required match.)
- For off-campus FWS jobs with private, for-profit organizations, the federal share of wages paid to students is limited to 50%. The for-profit organization must provide a nonfederal share of at least 50%. The employer may contribute a nonfederal share that exceeds the required 50%. However, **a school may use no more than 25% of its total current year initial and supplemental allocations to pay wages to students employed with private, for-profit organizations.**
- The federal share of compensation paid to students employed as reading tutors for children, mathematics tutors for children, or in a family literacy project performing family literacy activities may exceed 75% and may be as high as 100%, as documented in the school's accounting records.
- The federal share can be as much as 90% (and the nonfederal share can be as little as 10%) for students employed at a private, nonprofit organization or at a federal, state, or local public organization or agency under specific circumstances. Only organizations that are unable to afford the cost of this employment are eligible to pay a reduced nonfederal share. In addition, the school may not own, operate, or control the organization, and the school must select the organization or agency on a case-by-case basis. No more than 10% of a school's FWS students may benefit from this provision.

- The federal share of FWS wages paid to a student may be lower than 75% if the employer chooses to contribute more than the minimum required nonfederal share. For example, if a school has a large demand for FWS jobs from its various departments, it may contribute more than the usual 25% to allow for additional employment.
- The federal share can be 100% for a school designated as described under *Matching at Excepted Institutions* earlier in this chapter.

The federal share may **not** be used to provide fringe benefits such as sick leave, vacation pay, or holiday pay, or employer's contributions to Social Security, workers' compensation, retirement, or any other welfare or insurance program. These restrictions on the federal share apply even when the Department authorizes a federal share of 100% of FWS wages.

**Note:** The federal share of allowable costs in carrying out the JLD Program described later in this chapter may not exceed 80% of such costs.

### FWS Nonfederal Share Sources

A school can pay the nonfederal share from its own funds or other nonfederal sources such as outside funds from an off-campus employer. The school can also pay the nonfederal share in the form of documented noncash contributions of services and equipment such as tuition and fees, room and board, books, and supplies, documented by accounting entries. **When matching with cash, the school must deposit its share at the same time it receives the federal share.**

Do not confuse making the match with services and/or equipment for which a school **doesn't** need permission with the situation where the school is paying in cash and crediting the student's account with a portion of the student's pay to cover institutional charges. **In the latter case, a school may not credit the student's account with FWS earnings without the student's permission.**

If a school receives more money under an employment agreement with an off-campus agency than the sum of (1) required employer costs, (2) the school's nonfederal share, and (3) any share of administrative costs the employer agreed to pay, the school must handle the excess in one of three ways:

1. use it to reduce the federal share on a dollar-for-dollar basis;
2. hold it in trust for off-campus employment during the next award year; or
3. refund it to the off-campus employer.

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#### Nature and source of Institutional share

34 CFR 675.27




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#### Paying nonfederal share

34 CFR 675.16(B)(2) & (3)

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**Employment conditions and limitations, cite**

34 CFR 675.20(c)



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**FWS minimum wage, cite**

Dear Colleague Letter CB-96-23



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**Fees or commissions prohibited, cite**

34 CFR 675.27(b)



**No payments at less than minimum wage**

The Small Business Job Protection Act of 1996 established a sub-minimum or training wage that is lower than the minimum wage. However, **it is not permissible to pay the sub-minimum wage rate to students working FWS jobs.**

Funds from programs sponsored by federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the nonfederal share, as long as the programs have the authority to pay student wages. A school should contact the appropriate federal agency to see if the program in question does have this authority.

### ***FWS Conditions of Employment and Limitations***

All FWS work, whether on campus or off-campus, has certain conditions and limitations. FWS employment must be governed by those employment conditions, including the rate of pay, that are appropriate and reasonable according to the type of work performed, the geographic region, the employee's proficiency, and any applicable federal, state, or local law.

FWS employers must pay students at least the federal minimum wage in effect at the time of employment. A school may not count fringe benefits as part of the rate of pay, and may not pay a student commissions or fees.

FWS employment must not displace employees (including those on strike), or impair existing service contracts. Also, if the school has an employment agreement with an organization in the private sector, the organization's employees must not be replaced with FWS students. Replacement is interpreted as displacement.

FWS positions must not involve constructing, operating, or maintaining any part of a building used for religious worship or sectarian instruction. In determining whether any FWS employment might violate this restriction, a school should consider the purpose of the part of the facility in which the work will take place and the nature of the work to be performed.

Neither a school nor an outside employer that has an agreement with the school to hire FWS students may solicit, accept, or permit soliciting any fee, commission, contribution, or gift as a condition for a student's FWS employment. However, a student may pay union dues to an employer if the payment of such dues is a condition of employment, and if the employer's non-FWS employees must also pay those dues.

The Fair Labor Standards Act of 1938, as amended, prohibits employers (including schools) from accepting voluntary services from any paid employee. Students employed under FWS must be paid for all hours worked.

A student may earn academic credit as well as compensation for FWS jobs. Such jobs include but are not limited to internships, practica, or assistantships (e.g., research or teaching assistantships). However, a student employed in an FWS job and receiving academic credit for that job may not be –

- paid less than he or she would be if no academic credit were given;
- paid for receiving instruction in a classroom, laboratory, or other academic setting; and
- paid unless the employer would normally pay the person for the same job.

### Community Service Jobs

The HEA requires schools to spend a portion of their FWS total allocations (initial and supplemental) to compensate students working in community service jobs. A community service job is defined as an activity that improves the quality of life, or solves a problem for a community's residents – especially its low-income residents. Examples of community services include healthcare, child care, public safety, crime prevention and control, rural development, and community improvement. These services must be open to the entire community.

A school must use at least 7% of its annual FWS total allocations (initial and supplemental) to pay the federal share of wages to students working in community service jobs. In meeting the 7% community service expenditure requirement, one or more FWS students **must** be employed in at least one reading-tutoring project as a reading tutor for children who are preschool age or are in elementary school, or in a family literacy project performing family literacy activities.

### Math and reading tutors

In an effort to increase the reading and math proficiency of our nation's children, tutoring in these areas has become a federal priority. The FWS regulations authorize a 100% federal share of FWS wages earned by a student who is employed–

- as a reading tutor for preschool-age through elementary-school-age children;
- as a mathematics tutor for children in elementary school through ninth grade; *or*
- performing family literacy activities in a family literacy project that provides services to families with preschool-age children or children who are in elementary school.

### Internships, Practica, and Assistantships, cite

34 CFR 675.20(d)



### Community Service cite

DCL CB-97-12, July 1, 1997



For additional information on community service work-study, please see the "Federal Student Aid Handbook, Volume 6 – Campus-Based Programs."

### 7% Citation

34 CFR 675.18(g)



### Reading and math tutors

DCL CB-97-12, July 1999

DCL CB-99-12, July 1997

FSA Handbook, Volume 6



### Wages from Federal Agency

The portion of the FWS wages contributed as the institutional share by a federal off-campus agency are not considered part of the "federal share." Thus, a federal agency may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

The work performed by the student must be for the school itself; for a federal, state or local public agency; or for a private, nonprofit organization. A school is not required to make a request to ED to be able to pay these FWS students' wages with a 100% federal share from FWS funds. Instead, the school should use 100% federal dollars to pay these students and **document this on both its FISAP and its internal accounting records.**

### Waivers of the Community Service and/or Math and Reading Tutor requirements

A school may request a waiver of these requirements; the request must be in writing. The fact that it may be difficult for the school to comply with these requirements is not, in and of itself, a basis for granting a waiver.

To request a waiver for an award year, a school must send a waiver request and any supporting information or documentation to ED by the established deadline date of that award year. If a school has any questions about the community service expenditure requirements or waiver procedures, the school can contact ED's Campus-Based Call Center at

877-801-7168

### Payment for FWS Training and/or Travel

A student may be paid for training for any FWS employment or for a reasonable amount of time for travel that is directly related to a community service job.

Because every job requires some type of training, whether formal or informal, ED allows FWS students to be paid wages during a training period that is conducted for a *reasonable* length of time. This applies regardless of the type of FWS job the student has. A reasonable training period is one that occurs immediately before the student begins the regular duties of the FWS employment and does not exceed approximately 20 hours. Students also may be compensated for a reasonable amount of time to perform ongoing activities (for example, preparation and evaluation time) needed to accomplish their FWS jobs.

Schools may pay students for a reasonable amount of time spent for travel that is directly related to employment in community service activities. Time spent for travel should be reported on the student's FWS time record in the same way hours actually worked are currently reported. **Schools should provide their students with a form on which students can record travel time separately from time spent working.**

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#### Waiver request statement

Dear Partner Letter CB-05-05, dated  
April 2005



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#### Training and Travel, cite

34 CFR 675.18(h)



## Reallocated FWS Funds

Unexpended FWS funds are returned to ED by August of each year and reallocated to eligible schools that used at least 5% of their total FWS allocations to pay students employed as reading tutors or in family literacy activities in the preceding award year.

When a school receives reallocated FWS funds, the minimum amount of FWS federal funds the school must expend on community service jobs is the greater of the following two amounts:

1. 7% of the total (initial and supplemental) FWS allocation, *or*
2. 100% of the amount of the reallocated FWS funds.

## Job Location and Development Program

The **Job Location and Development (JLD) Program** enables schools to expand off-campus job opportunities for currently enrolled students who want jobs regardless of their financial need. The JLD Program also may be used to locate off-campus jobs for FWS students. JLD funds are to be used to pay students whose jobs were located and developed through the JLD Program.

A school may use up to 10% or \$50,000 (whichever is less) of its FWS allocation to establish or expand a program to locate and develop off-campus jobs, including community service jobs. Jobs located or developed under the program may be for either profit or nonprofit employers.

The federal funds that a school sets aside from its FWS allocation for JLD Program expenses may be used to pay up to 80% of allowable costs. The school must provide the remaining 20% of allowable costs either in cash or in services, as documented in accounting records.

## Work-Colleges Program

A *work college* is defined as an eligible public or private, nonprofit school with a commitment to community service that –

- has operated a comprehensive work-learning program for at least two years;
- requires all students who reside on campus to participate in a comprehensive work-learning program;
- has a program that requires providing service as an integral part of the school's educational program, and as part of the school's educational philosophy; and
- provides students in the comprehensive work-learning program with an opportunity to enhance their education by contributing to the welfare of the community.

### Reallocation and use of excess allocations, cite

42 U.S.C. Sec. 442(d)(1)



Questions about the Work-Colleges Program should be directed to the Campus-Based Call Center at

**877-801-7168**

Schools that satisfy the HEA definition of *work college* may apply to ED to participate in the program. In addition to federal appropriations, schools can transfer FWS and/or new FCC funds for Federal Perkins Loans to the Work-Colleges Program.

Work colleges may use available program funds to coordinate and carry out any of the following activities:

1. support the educational costs of qualified students through self-help payments or credits provided under the work-learning program (within the limits of Part F of Title IV of the HEA);
2. promote the work-learning service experience as a tool of postsecondary education, financial self-help, and community service-learning opportunities;
3. carry out activities in Sections 443 or 446 of the HEA (grants to FWS programs);
4. administer, develop, and assess comprehensive work-learning programs, including community-based, work-learning alternatives that expand opportunities for –
  - community service and career-related work and alternatives that develop sound citizenship;
  - encourage student persistence; and
  - make optimum use of assistance under the Work-Colleges Program in education and student development;
5. coordinate and carry out joint projects and activities to promote work- service learning; and
6. carry out a comprehensive, longitudinal study of student academic progress and academic and career outcomes, relative to student –
  - self-sufficiency in financing their higher education;
  - repaying student loans;
  - continued community service and the kind and quality of service performed; and
  - career choice and community service selected after graduation.

## Job Descriptions

Job descriptions for all FWS positions should be a part of the control procedures included in your school's policies and procedures manual. A written job description will help you ensure that the position is one that qualifies under the FWS program regulations (34 CFR 675.20, 675.21, 675.22, and 675.33). In addition, a written job description provides students with the information they need to determine whether they qualify for the job, whether the job is related to their educational or career objectives, and whether the job is of interest to them. Moreover, by considering the rates of pay applicable to the position, the qualifications for each pay level, and the qualifications of a student applicant, a financial aid administrator can determine the hours a student will need to work in order to earn the funds specified in the student's FWS award. Finally, a written job description establishes a written record to which all parties can refer. It can help avoid disagreements and adjudication and provide a reference in such cases.

Each FWS position should have a job description that includes the:

- name of the position;
- classification of the position (e.g., reading tutor 1, reading tutor 2, laboratory assistant, library technician 1 or 2, etc.);
- name and address of the student's employer (the school, public agency, nonprofit organization, etc.);
- department or office in which the student will be employed;
- location where the student will perform his/her duties;
- name of the student's supervisor;
- purpose/role of the position within the organization;
- duties and responsibilities associated with the position, and how they relate to the purpose/role;
- rates of pay for the position (cross-referenced to the wage rates appearing in the school's policies and procedures manual);
- general qualifications for the position, and the specific qualifications for the various levels/rates of pay associated with the position;
- procedures for determining a student's rate of pay when a position has multiple rates; and
- evaluation procedures and schedules.

**Wage rates, cite**

34 CFR 675.24



## *Establishing wage rates*

**Undergraduate students** are paid Federal Work-Study (FWS) wages on an **hourly basis only**. Graduate students may be paid by the hour or may be paid a salary. Regardless of who employs the student, the **school** is responsible for making sure the student is paid for work performed.

A school should determine the number of hours a student is allowed to work based on the student's financial need and on how the combination of work and study hours will affect the student's health and academic progress. There are no statutory or regulatory limits on the number of hours per week or per payment period a student may work, provided no overaward occurs. (See the *Federal Student Aid Handbook*, Volume 6 – *Campus-Based programs*.)

A student must be paid at least the federal minimum wage in effect at the time of employment. In addition, a school may not count fringe benefits as part of the wage rate and may not pay a student commissions or fees. In determining an appropriate rate, the school must consider the following –

- the skills needed to perform the job;
- how much persons with those skills are paid in the local area for doing the same type of job;
- rates the school would normally pay similar non-FWS employees; and
- any applicable federal, state, or local laws that require a specific wage rate.

A student's need places a limit on the total FWS earnings permissible but has no bearing on his or her wage rate. It is not acceptable to base the wage rate on need or on any other factor not related to the student's skills or job description. **If a student's skill level depends on his or her academic advancement, the school may pay a student on that basis.** For example, a junior or third-year lab student may be paid a higher rate than a sophomore or second-year lab student. However, in most cases, students performing jobs comparable to those of other employees should be paid comparable wages, whether the other employees are students at different class levels or are regular employees.

## Records and reporting in the FWS program

For reporting and accounting purposes, FWS expenditures must be distinguishable from other institutional expenditures. FWS compensation should either be entered in a separate sub-ledger, or, if listed on the general payroll ledger, should be grouped separately from other expenditures. If payroll records are maintained electronically, a special *cost center*, *object class*, or *program identifier* must be used for FWS payments to students.

### Timesheets

You must maintain adequate timesheets or records of hours worked for FWS students. These timesheets must show, separately for each day worked, the hours a student worked, and the total hours worked during the job's payment cycle (i.e., twice a month, every week, every two weeks, etc.). These amounts and hours recorded must match the hours for which the student is paid.

#### **FWS timesheets must be certified by the student's supervisor.**

Students working for your school must have their timesheet certified by either their supervisor or an official at the school. Students working in off-campus jobs must have their timesheets certified by an official at the off-campus site.

Off-campus employers may fax in timesheets to the school, but they must also provide original copies. Original copies should be mailed or hand delivered to the school at the first opportunity. **The original copies of off-campus timesheets must be maintained by the school.**

Original records must be maintained since data from those records is submitted as part of the Fiscal Operations Report section of the FISAP.

### Payroll Vouchers

Your school must provide payroll vouchers that contain sufficient information to support all payroll disbursements. At a minimum, a school's payroll vouchers should –

- include the school's name and address;
- identify the starting and ending dates of the payroll period;
- include the student's name;
- identify the student's work-study position;
- include the number of hours the student worked during the pay period;

### FWS Timesheets and Payroll Vouchers, cite

34 CFR 675.19 (b)



- for undergraduate students, specify the student's hourly rate of pay;
- for a graduate student, identify the student's hourly rate of pay or the student's salary;
- include the student's gross earnings;
- itemize any compensation withheld for federal, state, county, or city taxes, and other deductions;
- include identification of any noncash payments made to the student for work during the period, and point to an auditable record of that contribution;
- include the student's net earnings;
- include a check number, duplicate receipt, or other auditable payment identification; and
- identify and itemize any overtime earnings (a student may be paid overtime with FWS funds).

### Records of noncash contributions

There are two cases under which students may not receive the net FWS earnings identified on their payroll voucher. In the first, a student who has FWS earnings at a school that provides its FWS institutional match with cash, has provided written permission for the school to credit part of the student's earnings to the student's account. A school must obtain a separate written authorization from a student before any part of the student's FWS cash earnings may be credited to the student's account. The school must maintain that authorization in the student's file. In addition the school must provide a clear audit trail showing that the student received credit on the student's account for any earnings not paid directly to the student.

The second case involves schools that provide part (or all) of their FWS institutional match with credit for tuition, fees, services, or equipment. A school that provides its institutional match with tuition, fees, services, or equipment does **not** need to obtain a student's permission. However, **before employing a student** this type of school must provide the student with a written explanation of this procedure including the specific percentage of the student's earnings that the student will receive in credit for tuition, fees, services, or equipment. Moreover, **before the close of the student's final scheduled payroll period**, the school must give the student a statement that itemizes the total amount of tuition, fees, services, or equipment credited to the student's account from the student's FWS earnings. In addition **the school's records must provide a clear audit trail showing that the student received credit on the student's account for any earnings not paid directly to the student.**

## Paying students

A student's FWS compensation is earned when the student performs the work, and the school must pay the student that FWS compensation at least once a month. Regardless of who employs the student, the school is responsible for ensuring that the student is paid for work performed.

Before a school may make an initial disbursement of FWS compensation to a student for an award period, the school must notify the student of the total amount of FWS funds the student is authorized to earn, and how and when the FWS compensation will be paid.

Except when a school's institutional share is paid from noncash sources (tuition, services and equipment, room and board, and books), the school must pay the student its share of his or her FWS compensation at the same time it pays the federal share. If the school pays a student its FWS share for an award period in the form of these noncash sources, it must pay that share before the student's final payroll period.

If a school pays its FWS share in the form of *prepaid* tuition, fees, services, or equipment for a *forthcoming academic period*, it must give the student a statement before the close of his or her final payroll period listing the amount of tuition, fees, services, or equipment earned.

A school may pay a student after the student's last day of attendance for FWS compensation earned while he or she was in attendance at the school.

A school must pay FWS compensation to a student by –

1. issuing a check or similar instrument that the student can cash on his or her own endorsement; or
2. initiating an electronic funds transfer (EFT) to a bank account designated by the student **after obtaining authorization**; or
3. crediting the student's account at the school (after **obtaining written authorization**).

### Payments to students, cite

34 CFR 675.16



**Written authorization, cite**

34 CFR 675.16(a)(4), (5), &amp; (6)



## Authorizations

Except when a school's institutional share is paid with noncash sources (tuition, services and equipment, room and board, and books), a school must obtain a separate written authorization from the student if the student is paid FWS compensation by –

- crediting the student's account at the school; or
- initiating an EFT to a bank account designated by the student (**including accounts that are the basis for bank-issued debit cards**).

If a school obtains a written authorization from the student, the school may hold excess FWS funds on the student's account.

In obtaining the student's written authorization, a school –

- may not require or coerce the student to provide that authorization;
- must allow the student to cancel or modify that authorization at any time; and
- must clearly explain to the student how it will carry out the activity authorized.

If a student modifies the written authorization, the modification takes effect on the date the school receives the modification notice. If a student cancels a written authorization, the school may use the FWS compensation to pay only those authorized charges incurred by the student before the school received the cancellation notice.

## Holding FWS funds

A school receiving funds under the reimbursement payment method (see chapter 13) may not hold FWS funds for students. Other schools may if authorized by the student, hold FWS funds that would otherwise be paid directly to the student.

If a school holds excess FWS funds, the school must –

1. identify the amount of FWS funds the school holds for each student in a subsidiary ledger account designated for that purpose;
2. maintain, at all times, cash in its bank account in an amount at least equal to the amount of FWS funds the school holds for the student; and
3. pay any remaining balance to the student by the end of the institution's final FWS payroll period for an award period.

If a student cancels the authorization to hold FWS funds, the school must pay those funds directly to the student as soon as possible but no later than 14 days after the school receives the cancellation.

**Holding FWS funds, cite**

34 CFR 675.16(a)(8)



## Crediting student accounts

With a student's permission, a school may credit the student's account at the school to satisfy current award year charges for –

- tuition and fees;
- board, if the student contracts with the school for board;
- room, if the student contracts with the school for room;
- other institutionally provided educationally related goods and services.

In addition, a school may credit a student's account to pay **minor prior award year charges** if these charges are less than \$100, or if the payment of these charges won't prevent the student from paying his or her current educational costs.

If a school pays a student FWS compensation by crediting the student's account, and the result is a credit balance, the school must pay the credit balance directly to the student as soon as possible but no later than 14 days after the balance occurred on the account.

## Garnishment of wages

A student's FWS wages may be garnished only to pay any costs of attendance that the student owes the school or that will become due and payable during the period of the award. Schools must oppose any garnishment order they receive for any other type of debt; paying FWS funds in such cases would not be in compliance with the Federal Student Aid programs requirement that funds be used solely for educational purposes. As schools may not necessarily be the employers in an off-campus employment arrangement, they must adopt effective procedures to notify off-campus employers that garnishment of FWS wages is not permissible.

## Earnings for the next period of enrollment

Many FWS students must pay the bulk of their education costs before they have had a chance to earn FWS wages. To provide students with the opportunity to earn wages in time to pay more of their education costs, the Department allows students to earn FWS wages to cover expenses associated with the next period of enrollment offered by the school.

The student must be planning to enroll (or to reenroll), and must demonstrate financial need for that next period of enrollment. (The next period of enrollment is usually the next term, including a summer period, or in the case of summer earnings, the next full academic year.) A student may earn FWS funds for the next period of enrollment during any period of enrollment, including a period of enrollment that is comprised, in whole or in part, of mini-sessions. A student may also earn FWS wages towards the next period of enrollment during a period of nonattendance, (See discussion under *Earnings for periods of nonattendance* that follows.)

### Earnings applied to cost-of-attendance, cite

34 CFR 676.25



### Payments to student's account, cite

34 CFR 676.16(a)(3)(iii) & (iv)



## *Earnings for periods of nonattendance*

A student may be employed through the FWS programs during a period of nonattendance, such as a summer term, an equivalent vacation period, the full-time work period of a cooperative education program, or an unattended fall or spring semester. A student must be planning to enroll (or to reenroll), and must have demonstrated financial need for the next period of enrollment. The student's FWS (net earnings minus taxes and job-related costs) during this period of nonattendance must be used to cover expenses associated with his or her financial need for the next period of enrollment.

A student whose eligibility for summer FWS employment during a period of nonattendance is based on his or her anticipated enrollment in the next period of enrollment may fail to attend the school. When a student fails to attend for the next period of enrollment, the school that employed the student must be able to demonstrate that the student was eligible for employment, and that the school had reason to believe the student intended to study at that school in the next period of enrollment. At a minimum, the school that employed the student must keep a written record in its files showing that the student had either registered for classes, or accepted the school's offer of admittance for the next period of enrollment.

A student in an eligible program of study abroad may be employed during a period of nonattendance preceding the study abroad if he or she will be continuously enrolled in his or her domestic school while abroad, and if the student's courses abroad are part of the domestic school's program. In such a case, a student may be employed in a qualified position in the United States, at the home school's branch campus in a foreign country, at a U.S. government facility abroad, or in a U.S. company abroad.

### **Mini-session example**

Bowen University has a summer term made up of three mini-sessions. Ted enrolls in classes for the June and August mini-sessions, but does not enroll in any classes for the July mini-session. Ted has a financial need of \$500 for his attendance in two of the summer mini-sessions. Ted also plans to enroll in the following fall semester and has a remaining need of \$250 for that semester. Ted is given a \$750 FWS award in the summer (\$500 for the two summer mini-sessions and \$250 for the fall semester). Ted knows his June mini-session courses will be very demanding and he will not have time to work. So, Ted earns \$500 during the July mini-session when he has no classes. Ted has classes again in August, but his academic workload is lighter. In August, Ted earns \$250 towards his education costs in the upcoming fall semester.

## *Earnings during mini-sessions*

If a school combines a series of mini-sessions or modules into one term (e.g., three summer mini-sessions into one summer semester), an FWS student attending any of the mini-sessions may earn FWS wages at any time throughout that term. The school may apply those earnings towards the student's financial need for the mini-session(s) attended and/or the next period of enrollment. The school must base the student's financial need for attending the summer term on the period of time for which the student is actually enrolled in the mini-sessions.

The amount of FWS wages a student may earn at any given point in time in the term does not depend on whether or not the student is enrolled in a mini-session at that point in time. The school or student may choose how to distribute the hours worked throughout the summer term.

## Off-Campus Agreements

If some of your school's FWS recipients work for an off-campus organization, your school must enter into a written agreement – a contract – with the off-campus organization. The school must ensure the off-campus organization is a reliable agency with professional direction and staff, and that the work to be performed is consistent with the purpose of the FWS Program.

The agreement should specify what share of student compensation and other costs will be paid by the off-campus organization. For-profit organizations **must** pay the nonfederal share of student earnings.

The agreement also sets forth the FWS work conditions and establishes whether the school or the off-campus organization will be the employer for such purposes as hiring, firing, and paying the student. The employer is generally considered to be the entity that will control and direct the work of the FWS students—supervising them at the work site, regulating their hours of work, and generally ensuring that they perform their duties properly. However, **the school is ultimately responsible for making sure that payment for work performed is properly documented and that each student's work is properly supervised.**

The agreement should define whether the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students' wages, or whether the school will pay the students and bill the off-campus organization for its contribution. The school must make up any payments the off-campus organization does not make.

**It is the school's responsibility to ensure that FWS payments are properly documented, even if the off-campus organization does the payroll.** To fulfill that responsibility, the school must keep copies of timesheets and payroll vouchers and keep evidence that the students were actually paid (usually copies of the canceled checks or receipts signed by the students).

### Off-Campus Agreements, cite

34 CFR 675.20(b)



### ***Providing the federal share or billing for the employer's share***

If an off-campus agreement specifies that the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students' wages, the school will be sending federal funds to the off-campus organization. The agreement with the school should include the procedures the off-campus organization must follow and the documents it must provide in order to be reimbursed for the federal portion of a student's salary.

Your school should have written policies that describe the aforementioned procedures, the documentation the off-campus organization must provide, and how the reimbursement process will be handled. Your accounting entries must completely track the payment of the federal share to the off-campus organization, and must be backed by the original documents specified in your policies. Your school is liable for federal funds expended for which it does not have proper records or documentation.

If your agreement with the off-campus organization specifies that the school will pay the students and bill the off-campus organization for its share, the agreement should include the steps the school will take, the documentation the school will provide, and the time frame within which the off-campus employer will pay the school its share of the FWS compensation.

Your school should have a system for ensuring that off-campus employers are billed for their share of FWS wages in a timely manner. In addition, you should have a system for following up if bills remain unpaid after a reasonable period of time. Your accounting entries must completely track the billing and receipt of the employer's share, and must be backed by any original documents required (e.g., detail of the wages paid to students and calculation of the employer's share).

### ***Internal controls in the FWS Program – reconciliation, fiscal, and program records***

As described in chapter 12, your school must reconcile, at least monthly, your FWS draws recorded in GAPS to the funds received in the bank account your school has designated to receive electronic transfers. You must also reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to ED, and explain all discrepancies.

In addition, you should examine your FWS program and fiscal records at the start of the year and monthly:

- Do you have a method for verifying that a student's rate of pay recorded in your payroll system matches that on which the award was calculated, and the rate assigned to the position and experience level in the school's policies and procedures?
- Do you have a system that records the maximum a student may earn in FWS wages and alerts you if a student approaches that amount?
- Do you periodically evaluate your rate of expenditures to determine if that rate continues whether you will expend less, exactly, or more than the amount you have budgeted for FWS expenditures?
- Are your matching funds consistently deposited at the same time you received your federal share?
- In the FWS program, your requests for funds should always be for a payroll for which data has been entered. The only time your need for funds should be greater or less than your draw is when anticipated payments from an off-campus employer are early or late. Excepting those occasions, do you often find yourself requesting additional funds or returning unused funds?
- Do you have a process in place to ensure that students are actually working the hours reported – that timesheets are accurate?
- Do you frequently audit payrolls to test whether hours recorded in the payroll system match the hours reported on student timesheets?

## THE FEDERAL PERKINS LOAN PROGRAM

The Federal Perkins Loan (Perkins) Program includes Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). No new Defense Loans were made after July 1, 1972, but a few are still in repayment. Federal Perkins Loans and NDSLs are low-interest, long-term loans made through school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.

Before a student may be given a Federal Perkins Loan, your school's business/bursar's office must coordinate with the Financial Aid Office at your school to ensure that the student in question is eligible by both the general student eligibility and Federal Perkins eligibility regulations, has financial need, and that the student has attended entrance counseling and has signed a Perkins Master Promissory Note (MPN).

### *Perkins Federal share*

The amount of new Federal Perkins Loan Program funds provided to a school for an award year by the federal government is called the *Federal Capital Contribution (FCC)*. The FCC funds to be used for the Federal Perkins Loan Program must be deposited into the school's Perkins revolving fund. The FCC deposited into the school's Perkins revolving fund must not exceed 75% of the combined FCC and required non-federal share.

Unlike the FWS and FSEOG programs, the Department is not able to authorize a federal share of 100% for the FCC deposited into the school's Perkins revolving fund. It should also be noted that when a school transfers new FCC to either the FWS or FSEOG programs, the FCC is not deposited into its Perkins revolving fund.

### *Perkins Non-federal share*

In the Federal Perkins Loan Program, every student's loan will be comprised of federal dollars and institutional funds (the *Institutional Capital Contribution (ICC)*).

A school must provide a share of each student's Federal Perkins loan from the school's funds (the ICC). The ICC must equal or exceed:

- one-third (33 1/3%) of the FCC, *or*
- one-quarter (25%) of the combined FCC and ICC.

For example, if a school received an FCC of \$30,000, it would be required to provide an ICC of at least \$10,000, for a combined amount of \$40,000. The FCC (\$30,000) *divided by .3333 equals \$40,000 minus \$30,000 equals \$10,000*. The Department is not able to grant a waiver of the ICC.

The ICC must be comprised exclusively of institutional funds, and you must deposit the ICC prior to or at the same time as you deposit the FCC. The ICC must be deposited every year regardless of any overmatch a school may have made during the previous award year.

When you transfer new FCC to either the FWS or FSEOG programs, the FCC is not deposited into your Perkins revolving fund, and you do not have to provide an ICC share. Instead, you must provide a non-federal share for those FCC funds at the level required by the program to which it was transferred and spent in by your school.

### **Level of expenditure (LOE)**

The *level of expenditure (LOE)* is the maximum dollar amount that ED allows a school to expend from the school's Federal Perkins loan fund in a given award year. The LOE includes **all authorized expenditures** for the program, such as all loans to students, administrative cost allowance, and collection costs. The LOE equals the total of FCC, ICC, funds available from the school's projected collection of Federal Perkins Loans in repayment, estimated Federal Perkins Loan cancellation reimbursements, and anticipated cash on hand (FCC + ICC + collections + cancellation reimbursements + cash on hand = LOE).

To request an increase in their LOE, schools make the request through the School Participation Team (SPT) serving their state. Schools should request FCC only when its cash on hand has been depleted. The telephone numbers for the school participation teams and divisions are found at the end of chapter 8.

### **Excess cash**

The legislative requirement included in Section 466 of the Higher Education Act of 1965, as amended (HEA) requires the return of excess Federal Perkins Loan funds when available resources exceed a school's needs in the foreseeable future. A school has excess liquid capital in its Federal Perkins Loan fund if the funds available (cash on hand, plus projected collections, plus Federal Capital Contribution [FCC] and Institutional Capital Contribution [ICC], and cancellation repayments) for the current award year significantly exceed the award year's total expenditures from the fund. Schools should disburse any excess cash during the award year or return the excess Federal Perkins Loan funds to the Department.

Federal Perkins cash on hand recorded on the school's general ledger annually as of June 30 and October 31 must be reported on the Fiscal Operations Report.

### **Improper Disbursements**

Your school is liable for any incorrect payments made to students due to school error.

## Disbursing Federal Perkins funds

### Pre-disbursement activities

There are several tasks you must complete prior to disbursing Federal Perkins Loans.

You must have a process for confirming that the student understands the terms of the loan and accepts the loan by signing the MPN. For more on active and passive confirmation, see chapters 17 and 19.

You must confirm the student's enrollment status, because a student who is enrolled less than half time is not eligible for an in-school deferment. Also you should have a system that checks students' enrollment status periodically throughout an award year, as their status may change due to withdrawal from classes, expulsion, or other unforeseen circumstance. (See *Loans to borrowers enrolled less than halftime* later in this chapter.)

For a comparison and summary of the requirements of entrance and exit counseling, see the chart at the end of the section on exit counseling. The arrows indicate those elements that must be covered in both entrance and exit counseling.

### Ensuring you have a valid promissory note

The promissory note is the legally binding document that is evidence of a borrower's indebtedness to a school. For loans using the closed-end or open-end promissory notes, the borrower was required to sign the note prior to the first disbursement of each Perkins Loan the borrower received. For loans made using the Perkins Master Promissory Note (MPN) the borrower is only required to sign the MPN once, prior to the first disbursement of the borrower's first Perkins Loan. The student must receive a copy of the note at (or before) the entrance interview. The note includes information about the loan's interest rate, repayment terms, and minimum rates of repayment; deferment, forbearance, and cancellation provisions; credit-bureau reporting; late charges, attorney fees, collections costs, and consequences of default.

If the school does not have a valid note or other written evidence that would be upheld in a court of law, the school has no recourse against a borrower who defaults. Two examples of invalid notes are notes that have been changed after they were signed and notes without proper signatures or dates for loan advances. In such cases, the school would have to repay to its Federal Perkins Loan Fund any amounts loaned, whether recovered from the borrower or not, as well as any Administrative Cost Allowance (ACA) claimed on those amounts.

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#### Promissory note cite

34 CFR 674.31

FSA Handbook, Volume 6, Chapter 3.



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#### Retention of records cite

34 CFR 674.19(e)(4)(iii)



If an error is discovered in a promissory note, the school should obtain legal advice about what action it should take. The appropriate school official and the student should sign by or initial all approved changes in the note.

When a borrower has fully repaid a Federal Perkins Loan, you may notify the borrower in writing that he or she has fulfilled his or her repayment obligation. (You are no longer required to mark the original note *Paid in Full*, have it certified by an official of the school, and give it to the borrower.) The school must keep a copy of the note for at least three years after the date the loan was paid in full.

### Master promissory note

A Master Promissory Note is a promissory note under which the borrower may receive loans for a single award year or multiple award years. Because the MPN can be used to award Federal Perkins Loans on a multi-year basis, there is no box for loan amount or loan period on the note. If you choose to use the MPN as a single award-year promissory note, the borrower must sign an MPN for each award year. The borrower must sign a new Federal Perkins MPN for each subsequent award year. When used as a multi-year note, the borrower signs the MPN only once, before the first disbursement of the borrower's first Federal Perkins Loan.

The signed MPN covers all loans that the school makes to the borrower until the MPN expires. You may make Federal Perkins Loans under an MPN for up to 10 years from the date the borrower signed the MPN. However, the first disbursement must be made within 12 months of the date the borrower signed the MPN. If no disbursements are made within that 12-month period, the borrower must sign another MPN before receiving a Federal Perkins Loan. In addition, no further loans may be made under an MPN after the school receives written notice from the borrower requesting that the MPN no longer be used as the basis for additional loans.

Your school must provide the disclosure information described earlier before the first disbursement of each Federal Perkins Loan made under the MPN. In addition, you must notify the borrower of each disbursement of a Federal Perkins Loan made under Federal Perkins MPN. This notification should inform the borrower of the amount disbursed, and provide the borrower with an opportunity to cancel the disbursement, or cancel the Federal Perkins Loan. You will need to retain subsidiary records of disbursements and adjustments (if any) to satisfy the requirement that each Federal Perkins Loan is supported by a legally enforceable promissory note. Actual disbursement records or student account records would serve this purpose.

### ***Making changes to the MPN***

You may not make changes to, deletions from, or additions to the prescribed language on the MPN. However, you may delete bracketed text. Of course, you may print information (name, address, and telephone number) identifying your school in Section B, Item 6. You may also use appropriate coding (for example, bar coding to reflect the source, type, or other identification system for filing or processing) in this area.

You may print bar coding or coding identifiers, such as student ID number or loan number, in the side or bottom margins to meet the requirements of your school's processing systems. You may not print these coding identifiers on the promissory note in a way that would alter the general layout of the note. You may also print in the lower margin of the note a reference to the type, for example: original, student copy, file copy.

You may adjust the height of the boxes in Sections A and B to meet the requirements of individual processing systems, as long as the change doesn't alter the general format of the form, result in reduced point size, move text from one page to another, or otherwise change the general presentation of the form.

You must print the original and borrower copies of the promissory notes with black ink on white paper. You may not change the typeface, point size, and general presentation of the form from the documents approved by the Department. However, you may print your school's identifying information located in Section B, Item 6 in another color to make your school's name and address more pronounced. It is preferable to print the MPN on two sheets of paper, front and back. However, you may print the MPN on four single-sided pages.

## Entrance Counseling Overview

Before a borrower takes out a loan, you must conduct a thorough entrance interview with the student. Entrance interviews may be conducted individually or in a group with other borrowers. Entrance interviews are important because new students often have little or no experience with loan repayment or managing debt.

Your school must ensure that the student receives comprehensive entrance information, even though the session may be given by a consultant, or servicer, or online. If the information/materials are provided electronically, you'll need to make sure that the student receives written materials for any required information that is not provided in the electronic presentation. Your school is also responsible for ensuring that someone with expertise in the FSA programs is available shortly after the counseling to answer borrowers' questions about those programs.

You have an opportunity at the time of each disbursement to remind students about the importance of satisfactory academic progress (see the *Federal Student Aid Handbook, Volume 1 – Student Eligibility*), planning for future employment, and staying in touch with the office responsible for managing your Federal Perkins portfolio.

If your staff are conducting in-person counseling session, charts, handouts, audiovisual materials, and question-and-answer sessions can help convey the information in a more dynamic manner. We also recommend the use of written tests. Regardless of the counseling methods your school uses, you must be sure to document that the student participated in and completed entrance counseling.

You can usually also get confirmation that the student has completed online counseling session through a printout, electronic message, or other means.

## Disclosure and entrance counseling

**Each award year, before making the first Federal Perkins Loan disbursement for that award year** your school must inform the student of his or her rights and responsibilities under the Federal Perkins Loan Program. The school must also remind the student that the loan may be used only for educational expenses and that the loan must be repaid. The school should also inform the student that the **school** holds the MPN.

The school must disclose all information to the student **in writing**—as part of the application material, as part of the promissory note, or on a separate form. Although the information can be mailed to a student, it is preferable for the aid administrator to meet with the student to answer any questions and to emphasize his or her responsibility to repay the loan.

The school must review all of the repayment terms in the promissory note. In addition, the school must give the following information to the student:

- the name and address of the school to which the debt is owed and the name and address of the official or servicing agent to whom communications should be sent;
- the maximum annual and aggregate amounts the student may borrow;
- the effect that accepting the loan will have on the borrower's eligibility for other types of student aid;
- a statement of the total cumulative balance owed by the student to that school and an estimate of the monthly payment amount needed to repay that balance;
- options the borrower may have to consolidate or refinance;
- a brief notice about the Department of Defense program for repaying loans based on certain military service;
- provisions for loan cancellation;
- a complete list of charges connected with making the loan, including whether those charges are deducted from the loan or whether the student must pay them separately; and
- a notice that the school will report the outstanding balance of the loan to a national credit bureau **at least annually**.

The school should also update the identification and contact information in the promissory note and collect the following additional contact information:

- the name, address, and telephone numbers of the borrower's parents and spouse;
- the spouse's employer; and
- the names and addresses of two or three of the student's personal acquaintances.

A school may not require a borrower to provide this additional contact information as a condition for receiving a subsequent Perkins Loan. However, the additional contact information gained during loan counseling could be valuable later for use in collection procedures, and it will help the school locate a student who leaves school without notice or who does not attend the exit interview. This counseling may not be used to satisfy the requirement for an exit interview.

Your school must ensure that entrance counseling is conducted with each borrower. Required and suggested topics to include in entrance counseling include:

- **Emphasize to the borrower the seriousness and importance of the repayment obligation** the borrower is assuming by signing the MPN and accepting a Federal Perkins Loan.
- **Review the terms and conditions of the loan**, including the current interest rate, the applicable grace period, and the approximate date the first installment payment will be due. Often a student loan is the borrower's first experience in obtaining a loan of any kind, so it helps to clearly explain basic loan terminology to ensure the borrower understands the process and knows who holds his or her loan. For example, you should define such terms as loan servicer (a corporation that administers and collects loan payments for the loan holder), and the use of contractors that may service the loan.
- **Stress that repayment is required**, regardless of educational outcome or subsequent employment or lack thereof. You must explain that the student borrower is obligated to repay the full loan even if he/she doesn't finish the program, can't get a job after graduating, or is dissatisfied with the school's educational program or other services.
- **Describe the consequences of default**, including adverse credit reports, federal offset program, and litigation. We also recommend that you tell the borrower of the charges that might be imposed for delinquency or default, such as the school's collection expenses, late charges, and attorney's fees. Defaulters often find that repayment schedules for loans that have been accelerated are more stringent than the original repayment schedule. A defaulter is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Finally, a defaulter's federal and state tax refunds may be seized and wages garnished, and the borrower loses eligibility for any further funding from the FSA programs.

- **Explain the effect of accepting the loan** on the eligibility of the borrower for other forms of student assistance. There are program-specific rules for this and you may wish to coordinate with your school's financial aid office.
- **Explain the use of the Master Promissory Note**, the use of the multi-year feature of the MPN, and the borrower confirmation process (including the possibility of passive confirmation in subsequent award years, if applicable). You should advise students to carefully read the MPN and the Borrower's Rights and Responsibilities statement before signing the MPN. In addition, you should inform borrowers of their right to sign a new promissory note for each loan and opt out of the multi-year feature of the MPN.
- **Inform the borrower of the availability of FSA loan information** in the National Student Loan Data System (NSLDS).
- **Discuss how to manage expenses (budgeting)**. Include general information for the student about budgeting of living expenses and personal financial management. Financial planning includes decisions by the borrower about the amount that he or she can afford to borrow. Budgeting information can be combined with an assessment of the student's earning potential in his or her chosen career, and with required information about anticipated monthly payments and overall indebtedness.
- **Reinforce the importance of communicating all changes of status, etc. to the school**. Counseling should stress the student's obligation to keep the Financial Aid and Business offices informed about address changes, or changes in enrollment. (Failure to tell borrowers about their responsibility to keep the school informed is one of the most common reasons why a loan goes into default.) The student should also be reminded of the importance of notifying the school in the event of a name change (including the change of a last name through marriage) or a change in Social Security Number.
- **Review Borrower's Rights and Responsibilities**. The student must receive a statement of your school's Borrower's Rights and Responsibilities. (See the sample BRR following *Exit Counseling* later in this chapter.)
- **Describe the school's refund and other policies affecting withdrawals**. The borrower should be made aware of the school's satisfactory academic progress policy and refund policy, and how the Return of FSA funds will affect loan repayment.

- **Emphasize the importance of keeping loan records.** This would be a good time, if your school has the resources, to provide a student with a folder or other aids to encourage him or her to keep all financial aid materials in one place. The student should keep copies of all records relating to the loan, beginning with the Master Promissory Note and notices showing when the student received loan payments or his or her account was credited. The student should keep any loan repayment schedules provided by the school as well as records of loan payments – including canceled checks and money order receipts. The student should keep copies of any requests for deferment or forbearance, or any other correspondence with the school.
- **Inform the student of the exit counseling requirement.** Because many students leave school before the scheduled end of their academic programs, it's helpful to remind students during entrance counseling that they are obligated to attend exit counseling before they cease to be enrolled at least half time.

### ***Disbursing Federal Perkins loans***

During each payment period, you will disburse a portion of the student's total Federal Perkins loan awarded for the academic year. In most cases, the payment for each payment period will be the following:

Loan amount

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Number of payment periods you expect the student will attend

In certain cases, the above calculation does not apply. If a student incurs an uneven level of expenses or resources and needs more funds in a certain payment period, you may advance the student a larger portion of their total Federal Perkins loan to pay for those uneven costs or lack of resources. You must document the reason for the unequal disbursement and maintain that documentation in the student's file.

Only one disbursement is necessary if the total loan for the academic year is \$500 or less.

### **Disbursing Federal Perkins Loans**

34 CFR 674.16(b)(c)(g)



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**Disbursements to borrowers enrolled less than halftime, cite**

34 CFR 674.32



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**Disbursements to some less than half-time students prohibited**

CFR 668.32(a)(1)(iii)

A student pursuing a professional credential or certification required by a state for employment as a K–12 teacher may not receive a Federal Perkins loan if enrolled less than halftime.

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**Credit bureau reporting, cite**

34 CFR 674.16(i)



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**National credit bureaus**

TransUnion Corporation (1-800-888-4213)

Experian (1-888-397-3742)

Equifax (1-888-202-4025)

## Loans to borrowers enrolled less than halftime

You can disburse a Federal Perkins loan to a student enrolled less than halftime (as long as the student is not enrolled in a program leading to a professional credential as a teacher), but the student receiving the loan must sign a special promissory note. A student who is less than halftime when he or she receives the proceeds of his or her Federal Perkins loan is not eligible for an in-school deferment. Therefore the promissory note for loans to borrowers enrolled on a less than half-time basis must state that the borrower's repayment period begins at a time that is different than that for students who are enrolled at least half time.

Specifically, the promissory note for borrowers enrolled on a less than half-time basis must state that the borrower's repayment period begins:

1. if the borrower has a Federal Perkins loan in repayment, on the date of the next scheduled installment payment of that loan; or
2. if the borrower has no outstanding loan, at the earlier of –
  - a. nine months from the date the loan was made; or
  - b. the end of a nine-month period that began on the date the borrower ceased to be enrolled as at least a half-time regular student and includes the date the loan was made.

## Post-disbursement

After a Federal Perkins Loan disbursement has been made, you must report the disbursement to a credit bureau and to the *National Student Loan Data System (NSLDS)*.

## Credit bureau reporting

You must report each Federal Perkins loan to at least one of the three national credit bureaus (see sidebar) with which the Department has an agreement, or to a local credit bureau that is affiliated with one of those three credit bureaus. The following information must be reported:

- the amount and date of each disbursement;
- information concerning repayment and collection of the loan until the loan is paid in full; and
- the date the loan was repaid, canceled, or discharged for any reason.

Any changes to information previously reported on a loan must be reported to the same credit bureau(s) to which the information was originally reported.

## NSLDS Reporting

Schools with active Federal Perkins Loans (including National Direct Student Loans, National Defense Student Loans, and Income Contingent Loans) are required to report new loans or updated data on existing loans to NSLDS once a month on a schedule established by ED.

Data providers must meet all NSLDS reporting requirements as detailed in the operating manual *National Student Loan Data System* at

<http://ifap.ed.gov/nsldsmaterials/attachments/2000PerkinsDPIVer2.pdf>

## Return of funds

There are circumstances under which you must return funds to the Department's Federal Perkins Loan Fund:

A student who withdraws before beginning attendance is not entitled to any FSA program funds. Though ED's regulations allow a school to credit a student's accounts before the first day of classes, schools have a fiduciary responsibility to safeguard federal funds. Therefore, if your school disburses Federal Perkins funds to a student before the start of classes, and the student fails to begin attendance, the school will have to return the funds.

If a student who begins classes officially or unofficially withdraws, or is administratively withdrawn by the school before completing the period for which the student received Federal Perkins funds, you will have to perform a Return calculation as described in *Appendix G, chapter 2*, in order to determine whether or not you must put money back in your Federal Perkins fund.

## When a student ceases to be enrolled at least half time

**Required coordination process** – When a student ceases to be enrolled at least half time, he or she immediately enters grace or repayment as described previously under *Loans to borrowers enrolled less than halftime*. Your school must have a process for coordinating between the office that tracks enrollment status, the financial aid office, and the office that manages or coordinates the servicing of your Federal Perkins Loan portfolio.

You must have a *coordinating official* who is responsible for ensuring that such information is shared among the offices that need it. For example, the office that tracks enrollment status must alert the coordinating official when a student's enrollment status drops below half time. The coordinating official then notifies the financial aid and business office. For a more detailed discussion of the *coordinating official*, see chapter 10.

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### Return of funds

34 CFR 674.16(f)(1)&(2)  
34 CFR 668.22




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### Coordinating official

34 CFR 668.16(b)(1)



## Exit Counseling

Your school must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. Federal Perkins borrowers must complete online exit counseling or sign up for a counseling session (if offered at your school) shortly before graduating, or anytime their enrollment status drops to less than half time. As with entrance counseling, your school is responsible for ensuring that someone with expertise in the FSA programs is available shortly after the counseling to answer borrowers' questions about those programs.

If a borrower withdraws from the school without the institution's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the school or failed to complete exit counseling as required.

If exit counseling is conducted through interactive electronic means, the school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the exit counseling. Some of the material presented at the entrance counseling session will again be presented during exit counseling. The emphasis for exit counseling shifts, however, to more specific information about loan repayment and debt-management strategies.

### Required elements of exit counseling

- **Review terms and conditions of the loan** including the current interest rate, the applicable grace period, and the approximate date the first installment payment will be due.
- **Inform the student as to the average anticipated monthly repayment amount** based on the student's indebtedness or on the average indebtedness of students who have obtained Federal Perkins loans for attendance at the school or in the borrower's program of study. We recommend giving the borrower a sample loan repayment schedule based on his or her total indebtedness. A loan repayment schedule usually will provide more information than just the expected monthly payment—for instance, it would show the varying monthly amounts expected in a graduated repayment plan.
- **Suggest to the borrower debt-management strategies that would facilitate repayment.** Stress the importance of developing a realistic budget based on the student's minimum salary requirements. It's helpful to have the student compare these costs with the estimated monthly loan payments, and to emphasize that the loan payment is a fixed cost, like rent or utilities.

- **Emphasize to the borrower the seriousness and importance of the repayment obligation** the borrower is assuming.
- **Describe the consequences of default** including adverse credit reports, federal offset, and litigation. We also recommend that you tell the borrower of the charges that might be imposed for delinquency or default such as the school's collection expenses, late charges, and attorney's fees). Defaulters often find that repayment schedules for loans that have been accelerated are more stringent than the original repayment schedule. A defaulter is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Finally, a defaulter's federal and state tax refunds may be seized and wages garnished, and the borrower loses eligibility for any further funding from the FSA programs.
- **Emphasize that the borrower is obligated to repay the full amount of the loan** even if the borrower has not completed the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the borrower purchased from the school.
- **Require the borrower to provide current information** concerning name, address, social security number, references, and driver's license number, the borrower's expected permanent address, the address of the borrower's next of kin, as well as the name and address of the borrower's expected employer.
- **Remind the borrower that, in a timely manner, he or she must inform the school of any changes to the aforementioned information.**
- **Remind the borrower of the existence and purpose of the Student Loan Ombudsman's office.** The Ombudsman's office is a resource for borrowers when other approaches to resolving student loan problems have failed. Borrowers should first attempt to resolve complaints by contacting the school, company, agency, or office involved. If the borrower has made a reasonable effort to resolve the problem through normal processes and has not been successful, he or she should contact the FSA Ombudsman. And
- **Inform the borrower of the availability of FSA loan information in the National Student Loan Data System (NSLDS).**

### *Providing repayment information*

Your school must disclose the following information in a written statement provided to the borrower either shortly before the borrower ceases at least half-time study at your school or during exit counseling. If the borrower enters the repayment period without the institution's knowledge, your school must provide the required disclosures to the borrower in writing immediately upon discovering that the borrower has entered the repayment period. The repayment information must include:

- the name and address of the school to which the debt is owed and the name and address of the official or servicing agent to whom communications should be sent;
- the name and address of the party to which payments should be sent;
- the current balance owed by the borrower;
- the stated interest rate on the loan;
- the total interest charges the borrower will pay on the loan pursuant to the projected repayment schedule;
- the total amount the borrower will repay if the borrower follows the repayment schedule provided;
- the date on which the repayment period is scheduled to begin;
- a repayment schedule for all loans covered by the disclosure including the date the first installment payment is due, and the number, amount, and frequency of required payments;
- remind them (as explained in exit counseling) of the available repayment options (including special options for forbearance, deferment, consolidation, and refinancing);
- remind them of the consequences of consolidating a Federal Perkins Loan;
- a statement that the borrower has the right to prepay all or part of the loan at any time without penalty;
- a description of the charges imposed for failure of the borrower to pay all or part of an installment when due; and
- a description of any charges that may be imposed as a consequence of default, such as liability for expenses reasonably incurred in attempts by the Department or the school to collect on the loan.

## Contacts with borrower during Perkins grace period

If the borrower's Perkins loans have a six-month grace period, you must contact that borrower at the 90-day and 150-day points in the grace period. If the borrower's Perkins loans have a nine-month grace period, you must also contact the borrower at the 240-day point.

### **First contact: 90 days after the grace period begins**

The school or servicer must —

- remind the borrower of the responsibility to comply with the terms of the loan,
- inform the borrower of the total outstanding amount on the loan account, including the principal and interest accruing over the remaining life of the loan, and
- notify the borrower of the date and amount of the first requested payment.

### **Second contact: 150 days after the grace period begins**

The school or servicer must —

- remind the borrower of the date and amount of the first requested payment.

### **Third contact (nine-month grace periods only): 240 days after the grace period begins**

The school or servicer must —

- remind the borrower of the date and amount of the first requested payment.

## Sample Summary of the Rights and Responsibilities as a Federal Perkins Loan Borrower

*This is only a summary of your rights and responsibilities. For more detailed information, consult your Federal Perkins Loan promissory note or the holder of your loan.*

You have the right to cancel all or part of your Federal Perkins Loan.

If your Federal Perkins Loan is placed in deferment, you will not have to make payments, and interest will not accrue.

You have the right to receive a statement of your account upon request.

You have the right to *forbearance* – a temporary cessation of payments, an extension of the time for making payments, or temporarily making smaller payments than were previously scheduled under certain health related or financial circumstances.

You have the right to prepay all or part of your loan without any penalty.

If you graduate or leave school, or if your enrollment drops below halftime, you have the right to a six month grace period before beginning repayment of your Federal Perkins Loan.

You have the right to have part or all of your loan cancelled for –

You have the right to defer payments on your Federal Perkins Loan if you are attending an eligible postsecondary school as at least a half-time student, and in some cases if you are –

- death or total and permanent disability;
- full-time employment in the Head Start Program;
- full-time employment as a teacher in an elementary school serving low-income students;
- full-time teaching as a special education teacher;
- full-time teaching of certain academic subjects in which there are teacher shortages;
- full-time employment as a nurse or medical technician;
- full-time employment in a public or nonprofit child or family service agency;
- full-time service as a qualified professional provider of early intervention services;
- full-time employment as a law enforcement or corrections officer; and
- military service.

- participating in a rehabilitation training program;
- enrolled and attending graduate school;
- participating in an internship or residency program in dentistry;
- seeking but unable to find full-time employment;
- experiencing economic hardship;
- serving in the Peace Corps;
- are receiving payment from a federal or state public assistance program; and
- are repaying federal education loans that exceed or for which the payments exceed certain specified amounts.

Summary of Federal Perkins Loan Borrowers Rights and Responsibilities, page 1

## Sample Summary of the Rights and Responsibilities as a Federal Perkins Loan Borrower, contd.

*This is only a summary of your rights and responsibilities. For more detailed information, consult your Federal Perkins Loan promissory note or the holder of your loan.*

You are responsible for using the proceeds of your Federal Perkins Loan only to pay authorized educational expenses.

You are responsible for repaying the full amount of your Federal Perkins Loan even if you –

- do not complete the program;
- are unable to obtain employment upon completion; or
- are dissatisfied with the program or other services you purchased from the school.

Repayment begins the day after your nine month grace period ends.

You are responsible for notifying the financial aid office if you–

- change your local address, permanent address, or telephone number;
- change your name (for example, maiden name to married name);
- do not enroll at least half-time for the loan period certified by the school;
- do not enroll at the school that determined you were eligible to receive the loan;
- stop attending school or drop below half-time enrollment;
- transfer from one school to another school; or
- graduate.

You are also responsible for notifying the financial aid office if you–

- change your employer, or your employer’s address or telephone number changes, or
- have any other change in status that would affect your loan (for example, if you received a deferment while you were unemployed, but you have found a job and therefore no longer meet the eligibility requirements for the deferment).

You are responsible for obtaining, completing, and returning to the school for processing any forms required to apply for forbearance, deferment, or cancellation benefits.

You are responsible for notifying the school before the due date of any payment that you cannot remit.

You are responsible for making payments on time even if you do not receive a billing statement.

You may contact the school by writing to us at

School Name  
Business Office  
Building, Name, Room Number  
City, State Zip

by calling us at

(555) 666-1234

by sending an email to

PerkinsRepayment@ZCC.edu

**Initial grace periods**

34 CFR 674.42



***Pre-collection activities during the grace period***

Effective collection procedures on the part of a school or its servicer begin on the day a student ceases to be enrolled at least half time. By performing certain pre-collection activities, a school or its servicer can increase the likelihood that a student will begin satisfactory repayment on his or her Federal Perkins loan.

The school must perform and maintain documentation substantiating that it has contacted the borrower.

1. For Federal Perkins Loans, the school shall contact the borrower three times within the initial grace period.
2. For loans with a six-month initial or post deferment grace period, the school shall contact the borrower twice during the grace period.
3. The school or its servicer shall contact the borrower for the first time 90 days after the commencement of any grace period. The school shall at this time remind the borrower of his or her responsibility to comply with the terms of the loan and shall send the borrower the following information:
  - a. the total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan; and
  - b. the date and amount of the first required payment.
4. The school shall contact the borrower the second time 150 days after the commencement of any grace period. The school shall at this time notify the borrower of the date and amount of the first required payment.
5. The school shall contact a borrower with a nine-month initial grace period a third time 240 days after the commencement of the grace period, and shall then inform him or her of the date and amount of the first required payment.

## Billing procedures and late penalties

Billing refers to that series of actions you routinely perform to notify borrowers of payments due, remind them of overdue payments, and demand payment of overdue amounts.

Your school must take steps to notify borrowers of payments due on their accounts, remind borrowers when payment will become overdue, and demand repayment of overdue balances.

Your initial billing procedures must include the following steps:

- If your school uses a coupon payment system, you must send the coupons to the borrower at least 30 days before the first payment is due.
- If your school does not use a coupon system, you must send a written notice to the borrower that gives the name and address where payment must be sent, and a statement of account, at least 30 days before the first payment is due, and additional reminder statements of account at least 15 days before each subsequent payment is due.

**If you allow borrowers to send their payments electronically through EFT**, you must send those borrowers annual statements of account that list the required amounts and dates of repayment, as well as any information tracking the status of any late charges.

If a borrower does not make a required payment and has not requested a deferment, postponement, or cancellation, your school must, within 15 days of the missed payment date, send an overdue notice to the borrower. In this notice, you must tell the borrower the amount of any late charge your school has assessed (see below for late charges), and whether your school has:

- added the charge amount to the principal amount as of the first day on which the payment was due; or
- demanded payment of the charge no later than the first day on which the next installment is due.

For borrowers who enrolled on or after January 1, 1986, your school may assess a late charge for any payment not made when due, or on a borrower who fails to submit sufficient information to enable your school to decide whether the borrower is eligible for the cancellation or deferment.

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### Federal Perkins billing procedures

34 CFR 674.43




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### Overdue notices

34 CFR 674.43(b)(c)




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### Late penalties on old loans

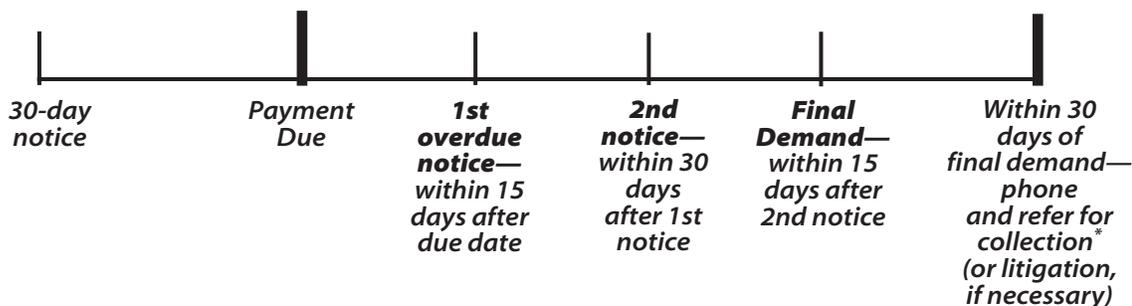
For borrowers that enrolled before January 1st, 1986, see 34 CFR 674.31(a)(5)(ii)



For borrowers who enrolled on or after January 1, 1986, the amount of the late fee your school is allowed to charge is either the actual costs incurred to secure the required payment or information from the borrower, or the average cost of similar attempts to secure similar payments or information from other borrowers. The late charge may not exceed 20% of the latest installment payment due.

If the borrower does not respond to the first overdue letter, your school must send a second letter within 30 days of sending the first one. After this, send a final demand letter 15 days after the second letter informing the borrower that unless they send payment or a request for deferment, postponement, or cancellation within 30 days of the date of the letter, your school will refer their account either to a collection agency or for litigation, and will report the account as defaulted to a credit bureau.

## Billing Procedures



\* The school can use the services of the Department's Default Reduction Assistance Project (DRAP) before the loan goes to a collection firm; DRAP is discussed in chapter 5 of this Volume.

For borrowers your school concludes do not intend to initiate repayment or seek deferment, cancellation, or postponement, or who have previously failed to make payments when due, you may send a final demand letter 15 days after any payment is missed.

If mail sent to a borrower is returned undelivered, or if the borrower fails to respond, you must take steps to locate the borrower. These steps must include:

- reviews of borrower records in all appropriate school offices;
- reviews of telephone directories or inquiries to directory assistance at the borrower's last known address, and attempting to reach the borrower by phone;
- attempting to locate and contact the borrower by electronic means; and
- after all other methods have been exhausted, IRS skip-tracing service.

### Address Searches

34 CFR 674.44



### IRS Skip-Tracing Program

DCL CB -02-16, November 2002



### Acceleration

34 CFR 674.31(b)(8)



You may accelerate a loan if the borrower misses a payment or does not file for deferment, forbearance, or cancellation on time. **Acceleration is optional; it is not a requirement.** However, if you plan to assign a loan to the Department, you must first accelerate the loan. Once a loan has been accelerated, the borrower loses all rights to deferment and cancellation benefits for qualifying service performed **after** the date of acceleration.

If you accelerate a Federal Perkins loan (as described in 34 CFR 674.31(b)(8)), you must provide the borrower on or after the effective date of the acceleration, written notice of the date the loan was accelerated and the total amount due. This information may be provided in the final demand letter, or in a separate letter.

Any funds collected as a result of billing the borrower are to be –

- deposited in an account insured by the Federal Government, or secured by collateral of reasonable equivalent value, or
- invested in low-risk income-producing securities.

Your school must exercise the level of care required of a fiduciary with regard to these deposits and investments.

## Collection procedures

When a borrower does not respond to routine billing methods, your school will need to institute more intensive collection procedures. Before beginning collection procedures, you must attempt all of the required contact methods described above.

If the borrower is unresponsive and normal billing procedures have been exhausted, you must make a **first effort to collect** using either your own personnel or hiring a collection firm. You must also report the borrower to at least one nationwide credit bureau. If the school's personnel or the collection firm cannot convert the account to regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, or cancellation), you have two options—either to litigate or to make a second effort to collect.

A **second effort** to collect requires one of the following procedures:

1. If you first attempted to collect by using your own personnel, it must refer the account to a collection firm unless state law prohibits doing so.
2. If you first used a collection firm, you must attempt to collect by using your own personnel or by using a different collection firm, or the school must submit the account to

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### Collection Procedures

34 CFR 674.45




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### Efforts to collect cites




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#### First effort

34 CFR 674.45(a)(2)

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#### Litigation or second effort

34 CFR 674.45(c)

the Department for assignment. If a collection firm (retained by a school as part of its second effort to collect) cannot place an account into regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, postponement, or cancellation), the firm must return the account to the school.

If you are unsuccessful in your effort to place the loan in repayment after a second collection effort, you must continue to make yearly attempts to collect from the borrower until –

- the loan is recovered through litigation;
- the account is assigned to the Department; or
- the loan is written off.

### **Collection Costs and Costs Chargeable to the Fund**

Your school **must charge the borrower** for billing and collection costs incurred with regard to effort to collect past due payments. (The cost of routine billing and collection are covered by the ACA and are not chargeable to the borrower.)

For billing activities, you may charge the Fund for any portion of the cost of telephone calls to the borrower to demand payment that is not covered by the amount collected from the borrower.

For collection activities, you may charge the Fund for any portion of the cost of address searches, collection procedures including litigation and use of a collection service, reporting to national credit bureaus, and responding to borrowers' bankruptcy proceedings. You may charge the Fund for any portion of the aforementioned activities not covered by the amount collected from the borrower.

A school may waive late charges for a borrower who repays an amount past due. Before filing suit on a loan, a school may waive the percentage of collection costs applicable to the amount then past due in a loan equal to the percentage of that past due balance that the borrower pays within 30 days of the date the borrower and school enter into a written repayment arrangement. The school may charge to the Fund the following costs waived or not paid by the borrower:

**Collection costs waived.** If your school waives collection costs as incentive for repayment, the amount waived may be charged to the Fund.

**Cost of a successful address search.** You may charge to the Fund a reasonable amount for the cost of a successful address search if you used a commercial skip-tracing service or employed your school's personnel to locate the borrower using comparable methods. (Defining a reasonable amount is left to the school.)

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#### **Costs chargeable to the Fund**

34 CFR 674.47



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#### **Address searches**

34 CFR 674.44



#### **Collection costs for loans made from 1981 through 1986**

For loans made from 1981 through 1986, many promissory notes contain a limitation on the amount of costs that can be recovered from the borrower (25% of the outstanding principal and interest due on the loan). As this provision has not been applicable since the beginning of the 1987-1988 award year, if these borrowers ask for new advances, the Department strongly encourages schools to issue new promissory notes without this provision and to require the provisions of the new note to apply to repayment of previous advances. The borrower will then be liable for **all** collection costs on all of his or her outstanding loans borrowed under this program. (However, the advances made prior to the signing of the new note do not qualify for new deferment and cancellation benefits.)

**Cost of reporting defaulted loans to credit bureaus.** You may charge to the Fund the cost of reporting a defaulted loan to a credit bureau, reporting any change in the status of a defaulted account to the bureau to which the school had previously reported the account, and responding to any inquiry from a credit bureau about the status of a loan.

**Costs of first and second collection efforts.** You may charge to the Fund collection costs not paid by the borrower if they do not exceed—for first collection efforts—30% of the total principal, interest, and late charges collected and—for second collection efforts—40% of the principal, interest, and late charges collected. The school must reimburse the Fund for collection costs initially charged to the Fund but subsequently paid by the borrower.

**Collection costs resulting from rehabilitation.** Collection costs charged to the borrower on a rehabilitated loan may not exceed 24% of the unpaid principal and accrued interest as of the date following application of the twelfth payment. Collection costs are not restricted to 24% in the event that the borrower defaults on the rehabilitated loan.

**Collection costs resulting from litigation, including attorney's fees.** Collection costs resulting from litigation, including attorney's fees, may be charged to the Fund if not paid by the borrower, but must not exceed the sum of:

- court costs specified in 28 U.S.C. 1920;
- other costs incurred in bankruptcy proceedings in taking actions required or authorized under 34 CFR 674.49;
- costs of other actions in bankruptcy proceedings to the extent that those costs together with other costs incurred in bankruptcy proceedings do not exceed 40% of the total amount of judgment obtained on the loan; and
- 40% of the total amount recovered from the borrower in any other proceeding.

**Costs of firm performing both collection and litigation services.** If a collection firm agrees to perform or obtain the performance of both collection and litigation services on a loan, the amount for both functions that may be charged to the Fund may not exceed the sum of 40% of the amount of principal, interest, and late charges collected on the loan, plus court costs specified in 28 U.S.C. 1920.

## Billing and Collection Contractors

34 CFR 674.48



Due diligence activities involving **fixed costs** (telephone contacts, credit bureau reporting, and bankruptcy procedures) may be charged to the Fund whether or not the actions are successful. Other activities, such as address searches, collection, and litigation (other than bankruptcy), are typically performed on a **contingent-fee** basis. If these activities are *unsuccessful*, there are no costs charged to the school and therefore no costs may be charged to the Fund. If these activities are *successful*, you may charge the associated allowable costs to the Fund.

### Assessing and documenting costs

You may charge either actual costs incurred in collecting the borrower's loan or average costs incurred for similar actions taken to collect loans in similar stages of delinquency.

Your school must assess all reasonable collection costs against the borrower despite any provisions of state law that would conflict with the above provisions.

You must document the basis for the costs assessed. For audit purposes, a school must keep documentation supporting costs, including telephone bills and receipts from collection firms.

### Using Billing and Collection Firms

Your school may use a contractor for billing or collection, but it remains the school's responsibility to comply with the due diligence regulations regarding those activities. For example, the school, not the billing or collection firm, is responsible for deciding whether to sue a borrower in default. You are also responsible for decisions about cancelling, or deferring repayment, granting forbearance, extending the repayment period, and safeguarding the funds collected.

If you use a billing service, you may not use a collection firm that owns or controls the billing service or is owned or controlled by the billing service. In addition, you may not use a collection firm if both the collection firm and billing service are owned or controlled by the same corporation, partnership, association, or individual.

You must ensure that the billing service and collection firm maintain a fidelity bond or comparable insurance to protect the accounts they service.

If you don't authorize your collection firm to deduct its fees from borrowers' payments, the firm must be bonded or insured for at least the amount that you expect to be repaid over a two-month period on the assigned accounts.

If you do authorize your collection firm to deduct its fees from borrowers' payments, you must ensure that:

- if the amount you expect to be repaid over a two-month period is **less than \$100,000**—the collection firm is bonded or insured for the lesser of (a) 10 times the amount the school expects to be repaid over a two-month period on assigned accounts; or (b) the amount the firm expects to collect in a two-month period on **all** accounts it has in its portfolio (not just the school's account).
- if the amount you expect to be repaid in a two-month period is **\$100,000 or more**—the collection firm has a fidelity bond or comparable insurance **that names your school as the beneficiary** and is bonded or insured for an amount not less than the amount of funds the school can reasonably expect to be repaid during that two-month period.

At least once a year, you must review the amount of repayments you expect to receive from billing or collection firms to ensure adequate bond or insurance coverage. If a law firm performs your school's collection activities, your school must review the firm's bond or its insurance policy to determine whether the firm is protected against employee misappropriation. If the firm's malpractice insurance also covers misappropriation of funds, that policy is considered to provide coverage.

### ***Ceasing collection***

A school may cease collection activity on defaulted accounts with balances of less than **\$200** (including outstanding principal, accrued interest, collection costs, and late charges) if the school carried out the required due diligence and if the account has had no activity for four years.

However, the borrower will remain responsible for repaying the account, including accrued interest, and you may not assign the account to the Department. The account will still be included in the school's cohort default rate, if applicable, and the borrower will still be in default and ineligible for Federal Student Aid (FSA) funds.

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#### **Ceasing collections cites**

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##### **Ceasing collections**

34 CFR 674.47(g)




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##### **Account write-off**

34 CFR 674.47(h)



## Writing off accounts

You may write off a defaulted account with a balance of less than **\$25** (including outstanding principal, accrued interest, collection costs, and late charges).

You may also write off a defaulted account with a balance of less than **\$50** (including outstanding principal, accrued interest, collection costs, and late charges), if for a period of two years, you have billed the borrower as required by 34 CFR 674.43(a).

If you write off an account, the borrower is relieved of all payment obligations and you must deduct the amount of the account from the Federal Perkins Loan Fund. If you receive a payment from a borrower after you have written off the loan, you must deposit that payment into the Fund.

## Litigation

If the collection procedures described in this section do not result in the repayment of a loan, the school must review the account for litigation once every two years. If all of the following conditions are met, the school must litigate. You must litigate if

- the total amount owed, including outstanding principal, interest, collection costs, and late charges, on all the borrower's Federal Perkins Loans and NDSLs at the school is more than \$500;
- the borrower can be located and served with process;
- the borrower either has enough assets attachable under state law to cover a major portion of the debt or enough income that can be garnished under state law to satisfy a major portion of the debt over a reasonable period of time (defining a *reasonable period of time* is left to the school);
- the borrower does not have a defense that will bar judgment for the school; and
- the expected cost of litigation (including attorneys' fees) does not exceed the amount that can be recovered from the borrower.

Even if all the above conditions are not met, your school may still choose to sue a defaulted borrower. If the borrower has a partial defense that may bar judgment for the school, you must weigh the costs of litigation against the costs of recovery based on the amount of the enforceable portion of the debt. No federal or state statute of limitation can apply to enforcement actions to collect Federal Perkins Loans or NDSLs.

### Litigation

34 CFR 674.46



Your school **must** attempt to recover from the borrower all litigation costs, including attorneys' fees, court costs, and other related costs, to the extent permitted by applicable state law. You are also required to try to recover all costs previously incurred in the collection of overdue payments if the borrower has not paid these collection costs. A percentage of these unrecovered costs may be charged to the Fund as explained earlier under the heading *Collection costs and charges chargeable to the fund*.

When a school has filed suit to collect a defaulted Federal Perkins Loan or NDSL and a judgment has been rendered on the loan, the borrower is obligated to repay only the amount of the judgment obtained on the loan. A defaulted loan that is being repaid under court order remains in default status until paid and is not eligible for consolidation. After a judgment is satisfied on the defaulted loan, the student is again eligible for future awards under these programs if all other eligibility criteria are met.

### **Alternatives to litigation**

To avoid litigation, you may offer to waive collection costs as incentive for repayment. You may waive *all* collection costs on a loan if the borrower makes a lump-sum payment of the entire amount outstanding (including principal and interest). A written repayment agreement is not required. You may also waive a *portion* of the collection costs on a loan if the borrower agrees to pay a corresponding portion of the loan within 30 days of entering into a written repayment agreement with the school. For example, if the borrower repays one-half the outstanding balance on a loan within 30 days of the agreement, you may waive one-half of the collection costs incurred through the date of that payment. The amount of waived collection costs may be charged to the Federal Perkins Loan Fund.

A school may compromise on the repayment of a defaulted loan if the school has fully complied with all due diligence requirements and the borrower pays, in a single lump-sum payment, at least 90% of the outstanding principal balance, plus all interest and collection fees. The federal share of the compromise repayment must bear the same relation to the school's share as the FCC bears to the Institutional ICC.

A borrower may rehabilitate a defaulted Federal Perkins Loan by making 12 consecutive on-time payments. A rehabilitated loan is returned to regular repayment status.

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#### **Collection costs waiver**

34 CFR 674.47(d)




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#### **Compromise**

34 CFR 674.33(e)



A borrower may include her defaulted Federal Perkins Loan, NDSL, or Defense Loan in a Direct or Federal Consolidation Loan. The amount eligible for consolidation under either program is the sum of the unpaid principal, accrued unpaid interest, late charges, and outstanding collection costs. A defaulted loan that is being repaid under a court order remains in default status until paid and is not eligible for consolidation.

### ***Federal Perkins Loan forbearance***

#### **Federal Perkins Forbearance**

34 CFR 674.33(d)



Forbearance is a temporary postponement of payments. The borrower may alternatively request an extension of time allowed for making payments or the acceptance of smaller payments than were previously scheduled. Unlike deferment, interest continues to accrue during any period of forbearance. The borrower may request to pay interest as it accrues during periods of forbearance, but the school *may not* require the borrower to do so.

Schools may grant forbearance to borrowers who are experiencing financial hardship, poor health, or for other acceptable reasons. For example, the Department strongly encourages schools to grant periods of forbearance to borrowers who are serving in AmeriCorps. Also, the Department may authorize periods of forbearance due to national military mobilization or other national emergency.

Borrowers must request forbearance in writing, providing supporting documentation of the reason for forbearance. Both the borrower and the school must agree upon the terms of the forbearance.

Schools may grant the borrower forbearance for a period of up to one year at a time. The forbearance may be renewed, but the periods of forbearance collectively may not exceed a total of three years. A school may apply an authorized period of forbearance beginning retroactively (that is, to begin on an earlier date than the date of the borrower's request) if the borrower requests that the school do so, and if he or she provides adequate documentation to support the request.

Schools may not include periods of forbearance in determining the 10-year repayment period. Forbearance is available for all loans made under the Federal Perkins Loan Program, regardless of when they were made.

A school **must** grant forbearance if the total amount the borrower is obligated to pay monthly on all FSA loans is equal to or greater than 20% of the borrower's total monthly gross income. Total monthly gross income is the gross amount of income received by the borrower from employment (either full-time or part-time) and from other sources.

To receive forbearance for hardship, the borrower must submit at least the following documentation–

- evidence of the amount of the borrower’s most recent total monthly gross income; and
- evidence of the amount of the monthly payments the borrower owes for the most recent month on his or her FSA loans.

If the borrower’s loan payments are due less frequently than monthly, a proportional share of the payments is used to determine the equivalent in total monthly payments. For example, if a payment is due quarterly, divide the amount by three (because the payment covers three months) to determine the equivalent monthly payment amount.

### **Federal Perkins Loan deferments**

Under certain circumstances, a borrower is entitled to have the repayment of a loan deferred. During deferment, the borrower is not required to pay loan principal and interest does not accrue. After each deferment, the borrower is entitled to a post-deferment grace period of six consecutive months.

Borrowers are no longer required to request deferments in writing. However, a borrower who requests deferment must provide the school with all the information and documents the school requires by the school’s deadline. (The Department does **not** approve or supply deferment forms.) Borrowers must immediately report any change in their deferment status to lending schools.

The borrower must request deferment *unless* the borrower is engaged in service for which a borrower may qualify for loan cancellation.

If a borrower is currently in deferment, the school must reaffirm continued eligibility for deferment on at least an annual basis. However, if the borrower is currently in economic hardship deferment for service in the Peace Corps, the school must grant deferment for the full term of the borrower’s service, not to exceed three years or for the remaining period of economic hardship deferment eligibility, if it is less than the remaining period of service. Schools may not include periods of deferment in the 10-year repayment period.

*For more detail on types of deferments and procedures for administering them, see the FSA Handbook, Volume 6, Campus-Based Program, chapter 4, Federal Perkins Repayment, Forbearance, Deferment, and Cancellation.*

### **Federal Perkins deferments**

34 CFR 674.34 Perkins, NDSLs, Defense Loans

34 CFR 674.35 Perkins Loans made before July 1, 1993

34 CFR 674.36 NDSLs made on or after October 1, 1980, but before July 1, 1993

34 CFR 674.37 NDSLs made before October 1, 1980 and Defense Loans

34 CFR 674.38 Deferment Procedures



### **Federal Perkins deferments may be available**

depending on when a borrower obtained his or her loan to individuals –

1. continuing their post-secondary education;
2. enrolled in a rehabilitation training program for disabled individuals;
3. experiencing economic hardship, including an excessive Federal education debt burden;
4. serving in the Peace Corps;
5. serving in the U.S. Military, in the Public Health Service, as an active duty as a member of the National Oceanic and Atmospheric Administration Corps, and as a domestic volunteer;
6. performing service comparable to service under the Domestic Volunteer Service Act;
7. who are temporarily totally disabled;
8. during pregnancy, or while providing child care; and
9. engaged in service for which the borrower may qualify for loan cancellation e.g.,
  - a. full-time teaching; teaching in a public or other nonprofit elementary or secondary school serving low-income students; teaching in special education; teaching in mathematics, science, foreign languages, bilingual education, or any other field of expertise where there is a shortage of qualified teachers;
  - b. full-time employment as a nurse or medical technician;
  - c. full-time employment in a public or private nonprofit child or family service agency;
  - d. service as a qualified professional provider of early intervention services;

see continuation of deferments list on next page.

- e. service as a law enforcement or corrections officer for an eligible employing agency; and
- f. service as a full-time staff member in a Head Start program.

## Deferment and default

A borrower is not entitled to a deferment on a defaulted loan. If the borrower signs a new repayment agreement, however, a school may grant a deferment even if the school has “accelerated” the loan. The school would have to de-accelerate the loan before granting the deferment. The policy permitting deferments on defaulted loans applies to all requests for deferment received after February 3, 1988, regardless of the date the loan was made.

The borrower must file for deferment by a deadline that the school establishes and provide satisfactory documentation that he or she qualifies for the deferment.

Before granting a deferment on a defaulted loan, the school may require the borrower to pay immediately late fees, collection costs, and some or all of the amount past due as of the date on which the school determined that the borrower had demonstrated eligibility for a deferment. The Department encourages schools to require the borrower to do so, thus “curing” the default.

**A school is not required to grant deferments on loans in default.** However, if a school does so, it is expected to calculate and collect past-due accrued interest. If a school believes this is too burdensome, it may deny deferments on defaulted loans.

## Federal Perkins Loan Cancellation

Students are able to earn the right to have a portion of their Federal Perkins loans cancelled, based on certain types of service.

Schools determine, based on the borrower’s documentation, whether the borrower is entitled to have any portion of his or her loans canceled. **This responsibility cannot be delegated.**

The following cancellation procedures apply to any loan under the Federal Perkins program:

1. The borrower applies for cancellation of his or her loan by obtaining the appropriate cancellation form from the business or student loan office of the school that made the loan, or from the school’s billing service if it uses one. (The Department does not approve or supply cancellation forms.) The borrower must submit the form to the school, along with any supporting documentation the school requests, by the deadline the school establishes.
2. For teacher cancellations, the cancellation form the borrower files must be signed by an official in the school system or agency to certify the borrower’s service.

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### Federal Perkins cancellation, cite

34 CFR 674.51-62

FSA Handbook Volume. 6, Chapter 4



With the exception of cancellations for Head Start, military, and volunteer service, the cancellation rate per completed academic year of full-time teaching or for each year of otherwise qualifying full-time service is:

- 15% of the original principal loan amount—plus the interest that accrued during the year—for each of the first and second years;
- 20% of the original principal loan amount—plus the interest that accrued during the year—for each of the third and fourth years; and
- 30% of the original principal loan amount—plus any interest that accrued during the year—for the fifth year.

A *year of service* consists of 12 consecutive months of service.

*For more detail on the available types of Federal Perkins service cancellations and how to administer them, see the FSA Handbook, Volume 6, Campus-Based programs, Chapter 4, Federal Perkins Repayment, Forbearance, Deferment, and Cancellation.*

### Canceling a defaulted loan

A school may cancel a defaulted loan if the only reason for the default was the borrower's failure to file a cancellation request on time.

If the loan has already been **accelerated**, only eligible service performed **prior** to the date of acceleration can be considered for cancellation. A borrower is not entitled to cancellation for any eligible service performed **after** the date of acceleration.

### Reimbursement to schools for loan cancellation

For Federal Perkins Loans and NDSLs, the Department will reimburse your school for every award year for the principal and interest canceled from its Federal Perkins Loan Fund for all of the cancellation provisions except for death, total and permanent disability, bankruptcy, and closed school discharge. The school must deposit in its fund the amount reimbursed. Note that interest does not accrue on any loan during the period that a borrower is performing service to qualify for cancellation benefits. Schools are not required to deposit reimbursements for loans made prior to July 1, 1972, into the Federal Perkins Fund. These reimbursements are considered institutional funds.

#### Defaulted loans, cite

34 CFR 674.52(c)



#### Cancellation reimbursement, cite

34 CFR 674.63



Approximately two weeks before the Department sends schools their payments, ED posts each school's Payment Letter and Worksheet to the eCB Web site. You can view and print these documents by going to

<http://www.cbfsap.ed.gov>

and selecting the Self-service link from the top navigation bar.

Each year, Congress allocates funds for reimbursing schools for cancelled Federal Perkins Loans. Based on the amount allocated, the Department sends any school that reported Federal Perkins cancellations on its Fiscal Operations Report a percentage the amount cancelled. The percentage each school receives is equal to the amount Congress allocates for this purpose divided by the total reported cancelled by all schools.

## ***Discharging Federal Perkins loans***

### **Due to death or total and permanent disability**

You **must** discharge the remaining balance of any Federal Perkins Loan, NDSL, or Defense Loan if the borrower dies or becomes totally and permanently disabled. Your school does not receive reimbursement for discharges due to death or disability. See Dear Colleague Letters CB-02-8, CB-02-10, and CB-02-18 for total and permanent disability discharge forms and procedures.

You **must** base your determination of death of the borrower on an original or certified copy of the death certificate. Previously, you could make a discharge due to death on the basis of a death certificate or other certification recognized by state law.

Under exceptional circumstances and on a case-by-case basis, the chief financial officer of the school may approve a discharge based upon other reliable documentation supporting the discharge request.

Total and permanent disability is the inability to work and earn money because of an injury or illness that is expected to continue indefinitely or to result in death. The definition of total and permanent disability no longer requires that the borrower be unable to attend school.

The borrower must submit a physician's certification of total and permanent disability. The physician must certify that the borrower is 100% disabled according to the Federal Perkins Loan Program definition of disability.

The following procedures became effective on July 1, 2002:

1. If your school determines, based on certification from the borrower's physician, that the borrower is totally and permanently disabled, your school must assign the account to the Department. You must notify the borrower that you have assigned the account, including the amount, to the Department for determination of eligibility for a total and permanent disability discharge.

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#### **Death and disability discharge cite**

34 CFR 674.61, Dear Colleague Letter CB-02-08.



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#### **Closed school discharge cite**

34 CFR 674.33(g)



2. If the Department makes an initial determination that the borrower is eligible for discharge, the Department will place the loan in a conditional discharge status for up to three years after the date the borrower became totally and permanently disabled as certified by the borrower's physician. A loan placed in conditional discharge status is not considered past due or in default unless the loan was past due or in default at the time the conditional discharge was granted.
3. If your school receives payments from a borrower on a loan that is in conditional discharge status, you must forward these payments to the Department and notify the borrower that there is no need to make payments on the loan while it is in conditional discharge status. If the Department grants final discharge to the borrower, your school must refund any payments the borrower made after the certified disability date and before the account was assigned to the Department. The Department will refund any payments received after the assignment, and update the status of the loan in NSLDS.

### Closed school discharge

A school that is closing must assign to Federal Student Aid (FSA) Collections all of its outstanding Federal Perkins and NDSL loans (see Assigning Loans to the Department, below).

FSA Collections may discharge a Federal Perkins Loan or NDSL made on or after January 1, 1986, if the borrower is unable to complete his or her program of study due to the closure of the school. FSA Collections must reimburse borrowers for payments made voluntarily or by forced collection.

A borrower whose loan was in default and then discharged under this provision is not considered to have been in default and reestablishes FSA eligibility, provided he or she meets all other eligibility criteria.

FSA Collections reports the discharge to the credit bureaus to which the previous loan status was reported.

You can find a searchable database of closed schools online at

**<http://wdcrobcop01.ed.gov/CFAPPS/FSA/closedschool/searchpage.cfm>**

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### FSA Closed School Unit Contact

**202-377-4374**

### Bankruptcy laws

11 U.S.C. 1307, 1325, and 1328(b) are laws applicable to bankruptcy cases in general, not just to Federal Perkins Loan bankruptcy cases. 11 U.S.C. 1307 concerns the dismissal of a Chapter 13 case or the conversion of a case filed under Chapter 13 to a Chapter 7 proceeding. 11 U.S.C. 1325 concerns the confirmation by the court of a borrower's proposed repayment plan. 11 U.S.C. 1328(b) allows a debtor who fails to complete the payments required under the plan to obtain a discharge if conditions are met. A school should consult an attorney for the best advice in bankruptcy cases.

## Bankruptcy discharge

The basic actions your school must take when a borrower files for bankruptcy protection are covered here, in Dear Colleague Letter GEN-95-40, dated September 1995, and in 34 CFR 674.49. For the best advice on how to proceed when a borrower files for bankruptcy protection, your school should consult its attorney. The school should ensure that the attorney is aware of the due diligence provisions that apply to school actions.

If your school receives notice that a borrower has filed for bankruptcy protection, it must immediately stop collection efforts (outside the bankruptcy proceeding itself). If the borrower has filed under Chapter 12 or 13 of the Bankruptcy Code, the school must also suspend collection efforts against any endorser.

Your school must file a proof of claim in the bankruptcy proceeding unless, in the case of a proceeding under Chapter 7 of the Bankruptcy Code, the notice of meeting of creditors states the borrower has no assets.

Effective for bankruptcies filed on or after October 8, 1998, a borrower who receives a general discharge in bankruptcy does not by that order obtain a discharge of a loan that has been in repayment for seven years or more at the time of the bankruptcy filing. For these bankruptcies, a student loan is discharged by a general discharge order only if the borrower also obtains a court ruling that repayment of the loan would impose an undue hardship on the borrower and his or her dependents.

### Responding to complaint for determination of dischargeability

Customarily, a borrower obtains a judicial ruling of undue hardship by filing an adversary proceeding—a lawsuit within the bankruptcy proceeding—in the bankruptcy court seeking to prove undue hardship. If a borrower files an adversary proceeding to prove undue hardship under 11 U.S.C. 523(a)(8), your school must decide, on the basis of reasonably available information, whether repayment under the current repayment schedule or under any adjusted schedule would impose undue hardship on the borrower and his or her dependents.

If your school concludes that repayment would not impose an undue hardship, the school must then decide whether the expected costs of opposing the discharge would exceed one-third of the total amount owed on the loan (principal, interest, late charges, and collection costs). If the expected costs do not exceed one-third of the total amount owed on the loan, your school must oppose the discharge and, if the borrower is in default, seek a judgment for the amount owed. If necessary, the school may compromise a portion of that amount to obtain a judgment.

If your school opposes a request for determination of dischargeability on the ground of undue hardship, you may also file a complaint with the court to obtain a determination that the loan is not dischargeable and to obtain a judgment on the loan.

Schools that are state instrumentalities may, as an alternative, oppose an undue hardship claim by asserting their immunity from suit in bankruptcy. As with any other action in defending student loans in bankruptcy, the school should consult with counsel, and should ensure that counsel is fully informed about recent changes in Department regulations to support this position.

### **Procedures for responding to proposed Chapter 13 repayment plan**

Under Chapter 13, the borrower may generally obtain an adjustment in repayment terms of all of his or her debts. The borrower proposes a repayment plan that addresses whether and how each debt or class of debts will be paid. If the court approves the plan, creditors are bound to the terms of that plan for duration of the plan, typically three to five years. If the borrower's repayment plan proposes full repayment of the Federal Perkins Loan, including all principal, interest, late charges, and collection costs on the loan, no response from your school is required. Your school is also not required to respond to a proposed repayment plan that does not include any provision in regard to the Federal Perkins Loan obligation or to general unsecured claims.

If the borrower proposes to repay less than the total amount owed and that the remainder be discharged, your school must determine, from its own records and court documents, the amount of the loan dischargeable under the plan. Your school does this by subtracting the total proposed payments from the total amount owed. Your school must also determine from its own records and court documents whether the borrower's proposed repayment plan meets the requirements of 11 U.S.C. 1325. Two of those requirements are particularly relevant:

1. The amount to be paid under the plan must at least equal the amount the school would receive if the debtor had filed under Chapter 7 rather than under Chapter 13.
2. To pay creditors under the plan, the debtor must use all income not needed to support himself or herself and his or her dependents.

If the borrower's proposed repayment plan does not meet the requirements of 11 U.S.C. 1325, your school must object to the confirmation by the court of the proposed plan, unless the cost of this action will exceed one-third of the dischargeable loan debt; if the cost will exceed one-third of the dischargeable debt, your school is not required to take this action.

Also, when a borrower proposes to repay less than the total amount owed, your school must determine whether grounds exist under 11 U.S.C. 1307 for the school to move to have the Chapter 13 case either dismissed or converted to a Chapter 7 proceeding. Such grounds include a borrower's failure to (1) begin payments under the plan within the required time (usually 30 days from the date the plan is filed), (2) file a proposed plan in a timely manner, or (3) pay required court fees and charges. If the school determines that such grounds do exist, the school must move to dismiss or convert the Chapter 13 case to a Chapter 7 proceeding, unless the cost of this action will exceed one-third of the dischargeable loan debt.

After a borrower's proposed repayment plan is confirmed by the court, your school must monitor the borrower's compliance with the repayment plan. If your school determines from its own records or court documents that the borrower either has not made the payments required under the plan or has filed for a hardship discharge under 11 U.S.C. 1328(b), your school must determine whether grounds exist under 11 U.S.C. 1307 to dismiss the case filed under Chapter 13 or to convert the Chapter 13 case to a Chapter 7 proceeding or whether the borrower is entitled to a hardship discharge. If grounds do exist under 11 U.S.C. 1307 to dismiss or convert a Chapter 13 case, your school must move to convert or dismiss the case. If a borrower has not demonstrated entitlement to a hardship discharge under 11 U.S.C. 1328(b), your school must oppose the hardship discharge request, unless the costs of these actions, when added to those already incurred, would exceed one-third of the dischargeable debt.

### **Bankruptcies filed before October 8, 1998**

For bankruptcies filed before October 8, 1998, loans in repayment more than seven years by the date of the bankruptcy filing may be discharged by a general discharge order. Your school may therefore not resume collection after the borrower has received a discharge if the loan entered repayment more than seven years before the filing of the petition and either of the following conditions apply: (1) the discharge was obtained in a Chapter 13 proceeding in which the plan provided for the debt specifically or for unsecured debts in general; or (2) the discharge was obtained in any other bankruptcy proceeding, and the debt was not excepted from discharge by a provision of the Code other than 11 U.S.C. 523(a)(8).

If these conditions are met, you must terminate all collection action and write off the loan. If the conditions above are met and the borrower additionally files an adversary proceeding for discharge of a loan on the ground of undue hardship under 11 U.S.C. 523(a)(8), you still may not oppose a determination of dischargeability.

## Resuming/terminating billing and collection

Your school must resume billing and collection procedures after the borrower has received a discharge under 11 U.S.C. 727, 11 U.S.C. 1141, 11 U.S.C. 1228, 11 U.S.C. 1328(a), or U.S.C. 1328(b) unless the court has found that repayment would impose an undue hardship. If the court has found that repayment would impose an undue hardship, the school must terminate all collection action and write off the loan.

## Assigning loans to the Department

You may assign a defaulted Federal Perkins Loan or NDSL to FSA Collections if:

- the school has not been able to collect despite having followed due diligence procedures (including at least a first level of collection and litigation, if required by the regulations in effect on the date the loan entered default);
- the total amount of the borrower's account to be assigned, including outstanding principal, accrued interest, collection costs, and late charges, is \$25 or more; and
- the loan has been accelerated.

You may not assign a loan to FSA Collections if:

- the borrower has received a discharge in bankruptcy— unless the bankruptcy court has determined that the student loan obligation is nondischargeable and has entered a judgment against the borrower or unless a court of competent jurisdiction has entered judgment against the borrower on the loan after the entry of the discharge order;
- your school has sued the borrower (unless the judgment has been entered and assigned to the United States); or
- the loan has been canceled because the borrower has died.

## Required documentation

A school *may be required* to submit the following documents to FSA Collections for any loan it proposes to assign:

- one original and one photocopy of the assignment form (found in Dear Colleague Letter CB-03-12, August 2003) completed by the school (**the form must include the borrower's Social Security Number**);
- the original promissory note or a certified copy of the original note;
- a copy of the repayment schedule and a complete statement of the payment history;

### Assignment

34 CFR 674.50

Dear Colleague Letter CB-03-12



Mail assignments to:

U.S. Department of Education  
Perkins Loan Assignment  
Processing Center  
P.O. Box 4136  
Greenville, Texas 75403-4316

- copies of all approved requests for deferment and cancellation;
- a copy of the notice to the borrower of the effective date of acceleration and the total amount due on the loan; and
- documentation that the school has withdrawn the loan from any firm that it employed for address search, billing, collection, or litigation services and has notified that firm to cease collection activity on the loans.

### ***Internal controls in the Federal Perkins Loan Program – reconciliation, fiscal and program records***

As described in chapter 12, your school must reconcile, at least monthly, your Federal Perkins draws recorded in GAPS to the funds received in the bank account your school has designated to receive electronic transfers. You must also reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to ED, and explain all discrepancies.

In addition, you should examine your Federal Perkins program and fiscal records at the start of the year and monthly.

- Do all funds paid directly by students, collected by third-party servicers, received for loans cancelled, and received as interest flow into your Federal Perkins Bank Account and are they reflected on your Asset Account, *Cash - Federal Perkins Loan*?
- Do you ensure that you only request FCC funds if the total of disbursements you anticipate making exceeds the balance in your Federal Perkins Bank Account and reflected on your Asset Account Cash, *Federal Perkins Loan* (cash on hand and available for lending)?
- Is your ICC consistently deposited at the same time you receive your FCC?
- You are required to return to ED any excess liquid capital (the amount by which your cash from all sources for the award year significantly exceeds your year's total expenditures). Do you have a system that ensures the cash on hand in your Perkins account at the end of the award year is kept to a reasonable minimum?

## When one of your Federal Perkins loans is consolidated

If a student with an outstanding Federal Perkins loan from your school applies to have that loan consolidated, the consolidating lender (*consolidator*) will send you a *Loan Verification Certificate (LVC)*. You have 10 days to provide the consolidating lender with a completed LVC.

You are not required to provide the requested loan information if –

- there is a judgment against the borrower on the loan that the borrower wants to consolidate;
- the loan has been sold; or
- the loan is more than 270 days delinquent and a default claim has been submitted.

If the lender to whom the consolidation application has been made makes the consolidation loan, you will receive the amount you indicated on the LVC. You must deposit the funds in the account holding your Federal Perkins revolving fund, record the deposit in the appropriate ledgers (and contra accounts), and report the payment on your FISAP.

### LVC, cites

34 CFR 682.209(j)

34 CFR 685.220(f)(1)(i)

DCL FP-04-02





# The Business Office and the FFEL Program



## OVERVIEW OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Federal Family Education Loan Program (FFELP) is the collective name for a group of federal loan programs designed to provide low interest loans to help eligible students pay for postsecondary education. FFELP loans are made by banks, credit unions, and other participating lenders.

### *Types of FFELP Loans*

The following types of loans are available through the FFELP:

*Federal Subsidized Stafford Loans (Subsidized Stafford Loans)* are made to students (undergraduate, graduate, and professional) who demonstrate financial need. Borrowers are not charged interest while they are enrolled in school at least half time and during grace periods and deferment periods. When borrowers cease to be enrolled at an eligible school on at least a half-time basis, a six-month grace period begins. The repayment period for a Subsidized Stafford Loan begins and interest begins to accrue the day after the grace period ends.

*Federal Unsubsidized Stafford Loans (Unsubsidized Stafford Loans)* are made to students (undergraduate, graduate, and professional). They do not require students to demonstrate financial need. Borrowers are responsible for the interest that accrues during all periods over the life of a Unsubsidized Stafford Loan. During periods of enrollment and the grace period borrowers may choose to pay the interest, or have it capitalized. When a borrower ceases to be enrolled at an eligible school on at least a half-time basis, a six-month grace period begins. The repayment period for a Unsubsidized Stafford Loan begins the day after the grace period ends.

*Federal PLUS Loans (PLUS Loans)* allow parents, and in some cases stepparents to borrow on behalf of their dependent undergraduate children who are enrolled at least half time at a postsecondary school. Interest on a Stafford PLUS Loan begins to accrue when the first installment is disbursed. Repayment begins when the loan is fully disbursed.

Traditionally, the FFEL regulations have referred to the lender's "disbursement" of funds to a school, and the school's "delivery" of the loan proceeds to a student. More recently, the Cash Management regulations have used the term "disbursement" to refer to the payment of FSA funds to a student or parent, including the payment of loan funds. In this chapter, we will use "disbursement" in the sense of the Cash Management regulations, that is, all payments to a student or borrower.

A school is prohibited from paying points, premiums, payments, or additional interest of any kind to any eligible lender or other party in order to induce a lender to make loans to students at the school or to the parents of the students. In addition, lenders may not offer, directly or indirectly, points, premiums, payments, or other inducements, to any school or other party to secure applicants for FFEL loans. Similar restrictions apply to guaranty agencies. In addition, lenders and guaranty agencies are forbidden to mail unsolicited loan application forms to students enrolled in high school or college, or to their parents, unless the prospective borrower has previously received loans guaranteed by that agency.

Lenders, guaranty agencies, and other participants in the FFEL Program may assist schools in the same way that the Department assists schools under the Direct Loan Program. For example, a lender's representatives can participate in counseling sessions at a school, including initial counseling, provided that school staff are present, the sessions are controlled by the school, and the lender's counseling activities reinforce the student's right to choose a lender. A lender can also provide loan counseling for a school's students through the Web or other electronic media, and it can help a school develop, print, and distribute counseling materials.

### Inducements Prohibited

Schools 34 CFR 682.212  
 Lenders 34 CFR 682.200  
 Guarantors 34 CFR 682.401(e)



You can find copies of a "Master Promissory Note" and a "Statement of Borrowers Rights and Responsibilities" in DCL L-02-232, October 2002 & DCL GEN-02-09, October 2002

*Federal Consolidation Loans (Consolidation Loans)* allow borrowers (students or parents) to combine one or more federal education loans into one new FFELP Loan requiring only one monthly payment. There are three types of FFELP Consolidation Loans:

- Subsidized Stafford Consolidation Loans,
- Unsubsidized Stafford Consolidation Loans, and
- Stafford PLUS Consolidation Loans.

Even if a borrower consolidates his or her federal education loans from more than one category, the borrower still has only one Stafford Consolidation Loan and makes only one monthly payment.

## THE PROMISSORY NOTE

To receive a FFELP Loan, a student (or parent, in the case of a PLUS loan) must complete an Application/Master Promissory Note (MPN). In the traditional paper process, the MPN will be provided by the lender, and the borrower will sign a copy for the lender (or the school if it is acting as lender). If the lender is a financial school, the student sends the MPN to the lender, either directly or through the school. The borrower gets a copy, and the school may keep a third copy on file if it chooses to do so.

Some lenders also provide the option of participating in an electronic Master Promissory Note process (e-MPN). Students (or parents, if applicable) can complete, electronically sign an e-MPN, and print a copy.

A student attending a school that participates in the e-MPN process has the option of requesting that a paper MPN be created and printed for his/her signature. If a student requests a paper MPN, the school **must** provide one.

### Multi-year use of the MPN

The multi-year feature of the MPN enables student borrowers (and Parents who borrow PLUS loans) to get additional loans without having to sign a new MPN each academic year. A student has the option of asking to sign a new MPN for each new loan. If a student asks to sign a new MPN each year, the lender must honor that request.

Parents who receive Direct PLUS Loans may also use the multi-year feature. However, a PLUS MPN signed by a parent can only be used to borrow for one student. If a parent wants to borrow on behalf of more than one child, the parent must sign a separate MPN for each child. Also, when a parent with an adverse credit history receives a Direct PLUS Loan by getting an endorser, the PLUS MPN automatically becomes a single-loan promissory note, and the parent will have to sign a new MPN for any subsequent loans.

## Single-year use of the MPN

A school may choose not to use the multi-year feature of the MPN. Instead, a school can elect to use the *single-year feature*.

## THE DISCLOSURE STATEMENT

A disclosure statement, providing loan-specific information is sent to all borrowers. A student disclosure statement can accommodate up to 20 disbursements for each type of student loan (subsidized and unsubsidized). The disclosure statement provides borrowers with information about the –

- loan types,
- anticipated loan disbursement amounts,
- loan fee rates,
- the amount of the borrower’s loan fee,
- anticipated disbursement dates, and
- anticipated net disbursements.

## THE PLAIN LANGUAGE DISCLOSURE (PLD)

A Plain Language Disclosure supplements the Borrower’s Rights and Responsibilities Statement (BRR) that accompanies an MPN. A PLD is provided to students who attend schools that use the multi-year feature of the MPN. Since students at these schools don’t sign a new promissory note each year, a PLD is forwarded with each disclosure statement to remind FFELP borrowers of their rights and responsibilities.

## SCHOOL RESPONSIBILITIES

A school’s responsibilities in the FFELP begin with meeting and maintaining loan-program-participation requirements. Operational requirements can include –

1. establishing borrower eligibility;
2. certifying FFEL Program loans;
3. counseling students;
4. requesting FFELP cash;
5. receiving FFELP cash;
6. disbursing FFEL Program loan proceeds; and
7. carrying out administrative and fiscal management functions.

### Disclosure, cite

34 CFR 682.205



While the business office does not usually report changes in enrollment status and borrower information to ED, when it becomes aware of such changes it must provide them to the school’s “Coordinating Official” as described in chapter 10, “Administrative Standards,” so that the school office with the reporting responsibility can be informed.

## ESTABLISHING BORROWER ELIGIBILITY

Before informing the business office that a student will be receiving a FFELP loan, your financial aid office will have confirmed a student's general eligibility for FSA funds and the student's need for a FFELP loan as described in the *Federal Student Aid Handbook*, Volume 1 – Student Eligibility, and chapter 16 of this volume.

A student must also demonstrate financial need to receive any FSA funds except unsubsidized Stafford and PLUS loans. (See the *Federal Student Aid Handbook*, Volume 3 - *Calculating Awards and Packaging* for more information.)

## ESTABLISHING A CONFIRMATION PROCESS

### ***Borrower confirmation***

A crucial step in multi-year use of the MPN is the confirmation process that takes the place of the previous requirement that the borrower sign a new note for each academic year (in Direct Loans) or period of enrollment (in FFEL). Schools must develop and document a confirmation process to ensure that a borrower wants subsequent loans. FFEL schools must work with the lender. The confirmation process may be part of the required notices and disclosures that already exist, or it may be separate and supplement them.

A student must accept, either actively or passively (i.e., through notification), the loan amount offered.

**Active confirmation** – a school does not disburse the loan until the borrower accepts the proposed loan type and amount or requests changes to the proposed loan package.

**Passive confirmation** – school does not disburse the loan until the borrower is notified of the proposed loan package. (The notification can come from the school, lender, and/or guarantor.) The borrower only needs to take action if he or she wants to decline the loan or make adjustments to the type or amount of the loan.

For example, your school's award letter may include proposed loan amounts and types. For active confirmation, the student would be asked to accept the loan amount offered by responding to your school's offer. For passive confirmation, the student would be asked to respond only if he or she wanted to cancel or reduce the loan amount offered.

## ***Establishing a confirmation process for Stafford Loans***

As long as regulatory requirements and the Department's guidelines are met, schools, lenders, and guarantors are free to establish their own confirmation process—perhaps even a process that combines elements of active and passive confirmation and/or a shared responsibility among the school, lender, and/or guarantor. Schools and the lending community have considerable discretion in setting up these processes, including the timing of confirmation.

For example, confirmation could take place when students apply for aid, when aid is packaged, when loan funds are delivered or disbursed, or at some other appropriate time. The confirmation process could cover the entire loan or, instead, could require that the student confirm each loan disbursement. DCL GEN-98-25 provides examples of each of these confirmation approaches.

The most effective processes will likely vary from school to school and participants are encouraged to use and test various technologies in this process. Some technologies suggested include the Internet, email, card technologies, and voice response.

Generally, schools (in both the Direct Loan and FFEL programs) should use the same confirmation process(es) for all borrowers. However, in some cases a school may want to establish more than one confirmation process in order to accommodate existing administrative procedures, or because the school believes that it can best inform borrowers of their loan obligations if it uses different confirmation processes for different groups of students.

For example, if a school has a policy that requires undergraduates (but not graduate students) to participate in individual counseling sessions before they receive financial aid, it would be reasonable to use the individual counseling sessions to meet the confirmation requirement for undergraduate borrowers, and to establish a different confirmation process for graduate student borrowers.

Regardless of the process(es) used, schools (and lenders in the FFEL Program) must document their confirmation procedures. A school must retain a description of the process(es) in effect for each academic year in which it makes second or subsequent loans under MPNs. The documentation of the process may be kept in paper or electronic format and need not be kept in individual borrower files. The documentation must be kept indefinitely, because it must be submitted to the Department upon request if a borrower challenges the enforceability of a loan.

We recommend that schools include a description of the confirmation process in their student consumer information and policies and procedures manuals just as they do for other school policies, such as their school refund and satisfactory academic progress policies.

## CERTIFYING FFEL PROGRAM LOANS

A student (or the student's parent, if applicable) who has decided to borrow under the FFEL Program must complete a (paper or electronic) FFELP loan application and promissory note. After the borrower has completed the application and promissory note, your financial aid office will certify the loan (either on paper or electronically) and forward it to the lender selected by the borrower.

Your financial aid office certifies a FFEL Program loan by providing the following information:

1. your school's FFELP school code;
2. your school's name, address, telephone number, and contact person;
3. the borrower's identifying data and contact information;
4. the lender selected by the borrower;
5. the grade-level of the borrower;
6. the enrollment status of the borrower;
7. the date the borrower is expected to complete the program;
8. the loan period;
9. the certified loan amounts; and
10. the disbursement dates.

Knowing borrowers disbursement dates and how they are determined are key elements in business office planning and internal controls. These factors will be discussed later in this chapter under *Processing FFELP funds*.

## COUNSELING STUDENTS

A school must ensure that first-year, first-time Stafford borrowers have completed entrance counseling before the school disburses FFEL loan funds to those borrowers.

All Stafford borrowers are required to complete exit counseling when they leave school or drop below half-time enrollment.

The purpose of loan counseling is to help educate borrowers about the importance of repaying their loans and avoiding default.

Stafford borrowers can either participate in entrance and exit counseling offered at their schools, or complete a lender's or GA's online counseling.

## REQUESTING FFELP FUNDS

As discussed earlier under *Certifying FFEL Program loans*, one of the data elements a school must populate is the dates it wishes the lender to provide the funds associated with the loan. We discuss the rules for requesting FFEL Program funds here so that the Business Office, by verifying that FFEL Program funds do not arrive too early, can help ensure its school is operating within the appropriate regulations.

If your school receives FFEL Program funds by EFT or master check, it may not ask a lender to provide funds earlier than –

1. for a first-year, first-time Stafford borrower, 27 days after the first day of classes of the first payment period; or
2. for any subsequent payment period for a first-year, first-time Stafford borrower, and all other Stafford borrowers, 13 days before the first day of classes.
3. for any Federal PLUS Program loan, 13 days before the first day of classes for any payment period.

If your school receives FFEL Program funds by check requiring the endorsement of the borrower, it may not ask a lender to provide funds earlier than –

1. for a first-year, first-time Stafford borrower, the first day of classes of the first payment period; or
2. for any subsequent payment period for a first-year, first-time Stafford borrower, and all other Stafford borrowers, 30 days before the first day of classes; and
3. for any Federal PLUS Program loan, 30 days before the first day of classes for any payment period.

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### Entrance counseling, cite

34 CFR 682.604(f)




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### Exit counseling, cite

34 CFR 682.604(g)



If counseling is conducted by electronic interactive means, the school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the counseling.

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### Requesting FFEL funds, cite

34 CFR .167(a)




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### Requesting FFEL funds by check requiring endorsement by the borrower, cite

34 CFR 668.167(a)(2)

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### Requesting FFEL funds by EFT or master check, cite

34 CFR 668.167(a)(1)

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### Requesting FFEL PLUS funds, cite

34 CFR 668.167(a)(3)

## RECEIVING FFEL PROGRAM LOAN FUNDS

Federal statute requires that proceeds from Stafford Loans and PLUS Loans be disbursed by lenders directly to schools for their disbursement to borrowers. A lender that agrees to make the loan will disburse the funds to the school either through individual checks, a master check, or by electronic transfer to an account designated by the school.

### Electronic Funds Transfer (EFT) and master checks

A school may receive a borrower's FFEL funds from a lender by EFT or master check. To receive funds by EFT, a school must sign up for EFT with the lender or the lender's disbursing agent to enable FFEL funds to be deposited directly into the school's designated bank account.

If the school and lender or the lender's disbursing agent have entered into an agreement to use master checks, the school may receive a borrower's loan proceeds by master check. A master check is a single check, written by a lender, that contains all the lender's FFEL Program funds for the school's borrowers for a given disbursement date.

Funds provided by EFT or master check must be accompanied by a list of names, social security numbers, and loan amounts of borrowers whose payments are included in the master check. The list enables a school to identify the individual borrowers to whom loan proceeds are to be delivered.

A school may request loan proceeds by EFT or master check no earlier than 13 days before the first day of a student's enrollment period. If a Stafford Loan borrower is subject to delayed disbursement, disbursement by EFT or master check may not be requested until the 27th day of the student's enrollment period.

A school must obtain a borrower's written authorization to receive his or her loan funds by EFT or master check. (*This EFT approval is approval for the school to accept loan funds from the lender. It is not an approval for the school to directly credit the student's bank account.*) Authorization to receive funds by ET may be given in the borrower's loan application (master promissory note [MPN] or PLUS Loan application and promissory note), or it may be obtained separately. If written authorization is not given in the borrower's loan application, it must be obtained not more than 30 days before the beginning of the enrollment period for which the loan is intended.

## Individual Checks

A school may receive a borrower's Stafford Loan funds from a lender in the form of an individual bank check made payable to the borrower or co-payable to the borrower and the school. In the case of a co-payable check, the school and the borrower must endorse the check. A school must disburse loan funds to a student borrower within 30 days of the date it receives the check.

Co-payable PLUS Loan checks must be sent directly to a school by a lender. A school must disburse PLUS proceeds to a parent borrower within 30 days of receiving a check. However, a school is not required to endorse a PLUS check before sending it to a parent borrower. The school may require the parent borrower to endorse the check and return it to the school for the school's endorsement. The school then endorses the check, deposits it, and disburses the funds.

In no case may a school request loan funds by individual check earlier than 30 days before the first day of the student's enrollment period. If a Stafford Loan borrower is subject to delayed disbursement, a school may not request Stafford Loan funds earlier than the first day of classes of the student's first payment period.

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**Verifying eligibility, cite**

34 CFR 682.604(b)



## DISBURSING FFELP FUNDS

### *Checking eligibility at the time of disbursement*

Your financial aid office certified that a student is eligible when it certified the loan. However, **you must also ensure that the student has maintained continuous eligibility before you disburse the loan.**

The change that most often makes a student ineligible for a disbursement is a reduction in enrollment status to less than half time. Therefore, it is important that your school have a system to verify a student's enrollment status at the time of disbursement.

If a student's enrollment status temporarily drops below half time, you can make disbursements of the FFEL proceeds if the student later resumes at least half-time enrollment. However, you must ensure that the student continues to qualify for the entire amount of the loan (the change in enrollment may have resulted in a significantly lower cost of attendance). The aid office must document its review of the eligibility of a student whose enrollment changes before funds are disbursed.

If a borrower has transferred from another school, you need to ensure that the student is not in default and has not and will not exceed the annual and aggregate loan maximums. You can confirm this by checking the student's loan history on the NSLDS Web site, or by reviewing the NSLDS loan history section of the ISIR, that has information that is current as of the time the ISIR was processed.

You must also submit the transfer student's name and identifiers to NSLDS through the *Inform* process, so that NSLDS can notify you of any changes in the student's loan history that might affect eligibility at your school. (See *the Federal Student Aid Handbook, Volume 2 – School Eligibility and Operations*, and *Volume 1 – Student Eligibility* for more information on the Transfer Monitoring Process, and *Volume 3 – Calculating Awards and Packaging* for more information on using the Aggregate Outstanding Principal Balance (**Agg OPB**) in NSLDS to determine if a student has exceeded the aggregate loan limits.)

## Processing FFELP Funds

*A school receiving funds under the reimbursement payment method may not disburse FFEL Program funds to a borrower until the Department approves a request from the school to make the disbursement to that specific borrower.*

**Required delay in making disbursements to first-year, first-time borrowers** If a student is in the first year of an undergraduate program and is a first-time FFELP loan borrower, your school may not disburse the first installment of the FFELP loan until 30 calendar days after the student's actual attendance in the program of study begins.

**Disbursement rules for terms made up of modules** – Sometimes students enrolled in a modular program do not attend classes in the first module. The start date for disbursement purposes is the date classes begin for the first attended module. For example, the earliest the school can disburse FFELP funds to a first-year, first-time borrower who is scheduled to begin attendance in the second of three five-week modules that make up the payment period is 30 days after the second module begins.

**Late disbursements** – If the student established eligibility for payment, and you certified the loan, but the student later becomes ineligible (because the student is no longer enrolled at the school as at least a half-time student for the loan period) you may still be able to make a late disbursement to the student. Please see chapter 14 for a discussion of the conditions for and limitations on late disbursements.

### Foreign study exception to 30-day Stafford delay

A loan disbursement can be made to a first-time, first-year borrower within the normal time frame (without waiting 30 days) if the borrower is attending an eligible foreign school, or if the borrower is in a study-abroad program and the home school in the U.S. had a Stafford loan default rate less than 5% (in the most recent fiscal year for which data was available) – 34 CFR 685.303(b)(4)(i)(B).

### Processing loan proceeds, cite

34 CFR 682.604(c)  
34 CFR 668.167(d)  
34 CFR 207(d)



### A late disbursement of a FFELP loan to a student who was enrolled in a series of modules may be prohibited

A school may not disburse the proceeds of a FFELP loan to an ineligible borrower. Therefore, if a student who was enrolled in a series of modules withdraws before beginning attendance as a half-time student, and the student had not received the first disbursement of a FFELP loan before withdrawing, the school may not make the first disbursement because the school knows the student withdrew before beginning half-time attendance.

The school may not make a late disbursement because 34 CFR 668.164(g)(3)(iii), which permits a school to make a late disbursement of a FFELP loan for costs incurred to a student who did not withdraw, but ceased to be enrolled as at least a half-time student, does not apply. (The student never really began attendance in the classes needed to make the student half time.)

### When a student fails to begin attendance, cite

34 CFR 682.604(d)(4)



A school may not disburse the proceeds of an FFEL or Direct Loan to an ineligible borrower. Therefore, if a student who was enrolled in a series of modules withdraws before beginning attendance as a half-time student, and the student had not received the first disbursement of an education loan before withdrawing, the school may not make the first disbursement because the school knows the student was never enrolled on at least a half-time basis.

### Multiple disbursements requirement and exceptions

There are two significant exceptions to the multiple disbursement requirement:

1. If any payment period has elapsed before you make a disbursement, you may make a single disbursement for all completed payment periods.

If a loan is not disbursed by payment periods i.e., terms, and the student has reached the calendar midpoint, and successfully completed one-half the hours in the loan period, you may make a single disbursement.

2. You may pay a student in an eligible study-abroad program in one disbursement, regardless of the length of the loan period, if your school's most recently calculated Stafford loan default rate is less than 5% for the single most recent fiscal year for which data is available.

If one or more scheduled disbursements have elapsed before a lender makes a disbursement, and the borrower is still enrolled, the lender may include in the disbursement and the school may disburse the loan proceeds for previously scheduled but unmade disbursements.

### When a student who has received FFEL Program loan funds fails to begin attendance

If a student who received a FFELP loan withdraws or is expelled prior to the first day of classes or fails to begin attendance, the school is required to notify the lender within 30 days of the student's withdrawal, expulsion, or failure to attend school, and return to the lender –

- any loan proceeds credited by the school to the student's account; and
- the amount of payments made by the student to the school, to the extent that they do not exceed the amount of any loan proceeds disbursed by the school to the student.

The school must also notify the student or parent borrower, in writing, that the funds have been returned.

### Number of FFELP disbursements: standard terms and substantially equal nonstandard terms

If the program uses *standard academic terms* (for example, semester, trimester, or quarter) or it has *nonstandard terms of substantially equal length*, at least one disbursement must be made for each term in the loan period. A program is considered to have substantially equal terms if no term in the loan period is more than two calendar weeks longer than any other term in the loan period.

- *If there is more than one term in the loan period*, the loan must be disbursed over all terms of the loan period. For example, if a loan period includes all three quarters of an academic year, the loan must be disbursed in three substantially equal disbursements.
- *If there is only one term in the loan period*, the loan must be disbursed in equal amounts at the beginning of the term and at the term's calendar midpoint.

### **Number of FFELP disbursements: 1) credit-hour programs without terms, 2) credit-hour programs with non-standard terms that are not substantially equal in length, and 3) clock-hour programs**

If the program is one academic year or shorter, the loan period is usually the length of the program. If the program is longer than an academic year, there will usually be another loan period for any subsequent academic year or remaining portion of an academic year. For each loan period in these programs –

- The loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- The second half of the loan proceeds may not be disbursed until the later of either
  - a. the calendar midpoint between the first and last scheduled days of class of the loan period, or
  - b. the date the student successfully completes half the clock hours in the loan period or, for credit hours, completes half the credit hours. In programs where the student cannot earn the credit hours until the end of the loan period, the school must determine when the student has completed half the coursework for the loan period.

### **Time frame to disburse FFELP loan funds or return them**

The Cash Management regulations establish specific time frames for schools to disburse FFEL Program funds or promptly return the funds to the lender.

For purposes of this discussion, returning funds *promptly* means that a school may not delay its normal process for returning FFEL Program funds to lenders. Also for these purposes, the requirement that a school *return funds no later than* a certain number of days means that a school must mail a check or initiate an EFT of FFEL funds to the lender by the close of business on the last day of that period.

Schools are required to *return funds no later than ten business days* after the school determines the student to be ineligible for FFEL Program funds. This means a school must return a check or initiate an EFT of FFEL funds to the lender by the close of business of the last day of the return period.

### **Multiple disbursements within a payment period**

You can schedule more than two disbursements within a loan period, as long as the disbursements are substantially equal installments.

If a loan is not disbursed by payment periods, no more than one-half the loan proceeds may be disbursed before the student reaches the calendar midpoint, and successfully completes one-half the hours in the loan period.

Schools that use payment periods as the basis for their return of funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period for use in a Return calculation.

### **Time frame to disburse or return funds, cite**

34 CFR 668.167



### **Reasons a school might have to return FFEL funds to a lender**

- The student failed to enroll for an enrollment period for which the loan was intended.
- The student failed to meet satisfactory academic progress or other eligibility requirements (for example, completing entrance loan counseling) at the time the loan was due to be delivered.
- The student withdrew during a period for which the loan was intended before the funds were delivered to a student, and the student is not eligible for a postwithdrawal disbursement.
- A return of funds is due to a lender as a result of a return of Title IV funds calculation.
- A student or parent requests a school to return FFEL Program funds to reduce the borrower's principal loan balance.

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### Verification extension

If a school chooses to certify or originate a Stafford Loan for a student who was selected for verification, the verification regulations allow the school to hold the loan proceeds for 45 days. If the applicant does not complete the verification process within the 45-day period, the school must return the loan funds to the lender.

If the student's eligibility was reduced as a result of verification, the school may disburse the full proceeds received if the excess amount can be eliminated by reducing subsequent disbursements for the applicable loan period. (The school must advise the lender to reduce the subsequent disbursements.) If the excess funds cannot be eliminated in subsequent disbursements for the applicable loan period, the school must return the excess funds to the lender.

In some cases, a school may receive the loan funds at a point when the student is **temporarily** not eligible for payment—for instance, if the student needs to complete the clock hours or credit hours in the previous payment period (for an academic program without terms).

A school may delay returning funds for 10 days after the date the funds would normally be required to be disbursed (three or 30 days as discussed above) **only if the school has reason to believe the student can reestablish eligibility during this 10-day period.**

A school may delay the return for 10 days **only** –

1. if the school determines that the student has not completed but will complete, the required number of clock hours or credit hours in the preceding payment period within those ten-business days; or
2. if the student has not met all of the FFEL eligibility requirements (such as registering for the required number of hours, completing entrance loan counseling, or making satisfactory academic progress), but the school expects the student to meet those requirements during this ten-business-day period.

If the student does not reestablish eligibility, the school has another 10 days to return the funds to the lender.

If during this second 10-day period the student establishes eligibility and the school has not yet returned the funds, it may disburse them to the student.

## ADMINISTRATIVE AND FISCAL MANAGEMENT FUNCTIONS

### *Enrollment Reporting with NSLDS and the Roster file*

All schools participating (or approved to participate) in the FSA programs **must** have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through a Roster file (formerly called the Student Status Confirmation Report or SSCR). Student enrollment information is extremely important, because it is used to determine if the student is in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

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### Schools must sign up to receive Roster Files through

<https://www.fsawebebenroll.ed.gov/PMEenroll/index.jsp>

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### Enrollment Reporting Requirements

34 CFR 682.610 FFEL  
DCL GEN 96-5  
DCL GEN 96-17

At scheduled times during the year, not less than semiannually, NSLDS sends Roster files electronically to your school (or its designated servicer) through its SAIG mailbox. The file includes all of the school's students who are identified in NSLDS as Stafford (Direct and FFEL) borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at your school—you also must report information for students who received some or all of their FSA loans at other schools but are currently attending your school.

Your school (or servicer) must certify the information and return the Roster file within 30 days of receiving it. You may also go to [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov) and update information for your students online. You're required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date.

If the Roster file that you are returning contains records that don't pass the NSLDS Enrollment Reporting edits, you will receive a response file with the records that didn't pass. Within 10 days, you'll need to make the necessary corrections to these records and resubmit them. If you are using a servicer, you may need to assist the servicer in correcting these errors. Please remember that your school is ultimately responsible for notifying NSLDS of student enrollment changes.

If your school reports enrollment data to the NSLDS, it does not have to complete SSCRs received directly from guaranty agencies. (Receiving an SSCR report from a guaranty agency may be an indication that your school has not reported to NSLDS within the last six months.) However, you must still respond to requests for borrower information from guaranty agencies, lenders, and loan servicers. You must continue to provide loan holders and loan servicers with a borrower's enrollment status and other information needed to locate the borrower for deferment and other repayment purposes.

### ***Providing borrower information at separation***

Within 60 days after the exit counseling session, your school must provide the guaranty agency that was listed in the borrower's student aid records with updated information about: the borrower's name; address; references; future permanent address; Social Security Number; the identity and address of the borrower's expected employer, the address of the borrower's next of kin, and the borrower's driver's license number and state of issuance.

### **Updating enrollment information on the Web**

You can create or update student enrollment status by using the "Enroll" tab on the NSLDS Web site for aid professionals:

<https://www.nslsdfap.ed.gov/>

Support: **1-800-999-8219**

### **Enrollment Reporting/SSCR Technical References**

For more information on reporting enrollment information to NSLDS, including record layouts, error codes, etc., see the **Enrollment Reporting Guide** (formerly the SSCR User's Guide), which is available online on the [ifap.ed.gov](http://ifap.ed.gov) site (listed alphabetically under "Current Publications by Title").

If you will be using the SSCR software package for Enrollment Reporting, see the **SSCR Technical Reference**, which includes record layouts, error codes, etc., and is available in Word and PDF formats at:

[www.fsadownload.ed.gov](http://www.fsadownload.ed.gov)

### **Privacy: Sharing Student Records with Lenders**

A student authorizes his or her school to release information to lenders by signing the promissory note as part of the loan application process. This authorization covers information relevant to the student's or parent's eligibility to borrow as well as locating the borrower. Examples of such information are enrollment status, financial assistance, and employment records.

### **Loan information from the guarantor**

Upon request, the guarantor must inform the school of students in default on FFELs.  
34 CFR 682.401(b)(24)

If the lender requests preclaims assistance, the guarantor must inform the school of this request, if the school has requested such notification.

34 CFR 682.404(a)(4)  
Section 428(c)(2)(H) of the HEA

The guarantor must notify the school when a loan made at that school changes hands, if the school requests such information.

Section 428(b)(2)(F) of the HEA  
34 CFR 682.401(b)(25)

### ***Other notifications to lenders and guarantors***

Unless it expects to report student enrollment data to NSLDS within the next 60 days, your school must notify the lender/GA within 30 days if it discovers that a –

- Stafford or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled at least half time;
- Stafford or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
- has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or
- student who is enrolled and who has received a Stafford loan has changed his or her permanent address.

## **LOAN CONCEPTS FOR THE BUSINESS OFFICE**

### ***Capitalizing interest***

Capitalizing interest is adding unpaid, accrued (accumulated) interest to the principal balance of a loan (that is, to the total amount borrowed). During certain periods, borrowers can pay interest on an ongoing basis or allow interest to accrue and capitalize. For example, a Unsubsidized Stafford Loan borrower can either pay the interest while he or she is in school or allow the interest to accrue and be capitalized.

### ***Prepayment***

A prepayment occurs when a borrower –

- pays all or part of a loan before a payment is due, or
- pays an amount in addition to the amount required for a monthly payment on the loan.

FFELP borrowers can prepay at any time without penalty, that is, without paying an additional charge. If a prepayment amount is less than the monthly payment the borrower owes, the lender applies the prepayment first to any accrued charges or collection costs, then to any outstanding interest, and then to outstanding principal.

When a borrower makes a prepayment that equals or is more than the monthly repayment installment amount, the lender/GA –

- applies the prepaid amount first to any accrued charges or collection costs, then to any outstanding interest, and then to outstanding principal;
- advances the due date of the next payment, unless the borrower requests otherwise; and
- notifies the borrower of any revised due date for the next payment.

### ***Grace Period***

The grace period is the six-month period before a loan enters repayment. The grace period starts the day after a borrower ceases to be enrolled at least half-time at an eligible school. It ends six months later, on the day before the loan repayment period starts.

During the grace period, Subsidized Stafford Loan borrowers are not required to make payments on the loan principal and are not charged interest. Unsubsidized Stafford Loan borrowers are not required to make payments on the loan principal, but they are responsible for the interest that accrues.

If a student returns to school at least half time before the grace period ends, the student may again postpone loan repayment while in school, and the student will be entitled to a full six-month grace period after terminating enrollment or after dropping below half-time status.

### ***Deferments***

Deferment refers to periods during which payments of principal on FFELP loans are postponed. No interest is charged to borrowers on Subsidized Stafford Loans during periods of deferment. However, interest accrues and is charged to borrowers of Unsubsidized Stafford Loans. Unsubsidized Stafford loan borrowers may choose either to pay the interest or to have it capitalized (added to their loan principal).

To receive a deferment, borrowers must request (and be granted) deferments by the lender/GA. Borrowers must meet specific eligibility requirements in order to receive a deferment.

### ***Repayment***

The loan repayment period for Subsidized Stafford Loans and Unsubsidized Stafford Loans begins the day after the grace period ends. This is when borrowers begin repaying their loans (unless they enter a deferment period or forbearance period).

### ***Discharge***

Under certain conditions, all or a portion of a borrower's loan debt may be cancelled or discharged. Examples of conditions for which discharge may be granted include:

- borrower death or total and permanent disability,
- borrower bankruptcy,
- a closed school,
- a school falsely certifying a loan, and
- a school failing to refund loan proceeds.

### ***Forbearance***

Forbearance refers to periods in which borrowers are allowed to –

- stop making payments temporarily,
- extend the time for making payments, or
- temporarily make smaller payments than previously scheduled.

### ***Borrower.***

An individual to whom a FFEL Program loan is made.

### ***Co-Maker***

One of two married individuals who jointly borrow a Consolidation loan, each of whom are eligible and who are jointly and severally liable for repayment of the loan. The term comaker also includes one of two parents who are joint borrowers as previously authorized in the PLUS Program.

### ***Default***

The failure of a borrower and endorser, if any, to make an installment payment when due, or to meet other terms of the promissory note, if the Department finds it reasonable to conclude that the borrower and endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists for 270 days.

### ***Endorser***

An individual who signs a promissory note and agrees to repay the loan in the event that the borrower does not.

### ***Foreign school***

A school not located in a state.

## ***Holder***

The owner of the loan. In the Direct Loan Program, the holder is ED. In the FFEL Program, the holder may be an eligible lender a federal or state agency, or an organization or corporation acting on behalf of such an agency.

## ***National credit bureau***

A credit bureau with a service area that encompasses more than a single region of the country.

## ***Period of enrollment***

The period for which a FSA loan is intended. The period of enrollment must coincide with an academic period established by the school for which institutional charges are generally assessed (e.g., semester, trimester, quarter, length of the student's program or academic year). The period of enrollment is also referred to as the loan period.

## ***Guaranty agency***

A State or private nonprofit organization that has an agreement with the Department under which it will administer a loan guarantee program.

## ***Origination fee***

A fee paid by a borrower to help defray the cost of making a loan.

## ***School lender***

A school, other than a correspondence school, that has entered into a contract of guarantee with the Department or, a similar agreement with a guaranty agency.

## ***State lender***

In any State, a single State agency or private nonprofit agency designated by the State that has entered into a contract of guarantee with the Department or a similar agreement with a guaranty agency.



# Appendices

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# Federal Student Aid Glossary

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## – A –

**Ability to Benefit (ATB)** A Federal Student Aid (FSA) eligibility criteria for postsecondary students who: (a) do not have a high school diploma or its recognized equivalent and (b) are beyond the age of compulsory school attendance in the state where the school is located. To be eligible to receive FSA funds, the law requires these students to show that they have the ability to benefit from postsecondary education. To demonstrate this they must pass an independently administered test approved by the U.S. Department of Education.

**Academic Calendar** The structure of a school's academic year. For purposes of the FSA programs, there are three basic types of academic calendars: standard term, nonstandard term, and non-term. Note: Clock-hour programs are considered non-term.

**Academic Competitiveness Grant (ACG) Program** A FSA grant awarded to eligible applicants who are in their first or second year of undergraduate study and have completed an academically rigorous secondary school program of study. See *The Federal Student Aid Handbook, Volumes 1 & 3*.

**Academic Level** (in NSLDS) The borrower's academic level (e.g., freshman, sophomore, etc.) at the time a loan was provided. See *Grade Level*.

**Academic Period** A system for dividing an academic year into smaller discrete units (such as a semester, quarter, trimester, (usually measured in clock or credit hours). Sometimes used as a synonym for loan period or payment period.

**Academic Year** A period that begins on the first day of classes and ends on the last day of classes or examinations. A measure of the student's period of enrollment used to determine the duration of a student's award eligibility. See *The Federal Student Aid Handbook, Volume 3*, and 34 CFR 668.3.

**Academic Year** (in ACG/SMART) A measure of a student's progress, in weeks of instructional time and credit or clock hours, toward completion of their program of study (e.g., freshman, sophomore, etc.) that is one of the eligibility criteria.

**Academic Year** (in the TEACH Grant program) For elementary and secondary schools it is one complete school year, or two complete and consecutive half-years from different school years, excluding summer sessions, that generally fall within a 12-month period. If a school has a year-round program of instruction, ED considers a minimum of nine consecutive months to be the equivalent of an academic year.

**Academically Qualified** To receive FSA funds, a student must be academically qualified to study at the postsecondary level. See *The Federal Student Aid Handbook, Volume 2*. See *High School Equivalence* and *Ability to Benefit*.

**Acceleration** When the holder of a loan demands immediate repayment of the entire loan, including any late charges, collection costs and accrued interest because the borrower has failed to satisfy the terms of the promissory note. In the Federal Perkins Loan program, a school may accelerate a loan if the borrower does not (a) make a scheduled repayment on time; or (b) file cancellation or deferment forms) with the school on time. In the FFEL and Direct Loan programs, a lender may accelerate a loan if the borrower is in default or was ineligible to borrow.

**Accounting Period** A time period for which financial records are maintained and at the end of which financial statements are prepared. See Financial Statement.

**Accredited** The status of public recognition that a nationally recognized accrediting agency grants to a school or educational program that meets the agencies established requirements.

**Accrediting Agency** An accrediting agency sets educational standards, evaluates schools, and certifies that schools have met its standards. For FSA purposes, an agency recognized by the U.S. Department of Education as a reliable authority in evaluating the educational quality of programs offered by postsecondary institutions.

**Accrual Basis** The type of accounting under which incomes are recorded when earned (regardless of when cash is actually received) and expenses are recorded when liabilities are incurred (regardless of when cash is actually expended).

**Accrued Interest** Interest that accumulates on the unpaid principal balance of a loan.

**Accrued Salaries** Wages earned between the last pay date and the end of the accounting period being reported, but not yet paid to the appropriate workers. Unpaid student wages are considered a school liability.

**ACG Multiple Reporting Record (ACG MRR)** An ACG specific *Multiple Reporting Record (MRR)*.

**ACG Pending Disbursement List** Lists of anticipated ACG disbursements (Disbursement Release Indicator (DRI) set to false). COD sends ACG Pending Disbursement List weekly to a school's SAIG mailbox. The List can be used to monitor anticipated disbursements nearing disbursement dates to either set the DRI to true for confirmed eligible students, or to cancel the award for ineligible students.

**ACG Reconciliation Report** Provides a one-record student summary of YTD ACG disbursements in COD. The Schools can use the Report in both their monthly and year-end reconciliation efforts to identify discrepancies in ACG disbursement totals and use the COD system to see the COD detail of accepted records and resolve the discrepancies. The ACG Reconciliation Report is sent automatically by the COD system, prior to September 30, on an annual basis, and can be ordered over the COD Website using several different school selected options (see the COD Website for these options).

**ACG Year-to-Date (YTD) Record** Contains detailed award and disbursement information at a transaction level. Not automatically generated by COD, it is triggered only by school request. It can be requested on an individual recipient, or all recipients, basis. The ACG YTD All Recipient Record shows the number of recipients at the school; the number of award and/or disbursement records that were accepted or rejected; and, for certain edit codes, the number of times a school received that specific edit code on a response document. Due to the available detail the ACG YTD Record is a good tool for reconciling of student ACG data, and for rebuilding a school's corrupted database. ACG YTD Records are triggered only by school requests; they are not automatically generated by COD.

**Acknowledgment File** A file or response that provides an indication that information was processed by the receiving system. In some cases, it will provide information about accepted data as well as errors that need to be corrected.

**Active** (in NSLDS) A flag identifying whether a record reflects the NSLDS current understanding of a student's enrollment history. Active records reflect that history. Inactive records reflect enrollment data previously submitted to the NSLDS but corrected by a later submission.

**Active Confirmation** (in FSA loan programs) A means of confirming that a borrower wants a loan that is being disbursed for a subsequent academic year under a previously signed MPN. A school using active confirmation does not disburse a loan made under an MPN until the borrower either affirmatively requests or accepts the proposed loan type and amount or requests changes to the proposed loan package. See *Passive Confirmation*.

**Actual Disbursement Record** (in COD) A disbursement submitted to the COD system via the Common Record with a Disbursement Release Indicator or DRI equal to "True." Schools use actual disbursements to report (to the Department) the amount of money a student has received or will receive within "x" number of days and the date of the disbursement. These records post to a student/borrower's award (loan or grant) and are used in multiple ways, including, but not limited to, editing, monitoring school performance, determining school funding, determining the date interest accrual begins (for Direct Loans and TEACH Grants that convert to Direct Loans), and determining the amount a student/borrower has received.

**Actual Interest Rate** The annual interest rate a lender charges on a loan, that may be equal to or less than the applicable, or statutory, interest rate on that loan.

**Additional Location** An accredited and licensed location of a school offering 50% or more of one of the schools educational programs that does not meet the criteria for designation as a branch campus.

**Additional Unsubsidized Loans for Health Professions Students** Increased unsubsidized Stafford loan eligibility for graduate and professional students in certain health profession programs.

**Adjusted Available Income (AAI)** An intermediate value in the Federal Methodology calculation. AAI combines *Available Income* with the *Contribution from Assets* to represent that portion of a family's resources that exceeds basic, non-discretionary living needs and which may be used for financing education as well as enhancing the family's circumstances. It may be a negative number.

**Adjusted Gross Income (AGI)** All taxable income less IRS allowable adjustments to income. This figure is drawn from an individual's federal tax form. A data element used in calculating the EFC and one of the elements checked during *Verification*.

**Adjusting Entry** A journal entry made for purposes of correcting an error (such as a transfer of funds between accounts) or recording an accrual (such as earned, but unpaid, student payroll at the end of an accounting period).

**Administrative Capability Standards** (Also Standards of Administrative Capability) One of the two groups of requirements a school must meet to participate in the FSA programs (the other is financial responsibility). To participate in any FSA program, a school must demonstrate that it is administratively capable of managing its basic operations. See *The Federal Student Aid Handbook, Volume 2*, & 34 CFR 668.3.

**Administrative Cost Allowance (ACA)** An annual payment calculated by ED and automatically deposited in the school's account to help offset the costs of administering the FSA programs. The Department reimburses schools participating in the Pell Grant \$5 per award year for unduplicated recipients at the school who receive a Pell Grant. For the Campus-Based Program, the ACA is taken from the school's federal allocation and the maximum amount permissible is up to 5 percent of the sum of the loans advanced in Perkins, the total earned compensation in FWS, and the total awards to recipients in FSEOG.

**Administrative Offset** Funds withheld from a participating school to collect program review, audit, and formal fine debts. ED withholds a portion of a school's G5 (Grant Payment System) authorized payments and applies them toward the school's debt.

**Administrative Relief Request** A request for an extension of a processing deadline during the Closeout Period in the Pell Grant Program. The Pell Grant Program provides relief due to extenuating circumstances such as natural disaster or processing error. See Extended Processing.

**Administrative (Non Judicial) Wage Garnishment** Process by which a guarantor or the Department, under Section 488A of the HEA, may intercept a portion of the wages of a FSA borrower who is not making required repayments or, in the case of an FFEL loan, a loan for which a guarantee agency has been reimbursed by the Department.

**Advance Payment Method** Under this payment method, a school may submit a request for funds to ED before disbursing aid to eligible students. Schools initiate draw down requests through G5 to meet their immediate disbursement needs up to their available balance. The U.S. Treasury transmits funds electronically to a school's bank account.

**Advanced Placement (AP)** Credit and/or advanced standing in certain course sequences that postsecondary institutions may offer to high

school students who have taken high level courses and passed certain examinations. See the discussion of ACG/SMART Grants in *The Federal Student Aid Handbook, Volume 3*.

**Adverse Credit History** A credit history that makes a potential PLUS loan borrower (student or parent) an inappropriate candidate to borrow.

**Age of Compulsory (School) Attendance** The age through which students must attend school (varies by state as established by state statute).

**Agent** An officer or employee of a covered institution or institution-affiliated organization.

**Aggregate Basis** (for FSEOG Matching) In which a school matches total federal dollars with nonfederal dollars so that each FSEOG award contains a like percentage of federal funds and nonfederal funds. See *The Federal Student Aid Handbook, Volume 6*.

**Aggregate Loan Amount** The total amount disbursed to a borrower under a given loan type throughout the student's academic career. This amount must not exceed applicable total loan limits, which are based on the student's graduate/undergraduate status. (For undergraduates, the aggregate loan limit also varies according to the student's dependency status.) Reported on the SAR/ISIR in the *FFEL/Direct Loans and Perkins Loan Section*. TEACH grants that convert to Unsubsidized Direct Loans are not included in Direct Loan Aggregate amounts. See *The Federal Student Aid Handbook, Volume 3*.

**Aging of Drawdown** The process of tracking the time elapsed from the date funds were drawn down to the date a school fully substantiates the drawdown by submitting actual disbursement records in COD.

**Agreement to Serve (ATS)** (in TEACH) A student must complete an Agreement to Serve (ATS) electronically via the ATS Website each year that he or she is scheduled to receive a TEACH Grant award. See *Service Agreement*.

**Agreement Fulfillment Status Information** (in TEACH/Direct Loan Program) After a student is no longer enrolled, he or she must report annually on the completion of the teaching requirement for graduates who had TEACH grants. The student updates his or her agreement fulfillment status, including confirmation of each year's qualified teaching service, in response to notifications generated by the DLSS.

**Aid Package** A combination of financial aid (scholarships, grants, loans, and/or work-study) determined by an eligible and participating institution of higher education. See the discussion of packaging in *The Federal Student Aid Handbook, Volume 3*.

**Alert** (see *Transfer Monitoring Process*)

**Alert Notification Message** An e-mail message generated by the National Student Loan Data System (NSLDS) Transfer Student Monitoring System informing the school that there is new Alert information that may impact a student's eligibility. It signals the school to access the student's updated financial aid history on the NSLDS database.

**Allocation** A specific sum of money awarded for a school to use during a specific period. Campus-based funds (Federal Supplemental Educational Opportunity Grant [FSEOG], Federal Work-Study [FWS], and Federal Perkins Loan) are allocated to a school on an award-year basis. An allocation may also be referred to as obligation, award authorization, grant authorization, or Document Number.

**Allowable Charges** Educational expenses that a student incurs, for which a school may credit a student's account with FSA funds. See *The Federal Student Aid Handbook, Volume 5*, and the discussion under *Cost of Attendance* in Volume 3. Also see *Current charges*.

**Amortization** The process of gradually repaying a loan over an extended period of time through periodic installments of principal and interest.

**Annual Award** (in Pell) The maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. (For a full-time student, the annual award will be the same as the Scheduled Award.) See *The Federal Student Aid Handbook, Volume 3*.

**Annual Award** (in TEACH) The maximum TEACH Grant amount a student would receive for enrolling as a full-time, three-quarter-time, half-time, or less-than-half-time student and remaining in that enrollment status for a year.

**Annual Loan Limit** (in FFEL and DL) The maximum Stafford Loan amount a student may borrow per academic year, based on the student's dependency status and year in school. For each year there is a maximum amount that can be borrowed in subsidized loans that is less than the amount that can be borrowed in subsidized and unsubsidized loans together. See *The Federal Student Aid Handbook, Volume 3*.

**Annual Maximum Loan** (in Perkins) The maximum amount that a student may borrow at a particular grade level in one academic year. (See also Total Annual Loan Limit.)

**Annual Percentage Rate (APR)** The annual rate that is charged for borrowing expressed as a percentage that represents the actual yearly cost of funds over the term of a loan.

**Annual Security Report** A report participating schools must compile and make available annually that includes, for the previous three years, statistics concerning reported crimes that occurred on-campus, in certain off-campus buildings, and on property owned or controlled by the school; and on public property within, or immediately adjacent to and accessible from, the campus. The report also includes school policies concerning campus security, such as policies concerning sexual assault, and other matters. See *The Federal Student Aid Handbook, Volume 2*.

**Anti-Lobbying Certification and Disclosure** Certification required before a school that receives more than \$100,000 in Campus-Based funds may draw down funds. The school must certify that it will not use federal funds to pay a person for lobbying activities in connection with federal grants or cooperative agreements. See *The Federal Student Aid Handbook, Volume 2*.

**Anticipated Completion (Graduation) Date** The date on which a student is expected to complete an academic program. Reported to NSLDS as part of enrollment monitoring.

**Anticipated Disbursement Record (in COD)** An anticipated disbursement is submitted to the COD system via the Common Record with a Disbursement Release Indicator or DRI equal to "False". Anticipated Disbursements are usually submitted with an origination record and indicate when the school expects to disburse money to the student or borrower and how much. The anticipated amount appears on disclosure statements to students/borrowers for Direct Loan and TEACH Grant awards.

**Applicable Interest Rate** The maximum annual interest rate that a lender may charge on a loan. Sometimes referred to as the statutory interest rate.

**Application to Participate** That portion of the Fiscal Operations Reports and Application to Participate (FISAP) through which a school applies for Campus-Based funds.

**Appropriation** At the federal level, a congressional legislative act allocating a specific amount of public funds to be spent for a specific purpose during a fiscal year or award year. The dollar amount appropriated may be equal to or less than (but, not more than) the total amount permissible under the authorizing statute. See *Continuing resolution* and *Supplemental appropriation*.

**Approved Loan Amount (in COD)** For Direct, FFEL and Perkins Loans, the amount originated, certified, or awarded before any cancellations.

**Asset** An item that has a cash value and that a person owns, such as money in a savings or checking account, a rental home, some businesses, real estate, investments, etc. Information about an applicant's net assets (the current market value of the asset less any amount owed against the value of the asset) is reported on the FAFSA and may be included in the EFC calculation. See *The Application and Verification Guide*.

**Assignment** A school's transfer of a defaulted National Defense Student Loan, National Direct Student Loan (NDSL), or Federal Perkins Loan to ED for collection. Once ED accepts a loan, it acquires all rights, title, and interest on the assigned loan. In certain cases, guaranty agencies also assign defaulted FFEL Program loans to ED.

A school must assign to FSA Collections all its Perkins and NDSL loans if:

- the school is closing;
- the school is withdrawing from the Federal Perkins Loan Program; or
- the Department is terminating the school's participation in the program.

**Associate's Degree (AA/AS)** A degree given for successful completion of coursework required in a course of study at a two-year institution.

**Assumptions** The Central Processing System (CPS) may make assumptions during processing if there incomplete or questionable data on an application. If the assumed data is incorrect, the student or financial aid administrator (FAA) can make the necessary corrections. The student or aid administrator can override (*Assumption Override*) selected assumptions on electronic applications and corrections. Assumptions are noted by placing an asterisk (\*) next to an ISIR field.

**Attach** To seize funds because a debtor has refused to pay a legal debt. No grant, loan, or work assistance awarded under Title IV (or property traceable to that assistance) is subject to garnishment or attachment except to satisfy a debt owed to the Department.

**Audit** An independent examination of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations. Schools that participate in the FSA programs must have regular audits (See *The Federal Student Aid Handbook, Volume 2*).

**Audit Exceptions / Audit Findings** Actions identified through an audit that are not in compliance with federal guidelines.

(The) **Audit Guide** A manual published by the Office of the Inspector General used by independent auditors performing audits of FSA program funds at participating schools. Available on IFAP.

**Audit Report** A report prepared by an auditor after an audit is performed. In a nonfederal audit, this report is prepared by an auditor or audit firm according to the guidelines provided in the *Audit Guide* or according to *OMB Circular A-133*.

**Audit Trail** A clear, easy-to-follow path from summary reports and ledgers back to lower-level summary information and primary documentation of individual transactions.

**Authorization (Legislative)** At the federal level, a congressional legislative act that establishes a program, specifies its general purpose and conduct, and unless open-ended, sets a ceiling for the dollar amount that can be used to finance it. An authorization must be enacted before dollar amounts can be appropriated for program spending.

**Authorizations (by student or parent)** Permissions a school must obtain from a student (or parent borrower) before performing any of the following activities: disbursing FWS wages by EFT to a bank account designated by the student or parent; using FSA funds (including FWS) to pay for allowable charges other than tuition, fees and room and board (if the student contracts for room and board with the school);

holding an FSA credit balance; or applying FSA funds to prior-year educationally related charges other than for tuition, fees, room, and board up to a maximum of \$200. See *The Federal Student Aid Handbook, Volumes 2 & 4*.

(Program or Award) **Authorization** The approved expenditure level for a federal aid program for an award year. Each award year, ED notifies each participating school of its authorized levels of expenditures for the Federal Pell Grant Program and the campus-based programs in which it participates. A legal document, issued by a program office or by the Grant Policy Oversight Staff, obligating the Department to provide funds, through G5, in support of education programs. Also used to refer to the funds themselves.

**Authorizing Official** The individual in the payee (school) organization who has the authority to approve those individuals who can request funds from the Department of Education. The chief financial officer is the authorizing official for most organizations.

**Auto Zero EFC (on SAR/ISIR)** An applicant who meets certain federal benefit, tax filing, and income criteria qualifies automatically for an EFC figure of 0. When these criteria are met, the CPS assigns a 0 EFC and does not perform a full calculation except for *Total Income, Student's Total Income*, and *FISAP Total Income*. See *The Application and Verification Guide*.

**Automated Clearinghouse (ACH)** A computer-based clearing and settlement operation, often operated by a Federal Reserve Bank, established for the exchange of electronic transactions among participating depository institutions. Such electronic transactions can be substituted for paper checks used to make recurring payments. The U.S. Treasury uses the ACH extensively to pay certain obligations of the government.

**Automated Secondary Confirmation** (in DHS Match) If the database match with immigration records doesn't confirm a student's claim to be an eligible noncitizen, the DHS will automatically check to determine if it has documentation that determines the student's citizenship. If this automated process confirms a student's eligible noncitizen status, the process obviates the manual or paper secondary confirmation that uses the G-845 form. See *The Federal Student Aid Handbook, Volume 1* and *The Application and Verification Guide*.

**Automated Suspension of Funds** The automated decrease of an allocation (authorization amount) listed in the G5 System. This decrease occurs when an inactive award (allocation) is closed. As a result, the school must adjust its own expenditure records for that allocation to the appropriate disbursement amount.

**Automatic Debit** The automatic deduction of funds from the borrower's checking or savings accounts to cover monthly education loan payments.

**Available Balance** In G5, for Pell, ACG, and National SMART Grants – the difference between an obligation and net drawdowns. For TEACH and Direct Loans – the difference between a school's Current Funding Level (CFL) and drawdowns.

**Available Income** As an intermediate value in the Federal Methodology calculation, Available Income is the portion of family Total Income remaining after deducting federal, state, and local taxes, a living allowance, and other factors.

**Average Daily Balance (ADB)** The sum of unpaid principal balance outstanding on all qualifying loans at each actual interest rate for each day of the quarter, divided by the sum of the number of days in the quarter.

**Award** As a noun, a specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. As a verb, offering financial assistance to students.

**Award Letter** An official document issued by a financial aid office listing the types and amounts of all the financial aid awarded to the student. Generally, the award letter includes information about the cost of attendance and terms and conditions for the financial aid. (Note: An award letter can be electronically generated and sent via the Internet; it is not limited to a paper document.)

**Award Methodology** (in EDEExpress) A systematic approach to determining how assistance from various programs is awarded to students. A methodology dictates the funds and amounts allocated to a student meeting an established profile. See "Packaging" in *The Federal Student Aid Handbook, Volume 3*.

**Award Period** (in G5) The length of the award periods will vary by program. These periods include – Performance Period, Liquidation Period, and Closeout (Period).

**Award Year** The time period from July 1 of one year through June 30 of the following year for which financial aid awards are made. The award year differs from the federal fiscal year (October 1 through September 30). FFEL and Direct Loan funds are not tied to an award year. For the Federal Pell, ACG, SMART, and TEACH Grant and Campus-Based programs, eligible students are paid from funds designated for a particular award year, which may be different than the school's academic year. See *Crossover Period*.

## – B –

**Bachelor's Degree** (e.g., BA, BS, etc.) The degree given for successful completion of the undergraduate curriculum (usually for a 4 year program of study at a post-secondary institution of higher education).

**Bankruptcy** A person is declared bankrupt when found to be legally insolvent and the person's property is distributed among creditors or otherwise administered to satisfy the interests of creditors. Generally, FSA loans cannot be discharged through bankruptcy.

**Base Year** (in Federal Methodology need analysis) The 12-month period ending on December 31 of the calendar year that precedes an award year. For example, calendar year 2007 is the base year for the 2008-2009 award year. Applicants are required to provide base year data upon which eligibility is determined since tax records are available to verify the information provided on the FAFSA.

**Batch** (in COD) A group of student records submitted together. The batch contains a network header record, the Common Record with one or more students / awards / disbursements and the network trailer record. Periodic sweeps of a school's SAIG mailbox are performed to pick up these batches and send them to the COD System for processing.

**Batch Enrollment Data Transmission** (in NSLDS) Transmitting groups of files electronically over ED's Student Aid Internet Gateway (SAIG). In batch processing, the Enrollment Detail records are received by schools from NSLDS as a single file (the Enrollment Reporting roster file), processed in a school's (or servicer's) computing environment, and then transmitted back to NSLDS – again as a single file (the submittal file).

**Begin/End Date** The month and year on which a grant award begins and ends. It is the funding period for the award, plus any amendment. Normally, the funding period is 12 months.

**The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs (The Blue Book)** The Blue Book provides guidance on general FSA program management, fiscal recordkeeping, accounting, and reporting functions to business officers and bursars. Available on IFAP.

(FSA) **Book Voucher** Credit at a school-affiliated bookstore based on a student's actual or expected FSA credit balance that the student can use to purchase required course materials.

**Booked Loan** A Direct Loan award that has been linked to a promissory note and an accepted actual disbursement, and has had the disbursement transmitted to DL servicing. See *The Direct Loan School Guide*.

**Bookkeeping** Analyzing, classifying, and recording financial transactions according to a preconceived plan to provide a means by which an organization's business may be conducted in an orderly fashion and to establish a basis for reporting the financial condition of an organization and the results of its operation. The two methods of bookkeeping are single entry and double entry.

**Borrower** The person who receives loan funds and is legally obligated to repay those proceeds with interest at a future date per the conditions established in a promissory note.

**Borrower Based Academic Year (BBAY)** One of two types of academic years that may be used to monitor annual loan limits for Stafford loans. The other is a Scheduled Academic Year (SAY). A BBAY does not have fixed beginning and ending dates. Instead, it "floats" with a student's (or group of students') attendance and progression in a program of study. See the *Federal Student Aid Handbook, Volume 3, chapter 5*. Also see *Scheduled Academic Year*.

**Borrower Services – Collections** Former name for Office within Federal Student Aid that oversees the collection of grant overpayments and defaulted student loans.

**Borrower-specific Deferment** Refers to the federal requirement that eligibility for deferment be applied to all of a borrower's loans, rather than to each separate loan. For example, a borrower who has used the maximum 24 months of internship deferment for one loan is not entitled to an additional internship deferment for another loan.

**Branch Campus** A location of a school that is geographically apart and independent of the main campus of the school. ED considers a location of a school to be independent of the main campus if the location –

- is permanent in nature;
- offers courses in educational programs leading to a degree, certificate, or other recognized educational credential;
- has its own faculty and administrative or supervisory organization; and
- has its own budgetary and hiring authority.

A branch campus at an eligible proprietary or a postsecondary vocational institution of higher education must be in existence for two years as a branch campus before seeking to be designated as a main campus of a free-standing institution. See *Additional Location*.

**Budget** See *Cost of Attendance*.

**Budget Period** A defined 12-month period in the life cycle of a discretionary with a specific spending limit. See also *Project Period Award*.

**Bureau of Indian Affairs (BIA) Grants** A grant program administered by the U.S. Department of the Interior for students who are one-quarter or more American Indian, Eskimo, or Aleut and are enrolled in accredited schools in pursuit of an undergraduate or graduate degree. Financial need must be demonstrated, as determined by the school the student will attend.

**Bursar's Office / Business Office** The school office that is responsible for the billing and collection of school charges.

**Business Assets** Property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery and other equipment, patents, franchise rights, and copyrights. Considered in determining the EFC.

**Byrd Scholarship** See *Robert C. Byrd Honors Scholarship Program*.

## – C –

**Call for Cash** Requirement that a school returns unsubstantiated funds previously drawn down. Pertains to schools using the Advance Pay funding method.

**Campus-Based Programs** Federally funded financial aid assistance programs that are administered by eligible schools. Campus-Based Programs include Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS). Also see Fiscal Operations Report and Application to Participate (FISAP). See *The Federal Student Aid Handbook, Volume 6*.

**Campus-Based Reallocation Form** A form that schools participating in the Campus-Based Programs must submit annually in order to let the Department know whether they will be unable to spend their entire allocation or have need for additional funds.

**Campus Security Act** See *Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act*.

**Cancellation** Releasing a borrower from part or all the obligation to repay his or her loan. In the FSA Programs this occurs when a borrower meets specific program requirements. Also when borrower requests a reduction in his or her approved loan amount within a specified time of disbursement. See *The Federal Student Aid Handbook, Volume 4*.

**Capitalizing Interest** In the FFEL and Federal Direct Loan Programs, the addition of interest that has accrued but has not been paid to the loan principal. An unsubsidized loan borrower can elect to pay the interest that accrues while the borrower is in school or have it capitalized. Capitalization increases the amount of the principal and, consequently, the total amount that must be repaid.

**Carry Forward/Carry Back** A special provision of the Federal Work-Study (FWS) Program and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program that allows a school to transfer up to 10 percent of its annual FWS and FSEOG allocations back to the previous award year or forward to the next award year. In addition, a school may carry back funds from the current award year to pay student wages earned from May 1 through June 30 of the previous award year. See *Federal Work-Study (FWS) Program* and *Federal Supplemental Educational Opportunity Grant (FSEOG) Program*. Also see *The Federal Student Aid Handbook, Volume 6*.

**Case Management Team (CMT)** See *School Participation Team*.

**Cash Advance** A transfer of funds from a federal agency (from an account in the U.S. Treasury through the Federal Reserve Bank) to a school, or institutional funds used in advance of a school receiving FSA funds.

**Cash Basis** The basis of accounting where revenues are recorded when cash is received, and expenditures are recorded when cash is disbursed.

**Cash on Hand (COH)** The federal funds in the federal funds account at the payee's financial institution available to be disbursed. Cash on hand is calculated as the total funds received less the Federal share of disbursements made plus refunds received. The balance does not include accruals, accounts payable, or funds belonging to the Department of Education (e.g., interest earned). See also excess cash.

**Cash Management** The federal regulations contained in Subpart K of 34 CFR 668. These regulations establish the rules and procedures a school must follow to request, maintain, disburse, and otherwise manage FSA funds. See *The Federal Student Aid Handbook, Volumes 2, 3, & 4*.

**Cash Pooling** For schools permitted to do so, depositing federal funds for all FSA programs (except Direct Loans) in a single bank account. See *The Federal Student Aid Handbook, Volume 4*.

**Census Date** The date a school determines and/or reports its final enrollment figures for an enrollment period. At public institutions, the date on which a school determines the enrollment it uses to qualify for financial support from the city, county, or state as appropriate. Generally, it is also the date after which the school will not permit further changes in students' enrollment status.

**Central Processing System (CPS)** The U.S. Department of Education's processing facility for Free Application for Federal Student Aid (FAFSA) and Institutional Student Information Record (ISIR) data. The CPS uses student information from the FAFSA to calculate each student's eligibility and official expected family contribution (EFC) and returns a Student Aid Report (SAR) to the student and an ISIR to the schools the student listed on the application.

**Certificate** The formal acknowledgement of successful completion of a particular program or course of study, particularly at a vocational school, trade school, or junior college. See *The Federal Student Aid Handbook, Volume 2*.

**Certification** The act of attesting that something is true or meets a certain standard. For example, as part of the process of establishing a student's eligibility for a FFEL loan, the school certifies the borrower's eligibility for the loan. Also, the process of determining whether a school is eligible to participate in FSA programs. See *The Federal Student Aid Handbook, Volume 2*.

**Certification Date** (in NSLDS) The date as of which a school certifies that a student's enrollment information is accurate and up-to-date.

**Checks and Balances** (Internal) The system at a school that ensures, at a minimum, that the functions associated with authorizing payment

of FSA funds are separated from the functions associated with delivering or disbursing them. See *The Federal Student Aid Handbook, Volume 2*.

**Chart of Accounts** A list of financial account numbers, titles, and types of accounts arranged in a systematic way to help schools identify the accounts in their fiscal management system and ledgers. These accounts form the foundation for the school's FSA reporting process.

**Chief Operating Officer (COO)** Federal Student Aid (the organization) has a chief operating officer overseeing it. At most participating institutions of higher education, the college or institutional president generally is also known as the COO. See *Performance Based Organization*.

**Citizenship Status** A student must be a citizen or an eligible noncitizen to receive aid from the FSA Programs. See *The Federal Student Aid Handbook, Volume 1* and *The Application and Verification Guide*.

**Classification of Instructional Programs (CIP) Code** The CIP is a taxonomy of instructional program classifications and descriptions developed by the U.S. Department of Education's National Center for Education Statistics and used to identify eligible majors for the National SMART Grant Program. Further information on CIP can be found on the NCES Website. See *The Federal Student Aid Handbook, Volumes 1 & 3*.

**Clock hour** A period of time consisting of –

- A 50- to 60-minute class, lecture, or recitation in a 60-minute period; or
- A 50- to 60-minute faculty-supervised laboratory, shop training, or internship in a 60-minute period; or
- Sixty minutes of preparation in a correspondence course.

**Closed School Discharge** The Department may discharge a borrower's FSA loan if the borrower is unable to complete his or her program of

study due to the closure of the school or if he or she withdraws within 90 days of the school closure date.

**Closeout Process** (in G5) The process of closing a suspended award. The closeout process includes the following periods: liquidation, suspension, and closeout.

**Closeout Period** (in G5) Closeout follows the suspension period. During this period, the award is closed and any remaining funds are debilitated.

**Closing** The process of preparing, entering, and posting closing entries. A closing entry is a journal entry through which balances in revenue accounts and expense accounts are transferred to the fund balance at the end of the accounting period (calendar year or fiscal year). Because revenue accounts and expense accounts provide the information for a statement of operations of a given accounting period, it is essential these accounts have zero balances at the beginning of each new period. Asset, liability, and fund balance accounts are not closed at the end of the accounting period, as their balances carry over to the new period.

**Code of Federal Regulations (CFR)** The Code of Federal Regulations is the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. It is divided into 50 titles that represent broad areas subject to Federal regulation. Each volume of the CFR is updated once each calendar year and is issued on a quarterly basis. Education (Title 34) is updated on July 1st of each year. You can search the most recent CFR by accessing the Website through IFAP.

**Cognizant Authority** (in ACG/SMART/TEACH) For all, it includes, but is not limited to –

- a local education agency;
- a State education agency or other state agency; or

- a public or private secondary school.
- a home-schooled student's parent or guardian is the cognizant authority for purposes of providing the documentation of a home schooled student's secondary school GPA.

For ACG/SMART also includes: a testing organization such as the College Board or State agency.

**Cohort Default Rate (CDR)** A measurement of the percentage of a school's borrowers who enter repayment in a federal fiscal year and default on their loans before the end of the next federal fiscal year. See *The Federal Student Aid Handbook, Volume 2* and *The Cohort Default Rate Guide*.

**Collection** The activities and/or actions by lenders, guarantors, servicers, and collection agencies to obtain payment on unpaid loan principal and interest from a borrower after that borrower defaults on the loan.

**Collection Agency** A business organization that receives delinquent or defaulted loan accounts from lenders and attempts to collect on those accounts. A fee is charged for the service.

**Collection Charges** Costs incurred by the lender or its agents in collecting overdue payments. These charges may include, but are not limited to, attorney's fees, court costs, and telegrams. They may not include routine costs associated with preparing letters or notices or making telephone calls to the borrower.

**College Cost Reduction and Access Act** (Pub. L. 110-84) (CCRAA) Signed on September 27, 2008, it made substantial changes to the FSA programs and contained a number of benefits for students and borrowers. For more information on the CCRAA, see Dear Colleague Letter: GEN-08-01 on IFAP.

**College Level Examination Program (CLEP)** A series of examinations demonstrating a student's proficiency in a subject area, for which some postsecondary schools offer credit. See the discussion under ACG/SMART in *See The Federal Student Aid Handbook, Volume 1*.

**Combined Loans** (in NSLDS) Total of both subsidized and unsubsidized Stafford Direct loans.

**Comment** (on SAR/ISIR) The Central Processing System (CPS) adds comment codes and text to the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) transaction to provide information to the student and to the school about the student's processed Free Application for Federal Student Aid (FAFSA). The comment codes and text are printed on paper SARs and on ISIRs printed from EExpress or other financial aid software the school may use. Each comment code is three digits.

**Common Application** A standardized application and promissory note developed by Federal Family Education Loan Program (FFELP) participants and approved by the Department by which a borrower applies for a FFELP loan. Common applications are periodically revised and approved to reflect major changes in FFELP regulations.

**Common Origination and Disbursement (COD) System** The system for processing origination and disbursement information for the Academic Competitiveness Grant (ACG), Federal Pell Grant (Pell Grant), National Science and Mathematics Access To Retain Talent Grant (National SMART Grant), Teacher Education Assistance for College and Higher Education (TEACH) Grant, and William D. Ford Federal Direct Loan (Direct Loan) programs.

**Common Origination and Disbursement Technical Reference** A document focusing on the technical requirements of the COD system. It provides a COD system overview, a list of changes, processing information (e.g., comment codes and edits), print specifications, and technical specifications (e.g., Common Record

layout, XML information). The appendices also contain more reference information, like conversion tables, calculation tables, and physical Common Record layout. Located at: [www.fsadownload.ed.gov](http://www.fsadownload.ed.gov).

**Common Record** The Common Record is a data transport mechanism exchanged by trading partners participating in the FSA programs. The Common Record is a document formatted in Extensible Markup Language (XML). It is used extensively by the Common Origination and Disbursement (COD) System.

**Common School Identifier (CSID)** See *Routing Identifier*.

**Community Service Jobs** Federal Work Study positions identified by a school through formal or informal consultation with local nonprofit, governmental, and community-based organizations that are designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs. See *The Federal Student Aid Handbook, Volume 6*.

**Compliance Audit** See *Audit* and *Independent audit*.

**Composite Score** A measure of a school's financial condition that combines different factors to yield a single measure of the school's overall financial health. ED uses the composite score to determine whether proprietary and private nonprofit schools demonstrate financial responsibility. Schools provide the information that is used to calculate the composite score in their required annual financial statement audits. See *The Federal Student Aid Handbook, Volume 2*.

**Concurrent Enrollment Condition** when a two or more schools create or originate a disbursement for a student for the same period. A concurrent enrollment condition generates a *Multiple Reporting Record (MRR)* (Pell, ACG/SMART, TEACH) or *Potential Overaward (POP)* to alert the schools of the problem.

**Conditional Acceptance** Some schools admit students under a conditional or provisional acceptance. For example, a student might be conditionally accepted until he or she provides further documentation, such as academic transcripts or test scores, or demonstrates an ability to succeed in the program (by receiving acceptable grades in program coursework). Typically a school will limit the student's enrollment, in terms of number of courses or enrollment status, until the student meets the necessary conditions. Students admitted as conditional are regular students only if the school officially accepts them into the eligible degree program. See *The Federal Student Aid Handbook, Volume 1*.

**Conditional Discharge** A conditional discharge is granted when the Department makes an initial determination that an individual who has applied for a total and permanent disability discharge of a FSA loan or TEACH Grant service obligation is totally and permanently disabled. A conditional discharge of a loan due to a total and permanent disability allows the applicant to stop making loan payments during the conditional discharge period (see definition). For TEACH Grant service obligations, the 8-year period for completing the service obligation remains in effect during the conditional discharge period unless the individual qualifies for a suspension of the 8-year period based on the Family and Medical Leave Act of 1993 due to a serious health condition that makes the individual unable to perform the functions of a teacher.

**Conditional Discharge Period** For an individual who has been granted a conditional discharge (see definition), the conditional discharge period begins on the date that the physician certifies the individual's discharge application and lasts for up to three years. During this period, the Department monitors the individual's eligibility for a final discharge. If the individual meets certain requirements throughout the conditional discharge period, the Department grants a final discharge at the end of the conditional

discharge period. The conditional discharge period ends when the Department either grants a final discharge or determines that the individual no longer qualifies for a total and permanent disability discharge.

**Confirmation Process** Procedures through which a student borrower making a loan through an MPN must accept, either actively (see active confirmation) or passively (see passive confirmation), the loan amount offered.

**Conflicting Information** Any information held by an office at a school that bears upon a student's eligibility for FSA program assistance and conflicts with the information on a student's application for FSA program assistance. A school must resolve such discrepancies before disbursing FSA funds. (Also see *Verification*.) See *The Federal Student Aid Handbook, Volume 2*.

**Consolidation** Refinancing multiple education loans into one new loan with a new repayment term, monthly payments, and interest rate. Both the FFEL and Direct Loan programs offer consolidation loans to FSA borrowers. A consolidation loan combines two or more FSA loans into one loan with one interest rate and repayment schedule.

**Consortium Agreement** A written agreement between two or more eligible schools wherein the home school agrees to give its students full credit for certain course work provided by the host school. Such an agreement signifies that the home school considers the host school's academic standards and offerings equivalent to its own.

**Consumer Information** Information a school must make available to students on an annual basis including information about: financial assistance; the school's academic programs and policies; graduation or completion rates, and the school's security policies and crime statistics report. See *The Federal Student Aid Handbook, Volume 2*.

**Consumer Reporting Agency** An agency that regularly engages in the practice of assembling or evaluating, and maintaining, for the purpose of furnishing consumer reports regarding consumers residing nationwide to third parties bearing on a consumer's credit worthiness, credit standing, or credit capacity using public record information, and credit account information from persons who furnish that information regularly and in the ordinary course of business.

**Contra Account** The side of an account where a reduction or offsetting deduction is recorded. For example, if a Cash Control, G5 account is debited, the contra account (the account to be credited) might be Accounts Receivable, G5.

**Contractual Agreement** A written agreement between an eligible school and an ineligible school wherein the home school agrees to give its students full credit for certain course work provided the host school. Such an agreement signifies that the home school considers the host school's academic standards and offerings equivalent to its own. See *The Federal Student Aid Handbook, Volume 2*.

**Control (Institutional/School)** The control of a school distinguishes whether the school is public or private, nonprofit or for-profit. An institution of higher education or a postsecondary vocational institution can be either public or private, but is always nonprofit. A proprietary institution of higher education is always a private, for-profit institution. See *The Federal Student Aid Handbook, Volume 2*.

**Control Account** A ledger account in which posting occurs simultaneously to a number of identical, similar, or related accounts, usually called subsidiary ledger accounts (the detail flows upward therefore supporting the control account). When these subsidiary ledger account balances are added together, that total should agree with the balance in the control account. A familiar example is accounts receivable. When several students have receivable balances in subsidiary accounts (an account receivable system),

the sum of the balances for all the students agrees with the total in the general ledger, control account.

**Control Number** A 13-digit number assigned by G5 to all payment requests. The control number is used to track the payment request during its processing by G5. It consists of the date of the request expressed as YYYYMMDD and a unique 5-digit sequence number.

**Cooperative Education** A structured form of experiential learning in which students earn academic credit for part-time or full-time employment.

**Coordinating Official** The official designated by each participating school to administer the FSA programs and to coordinate aid from these programs with all other aid received by students attending the school. The Coordinating Official ensures that if a school has conflicting information about a student, the school resolves such discrepancies before disbursing FSA funds. See *The Federal Student Aid Handbook, Volume 2*. Also see *Conflicting Information*.

**Correction** Data on the Student Aid Report (SAR)/Institutional Student Information Record (ISIR) that was changed to correct a FAFSA error. Students can use "Corrections on the Web" on the FAFSA Website or a paper SAR to submit corrections. Schools can submit corrections electronically by entering the data on the FAA Access to CPS Online Website or by transmitting it to the Central Processing System (CPS). See *The Application and Verification Guide*.

**Corrective Action** As part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review, ED may require a postsecondary school to take action that will move the school's processes and/or procedures toward compliance with ED's regulatory requirements. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the school from ED. See *The Federal Student Aid Handbook, Volume 2*.

**Corrective Action Plan (CAP)** A written plan a school submits to ED, as required by an ED official, a hearing official, or the U.S. Department of Education. In this plan, the school explains what reasonable and appropriate steps it will take to remedy any ED-determined violation(s) of applicable laws, regulations, special arrangements, agreements, or limitations based on present or prior financial aid audit or program review findings.

**Correspondence Course** A correspondence course is a home-study course provided by a school under which the school provides instructional materials, including examinations on the materials, to students who are not physically attending classes at the school. When a student completes a portion of the instructional materials, the student takes the examinations that relate to that portion of the materials and returns the materials to the school for grading. There are limitations on the eligibility of correspondence courses and students receiving FSA program funds. See the discussion of "Distance Education" in *The Federal Student Aid Handbook, Volume 2*.

**Correspondence Course Limitation** In general, a school does not qualify as eligible to participate in the FSA programs if, for the latest complete award year more than 50% of the school's courses were correspondence courses. See *The Federal Student Aid Handbook, Volume 2*.

**Correspondence Student Limitation** In general, a school does not qualify as eligible to participate in the FSA programs if, for the latest complete award year 50% or more of the school's regular enrolled students were enrolled in correspondence courses.

**Cosigner** An individual who signs a promissory note in addition to the borrower and is legally responsible for repayment of the loan.

**Cost of Attendance (COA)** Costs related to a student's enrollment in a postsecondary school for a defined academic period. COA components include tuition and fees, room and board, allowances for books and supplies, transportation,

and miscellaneous personal expenses, along with other applicable expenses such as loan fees, dependent-care costs, costs related to a disability, and study-abroad costs, as outlined in Section 472 of the HEA. The EFC is subtracted from the COA to determine the student's need for aid. See *The Federal Student Aid Handbook, Volume 3*.

**Covered institution** Any institution of higher education, as that term is defined in section 102 of the HEA, that receives any Federal funding or assistance.

**CPS/SAIG Technical Support** Responds to questions about CPS processing, EDEXpress and ED Connect software, Student Aid Internet Gateway (SAIG) enrollment and passwords, Web products such as FAA Access to CPS Online, and Return of Title IV aid software, and data transmissions. 800/330-5947 (TDD/TTY 800/511-5806) Fax: 319/665-7662. CPSSAIG@ed.gov

**CPS Web Applications Demo System** This Website is a demonstration version of FAFSA on the Web, Corrections on the Web, Student Inquiry, and FAA Access to CPS Online, including ISIR Analysis (IA) Tool and Return of Title IV Funds (R2T4) on the Web. The site provides a way for financial aid administrators to show students and parents, as well as financial aid office staff, how to use FAFSA on the Web and FAA Access to CPS Online. It offers most of the features of the production versions of the FAFSA on the Web and FAA Access to CPS Online Websites, except that no data is processed. Located at: fafsademo.test.ed.gov. User Name: eddemo. Password: fafsatest.

**Credit Balance (Title IV/FSA)** Refers to those FSA funds that exceed the student's allowable charges. A school must pay this balance directly to the student (or parent, if PLUS Loan funds create the credit balance) as soon as possible, but no later than 14 days after the credit balance occurs (or no later than 14 days after the first day of classes of the payment period if the credit balance occurs on or before the first day of class).

**Credit Bureau** An agency that gathers and stores credit information on individuals. When a credit report is needed for a loan application, a credit bureau produces a report to the lender based on the gathered data. The lender also reports back to credit bureaus how much an individual borrowed and whether the individual makes payments when due. FSA loans that are in default are reported to the national credit bureaus. (See also *Consumer Reporting Agency*.)

**Credit Check** A review of a borrower's credit history. An applicant must have a satisfactory credit history in order to receive a PLUS loan. See *The Federal Student Aid Handbook, Volume 3*.

**Credit Hour** A unit of measure of educational achievement based on the number of classroom hours a week throughout a period of instruction such as a semester, trimester, or quarter term.

**Critical Field** A data element in the student's record that is necessary to determine FSA eligibility.

**Crossover Payment Period** In general, payment, award, or loan periods that overlap two award years. See the individual program chapters in *The Federal Student Aid Handbook, Volume 3*.

**Current Charges** Fees assessed the student by the school for the current period of enrollment, current award year or loan period. See *The Federal Student Aid Handbook, Volume 4*.

**Current Funding Level (CFL)** Total amount of cash available for a school to draw down at any point in time, and is a subset of the school ceiling amount (SCA). A school's current funding level may be adjusted based on the amount of substantiated cash. A change in CFL will directly impact the SCA. See *The COD Technical Reference*.

**Current Social Security Number** The numerical identifier assigned by the Social Security Administration to an individual is called the Social Security Number (SSN). If a student incorrectly reports his/her SSN on the first FAFSA for the year, then corrects the error, the correct SSN will become the Current Social Security Num-

ber. Current Social Security Number will not replace the Original SSN as a component of the student identifier in the COD system.

**Custodial Parent** The parent with whom a dependent student lives, also, the parent whose financial information is used in need analysis when parents are divorced or separated. See *The Application and Verification Guide*.

**Customer Service Centers** Places for schools and students to get answers to questions about Federal Student Aid (FSA), or one of the FSA services the Department of Education provides. If unsure which one to call, contact the Research Customer Care Center at 1-800-433-7237, or email FSA at [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov) or see complete list by topic at: <http://ifap.ed.gov/contacts.htm>.

## - D -

**Data** In general, factual information, especially information used in analysis and organization. In computing, information given in the form of alphabetic letters, numerals, symbols, etc.

**Data Release Number (DRN)** A four-digit unique student identifier that schools may use in combination with an applicant's identifying information to access the student's record if the school was not listed on the Free Application for Federal Student Aid. Anyone with the proper student identifiers (name, SSN, date of birth, relationship to applicant, and DRN) may call the Federal Student Aid Information Center (FSAIC) to make changes to certain fields on the Student Aid Report.

**Database** Information entered in a computer and systematically stored in various tables.

**Database Matches** The comparison of selected data elements by two or more databases. The Central Processing System matches certain Free Application for Federal Student Aid (FAFSA) information with other federal databases to determine if an applicant meets certain FSA eligibility criteria. These federal databases include the Social Security Administration (SSA), Selective Service (SS), Department of Veteran's Affairs (VA), Department of Homeland Security (DHS) (formerly Immigration and Naturalization Service (INS)), and the National Student Loan Data System (NSLDS). See *The Federal Student Aid Handbook, Volume 1* and *The Application and Verification Guide*.

**Date of Disbursement** The date on which the Department considers that a school has provided FSA funds to a student. A disbursement occurs when a school credits a student's account or pays a student or parent directly with: FSA funds received from the Department; FSA funds received from an FFEL lender; or school funds labeled as FSA funds in advance of receiving actual FSA funds. See *The Federal Student Aid Handbook, Volume 4*.

**Date of Determination** In the Return of Title IV Aid, the date that ED considers a school knew or should have known that a student ceased attendance. The date that begins the time periods in which a school must return funds, provide any required notifications, make post-withdrawal disbursements students who have withdrawn, and make any repayment arrangements. See *The Federal Student Aid Handbook, Volume 5*.

**Days Past Due** For loans, the number of days that have passed since an unsatisfied payment due date.

**Deadline Date Notice** A deadline notice published each year by the Department in the Federal Register that provides processing and submission deadline dates for FSA Applications and SAR/ISIRs. When the official deadline notice for an award year is published, it will be available on the IFAP website under "Federal Registers."

**Dear Partner/Colleague Letter (DCL)** Communications that ED posts to the Information for Financial Aid Professionals (IFAP) Library Website containing notices, guidance on FSA requirements and processes, and information about products and services. IFAP includes the most recent five calendar years of DCLs as well as an archive of DCLs dating back to 1995.

**Debarment** Action taken by a federal government agency against individuals whom the government determines constitute a current risk the agency or its programs. In Federal Student Aid, debarment by the Department prohibits the debarred individuals from any participation the FSA programs. The "List of Parties Excluded from Federal Procurement and Nonprocurement Programs" is available for review at a Website maintained by the General Services Administration. See *The Federal Student Aid Handbook, Volume 2*.

**Debt-Management Counseling** Advice and instruction provided to a student about debt and tips on how to successfully manage accumulated indebtedness. See the discussion under “Consumer Information in *The Federal Student Aid Handbook, Volume 2*.

**Default** (in general computer usage) The setting or value the program automatically uses if the user does not specify a different one.

**Default** (in FFEL/DL) The failure of a borrower and endorser, if any, or joint borrowers on a PLUS or Consolidation loan, to make an installment payment when due, or to meet other terms of the promissory note, if the Secretary or guaranty agency finds it reasonable to conclude that the borrower and endorser, if any, no longer intend to honor the obligation to repay, provided that this failure persists, for a Direct Loan, for 270 days and for an FFEL loan –

- 270 days for a loan repayable in monthly installments; or
- 330 days for a loan repayable in less frequent installments.

**Default** (in Perkins) The failure of a borrower to make an installment payment when due or to comply with other terms of the promissory note or written repayment agreement. Perkins loans are included in a school’s Cohort Default rate provided that this failure persists for –

- 240 days for a loan repayable in monthly installments; or
- 270 days for a loan repayable quarterly.

**Defaulted Loan Flag** (On SAR/ISIR) Indicator that appears on the SAR/ISIR when any loans are in a defaulted status. Appendix C of the ISIR Guide (available on IFAP) includes a chart of loan status codes and eligibility.

**Default Reduction Assistance Program (DRAP)** A service that assists schools participating in the Federal Perkins Loan Program in collecting funds from defaulted borrowers. Schools that

use the no-cost DRAP (participation is voluntary) can request that ED send letters to defaulted borrowers on official ED letterhead. See *The Federal Student Aid Handbook, Volume 6*.

**Deferment** A period during which a borrower, who meets certain criteria, may qualify to have their FSA loan payments suspended. For some types of loans (subsidized), the federal government pays the interest during a deferment. On others (unsubsidized), the interest accrues and is capitalized and the borrower is responsible for paying it. The promissory notes and associated documents for FSA loans contain information about the available deferments.

**Deferral Period** (In PLUS) For PLUS loans made to parents that are first disbursed on or after July 1, 2008, the borrower has the option of beginning repayment on the PLUS loan either 60 days after the loan is fully disbursed or requesting a deferral period under which payments are not required until six months after the dependent student on whose behalf the parent borrowed ceases to be enrolled on at least a half-time basis.

Grad PLUS loans that are first disbursed on or after July 1, 2008, automatically receive a deferral period under which payments are not required until six months after the graduate or professional borrower ceases to be enrolled on at least a half-time basis.

**Degree Audit** Determination by a school of the earned credits applicable toward a degree in a student’s declared program of study and the grade point average associated with those credits.

**Delinquency** Failure to make monthly loan payments when due. Delinquency begins with the first missed payment. See *Direct Loan Delinquency Borrower Report*.

**De Minimis** (Amount) An amount that ED does not require a student or school to repay or disburse, as appropriate.

**Demonstrations of Compliance** Attestation by the independent auditor who prepares a school’s audited financial statement or its FSA compliance audit that the school complies with a participation requirement or is eligible for a waiver. Among the criteria that require attestation are: the 90/10 Rule (applicable to proprietary schools only); the correspondence course limitation and the correspondence student limitation; the incarcerated student limitation; and the 50% limit on students without a high school diploma or equivalent. See *The Federal Student Aid Handbook, Volume 2*.

**Deobligation** Action by ED to reduce all or part of a school’s allocation for a FSA program. Deobligation usually results from a school releasing funds back to the federal government that will not be used during the period for which the funds were allocated.

**The Department of Education (ED) (The Department)** The federal agency or an official or employee of the Department acting for the Department under a delegation of authority that establishes policy for administering and coordinating most federal assistance to students and schools. ED publishes regulations and is responsible for compliance and oversight. It also establishes and manages the process by which students and schools receive federal dollars allocated for the programs.

**Department of Homeland Security (DHS)** The federal agency that has oversight for issues related to immigration and citizenship. The Central Processing System (CPS) conducts a match of applicant data against this agency’s database to confirm the student’s identification and eligibility for FSA program assistance. See the discussion of “Citizenship” in *The Federal Student Aid Handbook, Volume 1*.

To verify the immigration status of U.S. permanent residents other eligible noncitizens, the Department collects “A-Numbers” on the FAFSA. (The DHS assigns A-Numbers to all legal immigrants.) When an applicant who indi-

cates on the FAFSA that he or she is an eligible noncitizen provides an A-Number, identifying information is automatically sent to the DHS for “Primary Verification.” The results of the match are shown by a match flag in information section of the output document, under the heading the ISIR or “DHS Match Flag” on the SAR. There will be a comment about the results on the output document.

**Department of Justice (DOJ)** The Central Processing System maintains a hold file, obtained from DOJ, of persons convicted of drug trafficking or possession. Federal and state judges may deny certain federal benefits, including student aid, to such persons. Confirmation that a student is in the drug abuse hold file will produce a rejected application and a comment on the SAR/ISIR. (Note that this is not the same as when a student is declared ineligible because the student indicates of the FAFSA a conviction for a drug offense.)

**Department of Veterans Affairs** This federal agency has oversight of programs for veterans of the US Armed Forces. The Central Processing System (CPS) conducts a match of applicant data against this agency’s database to determine whether the FAFSA applicant is a qualifying veteran of the U.S. Armed Forces for the purposes of receiving FSA program assistance.

**Dependency Override** Action taken by a financial aid administrator to indicate to the Central Processing System that an application submitted by a dependent student should be processed as an independent student. A financial aid administrator may make dependency overrides on a case-by-case basis for a student with unusual circumstances. If a financial aid administrator determines that an override is appropriate, he or she must write a statement detailing the determination and must include the statement and supporting documentation in the student’s file.

**Dependent Student** A student who at the time a FAFSA is submitted is not married, is under 24 years of age, has no legal dependents, is not on active duty (other than for training), is not a veteran of the U.S. Armed Forces, is not pursuing a graduate or professional degree, and who answers “No” to specific questions about his or her status as orphan, ward of the court, legal guardianship, unaccompanied homeless youth, and emancipated minor.

Parents of a dependent student must submit parental information on the FAFSA for their son or daughter to be considered for financial aid.

**Destination Point** In the Electronic Data Exchange, the transmitter of FSA data (applications and/or corrections) through the FAA Access to CPS Online interface with EDEXpress or through Third-Party software. The results of processing (ISIRs) as well as COD data and reports are transmitted to the destination point through the Student Aid Internet Gateway. May be a postsecondary school servicing one or more schools or a service agent servicing multiple schools.

**Destination Point Administrator (DPA)** The school employee responsible for ensuring secure access to the Student Aid Internet Gateway (SAIG), a communication system between the school and ED systems. The DPA is responsible for assigning and providing access via SAIG for other employees of the school.

**DHS Verification Number** (On SAR/ISIR) A 15-digit confirmation number that the Department of Homeland Security (DHS) returns on the SAR/ISIR when a match is conducted to confirm the status of an applicant for FSA program funds as an eligible noncitizen. DHS Verification Numbers appears under the Match Flags section of FAA Information. The financial aid administrator must provide this number on the G-845 form, when manual Secondary Confirmation is required. See *The Federal Student Aid Handbook, Volume 1*.

**DHS Secondary Confirmation Flag** An indicator on the ISIR that indicates the results of subsequent CPS data matches with the DHS database (after the initial match fails) to confirm the status of an applicant for FSA funds as an eligible noncitizen.

**Diploma mill** An entity that

- offers, for a fee, degrees, diplomas, or certificates that may be used to represent to the general public that the individual possessing such a degree, diploma, or certificate has completed a program of postsecondary education or training;
- requires completion of little or no education or coursework to obtain the credential; and
- lacks accreditation by an accrediting agency or association that is recognized by the Secretary or a Federal agency, State government, or other organization or association that recognizes accrediting agencies or associations.

**Direct Assessment Program** A program in which a school measures a student’s body of knowledge vis-à-vis a given educational program. These measures provide evidence that: a student has command of a specific subject, content area, or skill; or that the student demonstrates a specific quality such as creativity, analysis or synthesis associated with the subject matter of the program. See *The Federal Student Aid Handbook, Volume 3*.

**Direct Disbursement** Delivering FSA funds to a student or parent by one of four ways: issuing a check or other instrument payable to and requiring the endorsement or certification of the student or parent; initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent; disbursing to the student in cash; or releasing a FFEL check sent by a lender. See *The Federal Student Aid Handbook, Volume 4*.

**Direct Loan 30-Day Warning Report** A listing of unbooked loans for which COD has not received the elements required for booking. The report also lists MPNs received by COD that do not have an accepted origination record. Schools should monitor this report and investigate loans it identifies to ensure the loans book in a timely manner. All booking items must be received within 30 days of the initial actual disbursement date or the 30 day reporting requirement may not be met. The Report is sent to the school’s SAIG mailbox on a monthly basis (if data for the given month exists for the report).

**Direct Loan Delinquent Borrower Report** Lists borrowers who are at least 31 days delinquent in their Direct Loan payments. The report gives the most recent contact information for the borrower and can be used in default reduction efforts by helping schools identify and contact borrowers. The Delinquent Borrower Report is available by subscription or on request from the Direct Loan Servicing Website.

**Direct Loan Duplicate Student Borrower Report** Lists student borrowers for which the COD system has multiple subsidized/unsubsidized awards with overlapping academic years within the same award year. Schools should monitor this report and contact other schools involved to verify that the student’s academic and award years are correct in both COD and the schools’ systems. Failure to monitor this report may cause records to reject in COD for going over the annual Stafford limits.

**Direct Loan Entrance Counseling File/Report** Lists students who have completed entrance counseling on the Direct Loan Servicing Website. Schools should monitor this report to assist with their default reduction efforts and insure compliance with entrance counseling requirements. The Entrance Counseling File/Report is available from the Direct Loan Servicing Website.

**Direct Loan Exit Counseling File/Report** Lists students who have completed exit counseling on the Direct Loan Servicing Website. Schools

should monitor this report to assist with their default reduction efforts and insure compliance with exit counseling requirements. The Exit Counseling File/Report is available from the Direct Loan Servicing Website.

**Direct Loan Expired MPN Report** Lists MPNs that have expired (become inactive) within the last 30 days. Possible reasons for the expiration of the MPNs include: (1) there are no awards linked within a year of the date of the MPN’s receipt; (2) there are no actual disbursements on a linked award within a year of the date of receipt; (3) 10 years have passed since the MPN’s receipt; or (4) a PLUS loan has been linked with an endorser. Schools should monitor this report to verify that their records are current and reflect the most recent status of the loan.

**Direct Loan Funded Disbursement Listing Report** Generated only for Pushed Cash schools and schools on the restricted funding controls of Reimbursement and HCM2, the Funded Disbursement Listing Report lists all the school’s funded disbursements. It should be used by schools during reconciliation; to help identify disbursements that were expected to be funded but were not; and to identify any downward adjustments made to loans. The Report is sent to Pushed Cash schools’ SAIG mailboxes on a daily basis (if new data exists in COD).

**Direct Loan Inactive Loans Report** Lists all the loans a school has reduced to zero (\$0) for the reporting period, and can help schools reconcile cancelled loans. Schools should monitor the report to confirm that cancelled loans are at \$0 and that no loans for which they are expecting disbursements are listed.

**Direct Loan MPN Discharge Report** Lists MPNs that have become inactive within the last 30 days due to discharges for death, unauthorized signature, or identity theft. Schools should monitor the report to confirm their systems show the most current information and status of the loans affected by discharges.

**Direct Loan MPNs Due to Expire Report** Lists MPNs that will expire (become inactive) within the next 60 days. It can help schools determine those borrowers who need a new MPN by identifying award that have an actual disbursement date after the MPN expiration date.

**Direct Loan Origination System (DLOS)** The system that processed Direct Loan data through the 2001-2002 processing cycle. The Common Origination and Disbursement (COD) system replaced the Direct Loan Origination System beginning with the 2002-2003 award year processing cycle.

**Direct Loan Pending Disbursement Listing Report** Informs schools of loans with anticipated disbursement dates (Disbursement Release Indicator (DRI) = false) on file at COD and the dates of those anticipated/pending disbursements. The information on the Pending Disbursement Listing Report helps schools reconcile disbursements, determine immediate funding needs, and identify disbursements that have not yet been reported to COD as actual disbursements (DRI equals "True").

**Direct Loan (DL) Program** See *Federal Direct Loan Program*.

**Direct Loan Rebuild File** A file that can be used to help a school rebuild a lost or corrupted Direct Loan Database, or recreate specific student records. Currently, this file is available only by request through the COD School Relations Center. It may be imported into "Direct Loan Tools" to rebuild an EDEXpress database or into a school's vendor or mainframe system.

**Direct Loan School Account Statement (SAS)** A COD-generated statement, created monthly (comparable to a bank statement) that summarizes a school's processing activity for the month. The SAS provides the Department's official ending cash balance from records submitted by the school, and a school will receive

this report on a monthly basis until the Department has officially closed the school's activity for a program year. Schools should compare Financial Aid Office and Business Office records monthly to comply with the 30-day reporting requirement. Any identified discrepancies must be reconciled. See *The Direct Loan School Guide*.

**Direct Loan Servicing Center** The holder of Direct Loans after they are "booked." The Center offers on-line entrance and exit counseling, updates the student's choice of repayment plans, and process deferments, forbearances, and cancellation requests.

**Direct Loan SSN/Name/Date of Birth Change Report** Is sent to all schools that have students who have had changes to their identifiers – SSN, name, or date of birth. A change can come from your school; another school attended by the borrower and in some cases (SSN change) Direct Loan Servicing. See *The COD Technical Reference*.

**Direct Loan Tools** A multi-year Windows-based application schools can use to:

- compare the School Account Statement (SAS) to loans and actual disbursements recorded in the school's database or the DL Tools cash database;
- print the SAS in a readable format;
- track cash receipts and refunds of cash; and
- rebuild DL origination and disbursement records in EDEXpress.

**Disabled** See *Total and Permanent Disability*.

**Disbursement** For FSA purposes, the process through which FSA program funds are credited to a student's account or paid directly to a student (or parent for PLUS Loan funds). A school may pay a student or parent directly by cash payment, check, or electronic funds transfer (EFT). See *The Federal Student Aid Handbook, Volume 4*.

**Disbursement Record** An electronic record sent from a school to COD notifying ED when a Pell, ACG, SMART or TEACH Grant or Direct Loan disbursement will be or has been made to a student. See *The COD Technical Reference*.

**Disbursement Release Indicator (DRI)** (in COD) A tag on the Common Record that designates a disbursement as anticipated (DRI equals "False") or actual (DRI equals "True"). Set to "True," it signals the COD System to post the amount of disbursement to an award (loan/grant). Formerly referred to as the *Payment Trigger Flag*.

**Disbursement Schedule** A spreadsheet defining a student's scheduled Federal Pell Grant Payment amount as a result of a calculation based on the Cost of Attendance (COA), Expected Family Contribution (EFC) and the student's enrollment status. ED publishes schedules for appropriate enrollment statuses each year in a Dear Colleague Letter.

**Discharge** The release of a borrower from the obligation to repay his or her loan. See also *Cancellation* and *Forgiveness*.

**Disclosure Statement** (in Direct/FFEL/Perkins) Loan specific information provided to a borrower receiving a new loan under the multi-year feature of an MPN. See also *Plain Language Disclosure*. See *The Federal Student Aid Handbook, Volumes 2 & 4*.

**Disposable Income** That part of a borrower's compensation (from any source) that remains after the deduction of any amounts required by law to be withheld, or any child support or alimony payments that are made under a court order or legally enforceable written agreement. Amounts required by law to be withheld include, but are not limited to, federal and state taxes, social security contributions, and wage garnishment payments.

**Distance education** The use of one or more technologies to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between the students and the instructor, either synchronously or asynchronously.

**Distribution SAIG User** For organizations that receive enrollment information by the Student Aid Internet Gateway, the address of the mailbox to which that information is sent.

**Document Number** See *Grant Award Number*.

**Double-entry Bookkeeping** The method of accounting in which each posted transaction involves a two-way, self-balancing journal entry with equal debit and credit amounts. This entry is then posted from the journal to the corresponding ledger accounts involved.

**Drawdown** A school's request for and subsequent transmission of money to the school via G-5. A drawdown occurs when a school or COD, on behalf of a school, initiates a request for money through G-5, and the funds are transmitted from the US Treasury to the school's bank account.

**Due Diligence** The full and timely disclosure to student borrowers of their rights and obligations, explained during entrance and exit interviews. Also the use of extensive, persistent procedures for servicing and collecting student loans. For Perkins Due Diligence, see *The Federal Student Aid Handbook, Volume 6*.

**D-U-N-S Number** The acronym for the Dun and Bradstreet Data Universal Numbering System Number. The D-U-N-S number is a unique identification code that is assigned to a school by Dun & Bradstreet, a nationally recognized credit rating bureau. Used on the E-APP and when a school returns funds using a paper check.

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**Early Disbursement** FSA funds credited to a student's account up to 10 days prior to the first day of classes in the payment period for which the funds are intended. See *The Federal Student Aid Handbook, Volume 4*.

**Early Childhood Education Program** One of the following types of programs:

- a Head Start program or an Early Head Start program (including a migrant or seasonal Head Start program), or an Indian Head Start program, carried out under the Head Start Act;
- a Head Start program or Early Head Start program that receives State funding;
- a state licensed or regulated child care program or a program that serves children from birth through age six that addresses the children's cognitive, social, emotional and physical development;
- a State prekindergarten program;
- a program authorized under section 619 or Part C of the Individuals with Disabilities Education Act; or
- a program operated by a local educational agency.

The Individuals with Disabilities Education Act can be found at <http://idea.ed.gov/explore/view/p/%2Croot%2Cstatute%2C>

**Economic Hardship** One of the conditions under which repayment of a borrower's FSA loan may be deferred or the payments reduced for a period of up to three years. Borrowers can apply for an economic deferment if they:

- are receiving federal or state public assistance, such as Temporary Assistance to Needy Families (TANF) (formerly, Aid to families with Dependent Children [AFDC]), Supplemental Security

Income, Food Stamps, or state general public assistance; or

- if their income falls below any of several defined criteria; or
- they have an excessive federal education debt burden.

See 34 CFR 674.34(e); 682.210(s) (6); and 685.204(b) (3)

**ED Connect** A Windows-based file transfer protocol (FTP) program that enables users to send and receive FSA program data electronically. Users collect data on their PCs or computer systems and transmit the collected data in batches over the SAIG using ED Connect. The appropriate FSA Application System receives the data, processes the data, performs any required database matches, and returns the processed data to the user's SAIG mailbox, where it can be downloaded to the user's PC or system with ED Connect. Available at FSA Downloads – Software and Manuals..

**ED Pubs** ED center for ordering information products. All publications are provided at no cost to the general public by the U.S. Department of Education. To place an order for an FSA Publication, go to <http://edpubs.ed.gov/>.

**EDE (Electronic Data Exchange) Technical Reference** Technical requirements of the EDEExpress software and the ED Connect software (used for sending and receiving electronic files) for programmers and data processing staff. It includes record layouts, required edits, print assistance, and reject messages applicable to the electronic Free Application for Financial Student Aid (FAFSA), Institutional Student Information Record (ISIR), electronic corrections and signature records. Located at <http://fsadownload.ed.gov>.

**EDEExpress** A PC application that processes, packages, and manages FSA student financial aid records. Federal Student Aid provides EDEExpress free of charge to postsecondary schools that participate in its Electronic Data Exchange (EDE) process.

**EDEExpress Verification Worksheets** A Web-based tool available through FAA Access online to compare ISIR data with data an applicant provides on verification documents, such as a Verification Worksheet. It displays the differences between the ISIR and the verification document. The FAA can tell if the differences are within the verification tolerance level. Users can also update student and parent ISIR information and submit it to the CPS.

**EDESuite** A suite of software products available, free of charge, from the U.S. Department of Education, for schools and other aid-processing entities to use with the FSA systems. Products include EDEExpress, Direct Loan Tools, and SSCR. Available for download at: [fsadownload.ed.gov](http://fsadownload.ed.gov).

**Edit/Comment Codes** A series of numeric codes that explain processing results, including data corrections, duplicates, and record rejects, for specific processed records for all award years.

**Education Benefits** Funds, primarily federal that are awarded to certain categories of students (veterans, children of deceased veterans or children of other deceased wage earners, and students with handicaps) to help finance their postsecondary education regardless of their ability to demonstrate need in the traditional sense.

**Education Department Central Automated Processing System (EDCAPS)** A centralized financial management system for ED's financial processes, including financial management, contracts and purchasing, grants administration, and payment management.

**Education IRA** A tax-deferred savings and investment account for educational expenses. In some cases information about an Education IRA is reported on the FAFSA. See *The Application and Verification Guide*.

**Education loan** Any FFEL, Direct Loan, or private education loan.

**Educational Service Agency** A regional public multi-service agency authorized by State statute

to develop, manage, and provide services or programs to local educational agencies.

**Educational Program** A legally authorized post-secondary program of organized instruction or study that leads to an academic, professional, vocational degree, or certificate, or other recognized educational credential. ED does not consider that a school provides an educational program if the school does not provide instruction itself (including a course of independent study) but merely gives credit for one or more of the following: instruction provided by other institutions or schools; examinations or direct assessments provided by agencies or organizations; or other accomplishments such as "life experience."

**Educationally Related Expenses** Charges or fees not considered institutional charges that are associated with the student's program of study. With a student's or parent's authorization, a school may credit a student's account with FSA funds to pay educationally-related expenses.

**Electronic Application for Approval to Participate in the Federal Student Aid Programs (E-App)** The application a school must submit to the Department in order to begin the process of being certified to participate in the FSA programs. The E-App collects information that allows the Department to examine three major factors about the school: institutional eligibility, administrative capability, and financial responsibility. The E-App is available through the Financial Aid Professionals Website.

**Electronic Corrections** The function of Electronic Data Exchange (EDE) that provides for two-way electronic transmission of ISIR records between the CPS and destination points.

**Electronic Data Exchange (EDE)** Process for schools (and other participating destination points, such as third-party servicers) to electronically transmit, receive, and correct application data, package student awards, and transmit Federal Pell Grant and Direct Loan payment information through the Student Aid Internet Gateway (SAIG).

**Electronic Data Processing (EDP) Controls** System of rules and precautions that ensure the integrity and reliability of data. They encompass operating procedures, software security, data access, program modification, segregating computer security duties and responsibilities, backup and recovery plans, and physical computer security.

**Electronic Data Request** (in COD) A file sent by a school to the Common Origination and Disbursement (COD) System containing a request for information. A school can receive reconciliation files, Multiple Reporting Records, Year-To-Date data, Statement of Account data, Potential Overaward Project (POP) Reports, and/or Verification Status Reports.

**Electronic Funds Transfer (EFT)** Transfer of funds initiated through electronic means, such as data transmission by computer rather than a paper-based transaction, such as a check.

**Electronic Signatures in Global and National Commerce Act (E-Sign Act)** Enacted on June 30, 2000. The E-Sign Act provides, in part, that a signature, contract or other record relating to a transaction may not be denied legal effect, validity or enforceability solely because it is in electronic form, or because an electronic signature or electronic record was used in its formation. Voluntary consent to participate in electronic transactions is required for all financial information provided or made available to student loan borrowers, and for all notices and authorizations to FSA recipients required under 34 CFR 668.165. See *The Federal Student Aid Handbook, Volume 2*.

**Electronic ISIR** Electronic counterpart to the Student Aid Report (SAR). School and other EDE destination points designated on the student's application receive this report that shows the results of FAFSA applications or corrections.

**Electronic Master Promissory Note (eMPN)** A Web-based Master Promissory Note. A student can complete and sign an MPN electronically instead of using a paper MPN. Users must have

a PIN to initiate the process. Also see Master Promissory Note.

**Electronic Statement of Account (ESOA)** An official statement from ED that sets a school's authorization level for the upcoming award year and projects adjustments to the school's FSA program funding needs. Summarizes the status of a school's Current Funding Level (CFL) as it compares to the net drawdowns for the award year. An ESOA also details the amount expended to date. ESOAs are produced for the Federal Pell Grant Program, ACG/SMART Grants and the Campus-Based programs. ED produces an ESOA whenever there is an adjustment to a school's current FSA program authorization.

**Elementary School** (in TEACH) A nonprofit day or residential school, including a public elementary charter school, that provides elementary education, as determined under State law.

**Eligible Borrower** A borrower or potential borrower who meets federal eligibility criteria for Title IV loan. *The Federal Student Aid Handbook, Volume 1*.

**Eligible Institution/School** An institution of higher education, a postsecondary vocational school, or a proprietary institution of higher education that meets all the requirements for participation in the FSA programs. These requirements include state authorization accreditation and specific program and admission requirements. These requirements are found primarily in 34 CFR Part 600 and are discussed in *The Federal Student Aid Handbook, Volume 2*.

**Eligible Noncitizen** A student aid applicant who is neither a U.S. citizen nor U.S. national, but is eligible to receive FSA program funds because he or she meets certain other criteria. See the *Federal Student Aid Handbook, Volume 1*.

**Eligible Postbaccalaureate Program** A program of study beyond a bachelor's degree required for teacher certification or licensure. A student who is enrolled at least half time in a postbaccalaureate teacher certification or licensure program

is eligible to receive a Pell Grant for the period necessary to complete the program if the:

- program does not lead to a graduate degree,
- school offering the program does not also offer a bachelor's degree in education,
- student is pursuing an initial teacher certification or licensing credential within a state, and
- program consists of the courses required by a state to receive a professional certification or licensing credential necessary for employment as a teacher in an elementary or secondary school in that state.

**Eligible Program** An educational program that meets regulatory requirements for participating in FSA programs. A student must be enrolled in an eligible program to receive FSA program funds.

**Eligible Student** A student who has submitted a Free Application for Federal Student Aid (FAFSA), meets the eligibility requirements for the FSA programs, and is enrolled in an eligible program. For a detailed treatment of student eligibility, see *The Student Financial Aid Handbook, Volume 1*.

**Eligibility and Certification Approval Report (ECAR)** Summary of a school's eligibility information, including the FSA programs in which the school is eligible to participate. The ECAR contains the most critical data elements that form the basis of a school's approval (e.g., accreditation and state licensing) and lists the highest level of programs offered; any nondegree programs or short-term programs; and any additional locations that have been approved for FSA programs. The ECAR must be kept up to date, and, along with the PPA, must be available for review by auditors and ED officials. See *The Federal Student Aid Handbook, Volume 2*.

**Eligibility Used Percentage** (in COD/Pell) Calculated by summing all of the accepted actual disbursement records for a student at the attended school and dividing by the Scheduled Federal Pell Grant Award at the attended school. See *The Federal Student Aid Handbook, Volume 3*.

**Emergency Action** Generally, actions taken by the Department to fine a school or to limit, suspend, or terminate a school's/servicer's participation in the FSA programs. See *The Federal Student Aid Handbook, Volume 2*.

**Employer Identification Number (EIN)** The IRS issues EINs to businesses for tax filing purposes. The EIN preceded by the letters "ED" is the password for accessing the Electronic Application (E-App) that schools use to apply for and update institutional FSA eligibility.

**English as a Second Language (ESL)** Remedial coursework that prepares students for whom English is not their native language to succeed in postsecondary training offered in English. See *The Federal Student Aid Handbook, Volume 1*.

**English as a Second Language Program** A program that consists solely of English as a Second Language (ESL) instruction and for which the students are eligible for FSA funds only from the Pell Grant program. In addition to meeting the general requirements for an eligible program, an ESL Program must lead to a degree, certificate, or other recognized educational credential and may admit only students who need instruction in English to be able to use the knowledge, training, or skills they already have. See *The Federal Student Aid Handbook, Volume 1*.

**Endorser** An individual who signs an addendum to a PLUS MPN on behalf of the parent or graduate/professional student because the parent or student was determined to have an adverse credit history. The endorser accepts full financial responsibility to pay back the PLUS loan if the parent or student does not do so.

**Enrolled** Status of a student who has completed the registration requirements (except for the payment of tuition and fees) at the school that he or she is attending. For a student who has been admitted into an educational program offered predominately by correspondence, the student must have submitted one lesson, completed by him or her and without the help of a school representative.

**Enrollment Date** The first date that the student was enrolled in an eligible program for the designated award year.

**Enrollment Reporting** A process, required by law, through which schools confirm and report the enrollment status of students who have received an FSA loan. Enrollment Reporting is required at least once per term for term-based schools or twice a year for non-term schools. A student's enrollment status determines deferment eligibility, grace periods, and repayment schedules, as well as the government's payment of interest subsidies. Schools report the enrollment information to the National Student Loan Data System (NSLDS) and, in turn, NSLDS merges the reported enrollment information and reports it to guarantors, lenders, and servicers of student loans. The Enrollment Reporting process was formerly known as Student Status Confirmation Report.

**Enrollment Reporting Roster File (in NSLDS)** The file through which a school or servicer reports students' enrollment status. It is placed in a school's or servicer's designated SAIG mailbox on the business day of the month designated by the *Enrollment Reporting Schedule*.

**Enrollment Reporting Schedule (in NSLDS)** The schedule established by a school or servicer for receiving the required Enrollment Reporting Roster File. A school specifies – a starting date, frequency and default sort order. Responses to the Enrollment Reporting Roster File are due within 30 days of the creation of the file. (The default frequency is every two months for schools and every week for all other organizations.

**Enrollment Reporting Summary Report (SCHER2)** Report sent by NSLDS to a school or servicer showing the dates Enrollment Reporting roster files were sent and returned, the number of errors, date and number of online updates, and the number of letters sent for overdue Enrollment Reporting rosters.

**Enrollment Status** An indication of a student's current enrollment status at a postsecondary institution. A school is responsible for reporting the enrollment status, the effective date of the status, and the anticipated completion date of all borrowers attending its school.

**Ensuring Continued Access to Student Loans Act (H.R. 5715)** Signed May 7, 2008 (P.L. 110-227), the Act makes significant changes to the student loan programs as well as the ACG and SMART Grant programs.

**Entitlement Program** A government program that is funded sufficiently to ensure that all eligible applicants will receive awards. As long as the student applicant meets all the eligibility requirements and is enrolled in an eligible program at an eligible institution, he/she will receive the award for which eligibility has been established.

**Entity Identifier** On the Common Record, the unique Common School Identifier for each data exchange partner (e.g., school, third-party servicer, vendor, etc.). When performing entity searches via COD Website, the Entity ID is the school's Common School Identifier, Pell ID, Direct Loan ID or OPE ID.

**Entrance Counseling** Financial advice and instruction for first-time FFEL and DL borrowers. Students are required to receive counseling, during which their rights and responsibilities, loan terms and conditions are reviewed, before they receive their first loan disbursement. The Perkins program does not require entrance counseling, but a school must disclose similar to a borrower before disbursing Perkins funds.

**Entrance Interview** (for a compliance audit) A meeting, before the start of a financial aid audit, between an auditor and school administrative officials involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar interview is conducted by a federal official before conducting a program review.

**Equity in Athletics Disclosure Act (EADA)** A report required of coeducational institutions of higher education that participate in a FSA program and have an intercollegiate athletic program. The report informs prospective students of the school's commitment to providing equitable athletic opportunities for its men and women students. Officially known as *The Report on Athletic Program Participation Rates and Financial Support Data*. It is referred to as the *EADA Report*.

**Escheat** The reversion of funds to an unintended Third-Party, (e.g. when a FSA credit balance check to a student is not cashed, and the funds remain in the school's account or are transferred to the state's escheatment account). Schools must have a process to ensure that FSA program funds never escheat to the state or any other Third-Party. See *The Federal Student Aid Handbook, Volume 4*.

**Estimated Financial Assistance (EFA)** The school's estimate of the amount of financial assistance that a student has been or will be awarded for the enrollment period for which a loan is sought. EFA includes assistance from federal, state, or school scholarship, grant, financial need-based employment, or assistance from other sources.

**Exceptional Financial Need** An eligibility criterion in the SEOG and Perkins Loan Programs. Exceptional financial need for SEOG is defined in statute as the lowest expected family contribution at a school. The law does not define the term in the Perkins Loan Program; the school must create its own definition. See *The Federal Student Aid Handbook, Volume 6*.

**Excess Cash** Any amount of FSA program funds (other than FFEL Program or Federal Perkins Loan Program funds) that a school has not disbursed to students or parents by the end of the third business day following the date the school received the funds. There are penalties for holding excess cash. There are exceptions for FFEL funds and FFEL funds for students who are expected to become eligible. See *The Federal Student Aid Handbook, Volume 4*.

**Excess Cash Tolerances** The amount greater than excess cash limitation a school may retain for up to seven days. The tolerance is one percent of the total amount of funds the school drew down in the prior award year. See *The Federal Student Aid Handbook, Volume 4*.

**Excess Liquid Capital** (in Perkins) The amount a school's available Perkins Loan funds for an award year that significantly exceeds the school's Perkins Loan expenditures for that award year. Excess liquid capital is based on a formula that determines if a school's cash on hand for the identified award year, in combination with the school's collections for the same 12-month period, far exceed the school's use of funds. The formula includes a collections offset equal to 25% of the school's total collections to account for unanticipated changes in collection behavior. See *The Federal Student Aid Handbook, Volume 6*.

**Excluded Assets** Assets not reported on the FAFSA.

**Exit Counseling** (for a student borrower) Each school participating in the Federal Perkins Loan, FFEL, and Direct Loan Programs must offer instruction and advice called "exit counseling" to student borrowers. For Federal Perkins Loan borrowers, the interview must take place before the borrower leaves school. In the case of FFEL and Direct Loan student borrowers, the interview must take place shortly before the borrower ceases to be enrolled at least half time.

**Exit Interview** (for a compliance audit) A closing meeting, following completion of a financial aid audit, between an auditor and administrative officials of the school involved in the audit. General audit findings and conclusions that will be included in the audit report are discussed. A similar interview is conducted by a federal official after conducting a program review.

**Expected Family Contribution (EFC)** A comparative measure, determined according to need analysis of FAFSA data and expressed as a dollar value of a family's capacity to finance a student's post-secondary education for an award period. The financial aid administrator subtracts the EFC from the student's Cost of Attendance to compute the student's Financial Need. The EFC figure is shown on the SAR and ISIR produced by the CPS. See *The Application and Verification Guide* and "Packaging" in *The Federal Student Aid Handbook, Volume 3*.

**Expenditure** Funds drawn and used for a grant award. The Department records drawdowns as expenses. See also *Disbursements*.

**Export** (in EDEExpress) To send data from one system to another. The Export function in EDEExpress creates a file containing information that can be used in a system outside EDEExpress or transmitted using ED Connect to one of the FSA's Application Systems, such as the Common Origination and Disbursement (COD) System.

**Extended Processing** (Request) A request for an extension of a processing deadline during the Closeout Period in the Direct Loan Program. The Direct Loan Program provides relief due to extenuating circumstances such as natural disaster or processing error. See *Administrative Relief*.

**Extended Repayment Plan** A repayment plan under which the length of the borrower's repayment period is increased and monthly payments are reduced. The repayment period cannot exceed 25 years.

**External Access System** The system that payees use to access G5 in order to make payment requests and report expenditures.

– F –

**FAA Access to CPS Online** A Website that financial aid administrators use to enter application data, view ISIR information, and make corrections. Located at <http://www.fafsa.ed.gov/FOTWWebApp/faa/faa.jsp>.

**FAFSA on the Web (FOTW)** A Website through which students can apply for FSA program funds by completing the Federal Student Aid (FAFSA) or Spanish FAFSA on the Web. Students can check the status of their financial aid application and use their FSA PIN to view their Student Aid Report (SAR) information, correct their application data, and electronically sign their application. Parents can also use their FSA PINs to sign their children's financial aid applications electronically. Located at <http://fafsa.ed.gov>

**FAFSA on the Web Demo (FOTW Demo)** A demonstration site that enables financial aid administrators and others to practice and/or demonstrate entering FAFSA data online. The demo site offers all the functionality and features of the live FAFSA on the Web (FOTW) site. Data entry is simulated and data cannot be saved because the database is cleared nightly. It is located at <http://fafsademo.test.ed.gov>. User ID: eddemo Password: fafsatest.

**FAFSA Processor** The data entry processor under contract with ED. The Free Application for Federal Student Aid (FAFSA) processor receives paper applications, paper Student Aid Report (SAR) corrections, and paper signature pages in the mail, performs document analysis to ensure that the data is acceptable, and handles missing or unacceptable responses. The processor images the application, enters the information from the application, and transmits the data and image electronically to the Central Processing System (CPS).

**FAFSA4caster** A Website that enables students and parents to receive an early estimate of eligibility for federal student aid, and learn more about the FSA programs, the financial aid process, and other sources of assistance. To access FAFSA4caster, go to [federalstudentaid.ed.gov](http://federalstudentaid.ed.gov) and click the FAFSA4caster link on the upper right-hand corner of the page. A link to FAFSA4caster is also available on the FAFSA on the Web home page.

**Family Educational Rights and Privacy Act (FERPA)** A Federal law that sets limits on the disclosure of personally identifiable information from school records, and defines the rights of the student to review the records and request a change to the records. See *The Federal Student Aid Handbook, Volume 2*.

**Federal Audit** A financial and/or compliance audit conducted by an office or officer of a federal agency, such as a representative from ED's Office of Inspector General.

**Federal Capital Contribution (FCC)** The portion of a school's Federal Perkins Loan fund allocated to a school by the federal government for a specific award year.

**Federal Consolidation Loan** A loan funded by a private lender that combines multiple FSA student loans into a single loan with one monthly payment. Borrowers may also consolidate certain student loans provided by the U.S. Department of Health and Human Services.

**Federal Direct Consolidation Loan** A loan funded by the federal government rather than a private lender that combines multiple FSA student loans (including non-Direct loans) into a single loan with one monthly payment. Borrowers may also consolidate certain student loans provided by the U.S. Department of Health and Human Services.

(William D. Ford) **Federal Direct Loan Program** A federal program in which the U.S. government (not a commercial lender) provides four types of education loans to student and parent borrowers directly through schools:

- Direct Subsidized Stafford Loan (subsidized, for students);
- Direct Unsubsidized Stafford Loan (for students);
- Direct PLUS Loan; and
- Direct Consolidation Loan (for students and parents).

These loans are referred to collectively as Direct Loans. The same types of loans are available through the Federal Family Education Loan (FFEL) Program where commercial lenders provide the funds to eligible students.

**Direct Consolidation Loans** A consolidation loan combines (refinances) two or more FSA loans into one loan with one interest rate and repayment schedule.

**Direct PLUS Loan** Program that allows parents to borrow on behalf of their dependent children or graduate/professional students to borrow for themselves. As part of the Federal Direct Loan Program, Direct PLUS Loans are made through participating schools by the federal government (rather than commercial lenders).

**Direct Stafford Loan** A federally subsidized, low-interest student loan, awarded on the basis of financial need. The federal government does not charge interest on subsidized loans while borrowers are enrolled at an eligible school at least half time, during the six-month grace period, or during authorized periods of deferment. As part of the Federal Direct Loan Program, these loans are made directly by the federal government (rather than by a commercial lender) through participating schools.

**Direct Unsubsidized Stafford Loan** A low-interest loan for students who do not meet the financial-need criteria for a subsidized loan or who wish

to borrow beyond their annual limit in the Stafford Loan program. The borrower is responsible for all interest on the loan. As part of the Direct Loan Program, these loans are made directly by the federal government (rather than by a commercial lender) through participating schools.

**Federal Family Education Loan Program (FFELP)** A federal loan program under which commercial lenders provide education loans to student and parent borrowers. The program offers four types of loans:

- Stafford Loan (subsidized, for students)
- Unsubsidized Stafford Loan (for students)
- Federal PLUS Loan (for parents and graduate/professional students); and
- Federal Consolidation Loan (for students and parents)

All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the federal government for all or part of any insurance claims paid to lenders. This guarantee replaces the collateral or security usually required with long-term consumer loans. (The same types of loans are available through the *Federal Direct Loan Program*, in which the U.S. government provides the funds directly through schools.)

**Federal Interest Subsidy** For subsidized Stafford loans, a payment by the federal government to the lender of the interest charged while the student is in school, as well as during the grace period and authorized periods of deferment.

**Federal Loan** Loans made or guaranteed by the U.S. Government.

**Federal (Needs Analysis) Methodology (FM)** The formula established by Congress and used to calculate the Expected Family Contribution (EFC) from the FAFSA. Also known as Federal Need Analysis Methodology and Need Analysis.

**Federal Pell Grant Payment Schedule** A chart showing Federal Pell Grant Awards based on the student's EFC, enrollment status, and the school Cost Of Attendance (COA). The schedule is usually posted in January on the IFAP Website for the upcoming award year.

**Federal Pell Grant Program** A FSA grant program for undergraduate students who have not received a bachelor degree or a first professional degree. (Certain other students with baccalaureate degrees enrolled in state-required teacher certification programs may also be eligible.) It is targeted at students with the greatest financial need. See *The Federal Student Aid Handbook, Volume 3*.

**Federal Perkins Loan Program** A Campus-Based loan program that provides low-interest student loans to undergraduate and graduate students with financial need. Formerly, it was called the National Direct Student Loan Program (now referred to as the NDSL Program) and, originally, the National Defense Student Loan Program. In 1987, it was renamed to honor Congressman Carl D. Perkins; later the word "Federal" was added to its name. See *Campus-based Programs*. See *The Federal Student Aid Handbook, Volume 6*.

**Federal PLUS Loan** Program that allows parents to borrow on behalf of their dependent children or graduate/professional students to borrow for themselves. Loans are made by commercial lenders such as banks, credit unions, or savings and loan associations. Loans made to graduate/professional students are informally referred to as Grad PLUS loans.

**Federal Register** A federal government publication that contains regulations, regulatory amendments, notices and proposed regulatory changes for all federal executive agencies. It is published each business day. ED regularly posts Federal Register excerpts pertaining to FSA programs on the Information for Financial Aid Professionals (IFAP) Website to make this information readily available to schools and the financial aid community.

**Federal Reserve Bank (FRB)** One of 12 banks in the Federal Reserve System (the Fed), the central banking system of the United States. ED uses this system to deliver funds to schools.

**Federal School Code** A unique number assigned by the Department of Education to schools participating in the FSA programs. Students can enter up to these codes on the Free Application for Federal Student Aid (FAFSA) to indicate the postsecondary schools they want to receive the results of their FAFSA. The electronic list of Federal School Codes is updated quarterly and is available online at: [www.fafsa.ed.gov/ifap.ed.gov](http://www.fafsa.ed.gov/ifap.ed.gov). A searchable list is also available on the FAFSA on the Website, under "Before Beginning a FAFSA."

**Federal School Code File** (in EDEXpress) Programmed into EDEXpress, this file contains the Federal School Codes for the FSA eligible schools. To access the Federal School Code list, select "Tools" and "Setup" from the menu bar, then "Global" and School. Click the Retrieve button.

**Federal Share** The portion of a school's FSEOG awards to students and/or FWS earned compensation that comes from the federal government. The federal share of FSEOG or FWS awards made to students may not exceed 75 percent of the total FSEOG or FWS awards made by the school during an award year, unless the school has received a waiver of the matching requirement. See *The Federal Student Aid Handbook, Volume 6*.

**Federal Stafford Loan (Subsidized)** A federally subsidized, low-interest student loan funded by a private lender and awarded on the basis of financial need. The federal government does not charge interest on subsidized loans while borrowers are enrolled at an eligible school at least half time, during the six-month grace period, or during authorized periods of deferment.

**Federal Student Aid (FSA)** (the programs) U.S. Department of Education programs that provide financial assistance to postsecondary students. The programs are administered by an office within the U.S. Department of Education also called *Federal Student Aid*. In financial aid circles, the term *Federal Student Aid* is used to refer to both the programs and the ED office administering them.

**Federal Student Aid Assessments (FSA Assessments)** Web-based management assessment modules for helping schools assess their compliance with FSA program requirements and enhance services. Each assessment is self-guided and contains links to applicable laws and regulations. Available on IFAP.

**Federal Student Aid (FSA) COACH** A comprehensive, introductory course on school requirements for administering the FSA programs. The 36 lessons can be completed individually, allowing you to tailor the training to your schools specific needs. A version for foreign schools, *FSA COACH for Foreign Schools* contains 23 lessons designed specifically for staff at non-U.S. schools who administer FFEL loans used by U.S. students at participating foreign schools. Available at [www.ed.gov/FSA/training](http://www.ed.gov/FSA/training).

**Federal Student Aid (FSA) Handbook** Annual ED publication that explains the procedures schools must follow when administering the FSA programs.

**Federal Student Aid Information Center (FSAIC)** Serves the public by providing information, in both English and Spanish, about the FSA programs and the application process. Customers include students, parents, and financial aid administrators seeking general information about federal grant and loan programs and specific assistance with the Free Application for Federal Student Aid (FAFSA) and processing timeframes. 800/4-FED-AID (800/433-3243); 319/337-5665; or TDD/TTY 800/730-8913

**The Federal Student Aid Personal Identification Number** See *Personal Identification Number (PIN)*.

**Federal Student Aid (FSA) Schools Portal** The former entry point for schools, this site was retired in November, 2008 and its functions and services subsumed into the IFAP Website.

**FSA Tech Listserv** An e-mail listserv maintained by Federal Student Aid as a way to share information and answer questions about electronic systems, software, and mainframe products. Register at: [www.ed.gov/FSA/services/fsatechsubscribe.html](http://www.ed.gov/FSA/services/fsatechsubscribe.html).

**Federal Supplemental Educational Opportunity Grant Program (FSEOG Program)** A federal Campus-Based grant program that provides grant assistance to undergraduate students who have not earned a bachelor degree or first professional degree. Priority in awarding FSEOG funds is given to students who have exceptional financial need and are Federal Pell Grant recipients with the lowest EFC.

**Federal Unsubsidized Stafford Loan** A low-interest loan for students who do not meet the financial-need criteria for a subsidized loan or who wish to borrow beyond their annual loan limit for a subsidized Stafford loan. The borrower is responsible for all interest charges on the loan, which is funded by a commercial lender. See also *Capitalizing Interest*.

**Federal Work-Study Program (FWS Program)** A federal Campus-Based employment program that provides funding to participating schools to provide jobs to undergraduate and graduate students who have demonstrated financial need to help them meet their education expenses.

**FEDWIRE** This system provides for electronic funds transfer (EFT) through the Federal Reserve Communications System (FRCS). The system differs from the automated clearinghouse (ACH) in that funds are deposited directly into a school's deposit account the day the payment is sent through the FRCS. Financial institutions charge for this type of funds transfer. (There is no charge to a school for ACH transfer.)

The U.S. Treasury Department's Financial Communications System (TFCS) Deposit Message

Retrieval System (DMRS) uses FEDWIRE for returning funds to ED.

**Fellowship** A grant or stipend for postgraduate study that may require teaching or research.

**File** In a computer system, a location within computer storage where entered information is kept in an ordered fashion.

**File Layouts** A detailed description of field names, position, length, and valid contents for files sent through EDExchange process. Layouts are provided in technical references that are available for downloading from the FSADownload Website located at [fsadownload.ed.gov](http://fsadownload.ed.gov) in Adobe PDF format.

**Final Audit Determination** ED's evaluation of findings and recommendations included in an audit report and the issuance of a final decision by ED management including actions determined to be necessary.

**Final Audit Determination Letter (FADL)** The official written response to a school, and ED's detailed evaluation of findings and recommendations included in the school's audit report. It includes ED's evaluation of the findings, and the necessary actions and financial adjustments a school must make to resolve the findings in an external audit report.

**Final Demand Letter** A letter that a lender sends to a borrower demanding full payment of a delinquent account. The letter is required as part of the due diligence procedures for collecting a loan that is seriously delinquent or ineligible.

**Final Funding Authorization** An electronic notification that tells a school the final allocations for each Campus-Based program in which it participates.

**Final Funding Worksheet** The document sent in conjunction with a school's Final Funding Authorization. The worksheet explains in detail a school's allocation for each campus-based program and shows the figures used to make this determination.

**Final Program Review Determination (FPRD)** The letter ED sends to school officials to close the program review process. The FPRD finalizes the status of findings that were outlined in the original Program Review Report, indicating issues that are considered "resolved" and those the school failed to resolve. This may include assessment of liabilities the school must pay to ED. The school has the right to appeal the FPRD.

**Final Regulations** Federal government operating rules published in the Federal Register. When published, final regulations have the force of law and identify when the regulations will take effect.

**Financial Aid** Financial assistance in the form of scholarships, grants, work-study, and loans for education.

**Financial Aid Administrator (FAA)** An individual employed by a school to coordinate and administer federal, state, school and private student financial aid programs.

**Financial Aid Administrator Adjustment** A change to either the student's FAFSA data or cost of attendance (COA) that the financial aid administrator makes when exercising professional judgment (PJ). The action taken must be documented and the Professional Judgment flag must be set. Also see *Professional Judgment*.

**Financial Aid Award** An offer of financial or in-kind assistance to a student attending a postsecondary educational institution. This award may be in the form of one or more of the following types of financial aid: Repayable loan, a non-repayable grant or scholarship, and student employment.

**Financial Aid Consultant** A person who, for a fee, provides a variety of services to students, parents, and schools including assistance preparing the FAFSA and other financial aid forms, finding forms of financial aid, estimating the Expected Family Contribution (EFC), and estimating financial need. (NOTE: Students should never provide a consultant with their ED PIN number.)

**Financial Aid History** Information on a student's previous financial aid, defaults, and overpayments, available on the NSLDS Website. This information is also reported on the Student Aid Report (SAR) and the Institutional Student Information Record (ISIR). See *National Student Loan Data System (NSLDS)* and See *The Federal Student Aid Handbook, Volume 1*.

**Financial Aid Management System (FMS)** The general ledger for FSA. FMS works with ED's G5 data system to communicate financial information and deliver federal cash to schools.

**Financial Aid Officer** A college or university employee who is involved in the administration of financial aid. Also see *Financial Aid Administrator*.

**Financial Aid Package** The combination of funds from the various financial aid programs (federal and nonfederal) such as scholarships, grants, loans, and/or work-study awarded to a student. See "Packaging" in *The Federal Student Aid Handbook, Volume 3*.

**Financial Aid Professionals Portal (FAP Portal)** Former name of the Financial Aid Professionals Website. This site was retired in November, 2008 and its functions and services subsumed into the IFAP Website.

**Financial Aid Transcript (FAT)** A document formerly used by schools to collect data about FSA awards and other financial aid received by a student at other schools. This function is now available through NSLDS. See *The Federal Student Aid Handbook, Volume 1*.

**Financial Control** The school eligibility regulations define three sources of financial control: for eligible schools:

1. Public (tax-supported, nonprofit),
2. Private, nonprofit (supported primarily, by a nongovernmental agency), and
3. Proprietary (private, for-profit)

See *The Federal Student Aid Handbook, Volume 2*.

**Financial Need** The difference between the Cost of Education (COE) and the Expected Family Contribution (EFC) for a student. It is the gap between the cost of attending the school and the student's resources for the award period. See "Packaging" in *The Federal Student Aid Handbook, Volume 3*.

**Financial (Responsibility) Standards** One of the two groups of requirements a school must meet to participate in the FSA programs (the other is administrative capability). The financial responsibility standards include those that measure a school's financial health and those that cover the past performance of a school and persons affiliated with it. See *The Federal Student Aid Handbook, Volume 2*.

**Financial Statement** A report prepared at the end of a school's fiscal year that provides an overview of the school's financial activities for that fiscal year. Financial statements are audited by an independent certified public accountant (ICPA) and submitted to ED according to applicable regulations. See *The Federal Student Aid Handbook, Volume 2*.

**Findings** See *Program Review Exceptions*.

**First Selection Group** (in FSEOG) That group of students awarded highest priority in awarding FSEOG funds. Students at a school with the lowest expected family contribution who will also receive Pell Grants in that award year. See *The Federal Student Aid Handbook, Volume 6*.

**Fiscal Operations** Activities related to managing and completing financial transactions. Funds management, including student accounts, is typically the primary responsibility of a school's business office.

**Fiscal Operations Report** That portion of the Fiscal Operations Reports and Application to Participate (FISAP) through which a school reports its expenditure of Campus-Based funds. See *The Federal Student Aid Handbook, Volume 6*.

**Fiscal Operations Report and Application to Participate (FISAP)** An annual report of campus-based expenditures for an award year combined with an application to participate in the Campus-Based Programs in an upcoming award year. All schools that receive Campus-Based funds must submit this report to ED via the Web. Located at: [www.cbfsap.ed.gov](http://www.cbfsap.ed.gov). A PIN is required to access this site.

**Fiscal Records** Those pertaining to the request for, receipt of, expenditure of, and return of FSA funds. Fiscal records must be maintained in accordance with generally accepted accounting principles including, for example: financial records that reflect each FSA program transaction; and general ledger control accounts including related subsidiary accounts that identify each FSA program transaction and separate those transactions from all other school financial activity. See *The Federal Student Aid Handbook, Volume 2*.

**Fiscal Year** Any 12-month period established for accounting purposes, for example, October 1, 2006 to September 30, 2007.

**Fixed Interest** When the interest rate remains the same for the life of the product, typically a loan.

**Forbearance** (in Direct Loan Program) A temporary delay or reduction of loan payments agreed to by the lender and borrower during which interest continues to accrue. (See *Mandatory Administrative Forbearance*).

**Foreign Student** A student belonging to or owing allegiance to another country. Foreign students are not eligible for the basic federal programs. However, there are categories of non-U.S. citizens who owe permanent allegiance to the United States and are eligible for student aid.

**Forward Funding** At the federal level, the practice of authorizing funds in the fiscal year prior to the award year in which they will be disbursed. For example: the amount of public funds Congress allocates to the FSA programs in

2007 is to be used in the 2008-09 award year.

**Fraud Loan Flag** (On SAR/ISIR) New for 2008-2009: An indicator set when any loans or overpayments are flagged for potential fraud status.

**Free Application for Federal Student Aid (FAFSA)** A student financial aid application form completed by students and parents to apply for FSA program funds. The information provided is the source for all FSA need analysis computations, including the student's expected family contribution (EFC). Electronic (and paper) versions of the FAFSA are available, in both English and Spanish. An electronic application with certain fields pre-filled is available to a Web filer, if he or she applied for aid in the previous year.

The school can also submit an application for the student by completing an online FAFSA through FAA Access to CPS Online or by submitting an ASCII flat file through the Student Aid Internet Gateway (SAIG).

High school students (prior to their senior year) can use FAFSA4caster prior to entering college to get an early estimate of their eligibility for federal financial aid. A FAFSA4caster filer can have his or her data prefilled on the FAFSA on the Web system the following year, similar to a returning student electing to pre-populate certain fields in his or her application.

**Freeze Cash** Period during which a school is temporarily prevented from drawing down cash until unsubstantiated cash previously drawn down is substantiated by submitting actual disbursements. Pertains to schools using the Advance Payment funding method.

**Full Data Element Formula also Full Needs Test (FNT)** A formula that uses the full range of data elements in calculating a student's Expected Family Contribution (EFC) under the Federal Need Analysis Methodology. Also called the regular formula. See also *Expected Family Contribution (EFC)*.

**Full-time Student** An enrolled student who is carrying a full-time academic workload, as determined by the school, under a standard applicable to all students enrolled in a particular educational program. The student's workload may include any combination of courses, work, research, or special studies that the school considers sufficient to classify the student as a full-time student (within regulatory minimums). For a complete discussion of "Enrollment Status," See *The Federal Student Aid Handbook, Volume 1*.

**Full-time Teacher** (in TEACH) A teacher who meets the standard used by a State in defining full-time employment as a teacher. For an individual teaching in more than one school, the determination of full-time is based on the combination of all qualifying employment.

**Fund** A self-balancing group of accounts that consists of: assets, liabilities, revenues, expenses, and fund balance. Funds separated in a school's books are limited to specific uses and are accounted for using a double-entry bookkeeping system.

**Fund-specific Basis** (for FSEOG matching) In which a school establishes an FSEOG fund into which it deposits federal program funds and the required 25 percent nonfederal share. Awards to FSEOG recipients are then made from this "mixed" fund.

## - G -

**G5** This system, formerly GAPS is that part of the Education Central Automated Processing System (EDCAPS) that manages the grant cycle. By managing the complete grant cycle G5 provides full financial management support services in a single system. Functions supported by G5 include obligation of award authorizations, disbursement of funds, and final grant closeout. In addition, G5 controls payments for the Department's programs, including payments for FSA program grants, direct loans, and various other program-related obligations.

**G5 Activity Report (Activity Report)** Essentially a bank statement for a school's G5 awards that displays both cumulative and detailed information on drawdown activity, refunds, and authorization changes for each award.

**G5 Award Balance Report (Balance Report)** A listing of the authorizations, net draws, and available balance in G5 for each of a school's awards.

**G5 Payee Hotline** Department of Education office/service responsible for: assisting G5 customers, accumulating financial data, and processing G5 payments. The Hotline phone number is 1-888-336-8930.

**Garnish** See *Attach*.

**Generally Accepted Accounting Principles (GAAP)** A common set of industry standards for recording and reporting financial and economic data.

**Generally Accepted Government Auditing Standards (GAGAS)** Audit requirements for audits described in the U. S. General Accounting Office's publication, General Auditing Standards, (*The Yellow Book*).

**General Education Development Certificate (GED)** Nationally recognized equivalent of a high school diploma granted after a student has passed a standardized examination. See *The Federal Student Aid Handbook, Volume 1*.

**Gift Aid** Financial aid, such as grants and scholarships, that do not need to be repaid.

**Grace Period** The time period that begins the day after a student loan recipient ceases to be enrolled at least half time and ends the day before the loan repayment period starts. Note that a borrower who consolidates his or her loans does not receive an additional grace period. Information about grace period can be found on the promissory note for that loan.

**Grade Level** A student's academic class level (e.g. freshman, sophomore. etc.)

**Grade Level Progression** When a student advances a grade level, often with a higher annual FSA grant or loan limit. Sometimes this progression occurs in the middle of an academic year. See *The Federal Student Aid Handbook, Volume 3*.

**Grade Point Average (GPA)** An average of a student's grades where the grades have been converted to a numerical scale. See *The Federal Student Aid Handbook, Volumes 1 & 2*.

**Graduate or Professional Student** A student who—

- is not receiving FSA assistance as an undergraduate student for the same period of enrollment;
- is enrolled in a program or course above the baccalaureate level or is enrolled in a program leading to a graduate or professional degree; and
- has completed the equivalent of at least three years of full-time study either prior to entrance into the program or as part of the program itself.

**Graduated Repayment** A repayment schedule where the monthly payments are smaller at the start of the repayment period and become larger later on.

**Grant** Financial aid award that does not have to be repaid and does not have a work obligation.

The FSA grant programs are the Federal Pell Grant Program, the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, and the Leveraging Educational Assistance Partnership (LEAP) Program, Academic Competitiveness Grant (ACG) and National Science and Mathematics Access to Retain Talent Grant (SMART). The Teacher Education Assistance for College and Higher Education Grant (TEACH) does not have a work obligation while the recipient is a student but does carry a service obligation following completion of the educational program for which the grant was awarded.

**Grant Award Number** The Department of Education assigns a unique, eleven-character number to identify a grant award issued by a specific program office to a specific grantee. Each grant award has a series of codes identifying: the program office issuing the award, the CFDA code, the funding fiscal year, and the organization receiving the grant. For example, the grant award number P063P9821111 refers to a grant issued by the Pell Grant program office within the Office of Postsecondary Education during the 1998 fiscal year.

**Grant SSN/Name/Date of Birth Change Report** Is sent to all schools that have reported a Pell, ACG or SMART Grant recipient's attendance within the three most recent award years if there are any changes to the component's of a recipient's student identifier; SSN, name, or date of birth. The purpose of the report is to assist schools with keeping the Grant identifier information consistent and accurate. Schools must monitor the report and compare it to their existing records to make sure the student identifier is consistent across all systems.

**Green Card** The Resident Alien Card (Form I-551) that is commonly referred to as the "Green Card" (although it may or may not be green) that is issued by the Department of Homeland Security. See *The Federal Student Aid Handbook, Volume 1*.

**Gross Income** For purposes of the EFC calculation, income before taxes, deductions, and allowances have been subtracted.

**Guaranty Fee** A fee charged by a guarantor to a lender for each loan it guarantees. The fee is usually included in the total a borrower must repay.

**Guaranteed Loan Amount** For FFEL loans, the original amount, before any cancellations.

**Guarantor or Guaranty Agency** State or private non-profit agencies that insure student loans for lenders and administer the student loan insurance program for the federal government.

## – H –

**Half-time Student** An enrolled student who is carrying a half-time academic workload, as determined by the school, that amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student. Special rules apply to correspondence students. See *The Federal Student Aid Handbook, Volume 1*.

**Hardship** See *Economic Hardship*.

**Header** (in a crossover payment period) When a school chooses, for a student enrolled in a crossover payment period, to use funds for the student's award from the award year in the crossover period that ends on June 30. See *The Federal Student Aid Handbook, Volume 3* for rules governing crossover payment periods.

**Health Education Assistance Loan Program** This loan program, no longer available, allowed health profession students to obtain loans from commercial lenders. Students in the health professions may borrow under the *Health Professions Student Loan Program (HPSL)* and they are eligible for higher annual and aggregate loan limits in the FFEL and Direct loan programs.

**Health Professions Student Loan Program (HPSL)** Administered by the U.S. Department of Health and Human Services, this program provides long-term, low interest loans to full-time, financially needy students pursuing a degree in the health professions. Information is available at [http://bhpr.hrsa.gov/DSA/sfag/health\\_professions/2hpslcom-01.htm](http://bhpr.hrsa.gov/DSA/sfag/health_professions/2hpslcom-01.htm).

**Heightened Cash Monitoring** There are two payment methods (Cash Monitoring and Reimbursement) and three levels of heightened cash monitoring – Heightened Cash Monitoring 1 (HCM1), Heightened Cash Monitoring 2 (HCM2), and Reimbursement through which ED more closely monitors the expenditure of

federal funds by schools whose policies and procedures have been called into question. See *The Federal Student Aid Handbook, Volume 4* and *The Blue Book*.

**High-Need Field** A subject area in elementary or secondary education that has been designated as having a high need for teachers. Agreeing to teach in a high-need field is one of the criteria for receiving a TEACH grant. See *The Federal Student Aid Handbook, Volume 1*.

**High School Equivalence** For the purpose of determining a student's qualification to study at the postsecondary level, the Department recognizes several equivalents to a high school diploma. See *The Federal Student Aid Handbook, Volume 1*.

**Higher Education Act (HEA)** Federal legislation passed in 1965, and its subsequent amendments and reauthorizations (most recently in August, 2008) authorizing the majority of Federal postsecondary student financial aid programs and mandating that the programs be regulated and administered by the Department of Education. Approximately every five years Congress reauthorizes the act or extends the legislation for up to one additional year. The statute's most current version, as amended, is always the official version of the law.

**Higher Education Reconciliation Act of 2005 (HERA)** Budget reconciliation act that created two new grant programs: Academic Competitiveness Grants (ACG) and National Science and Mathematics Access to Retain Talent Grant (National SMART); and extended eligibility for PLUS loans to Graduate and Professional Students (Grad PLUS). It also made other changes to student and institutional eligibility.

**Highly-qualified** (in TEACH) Has the meaning set forth in section 9101(23) of the Elementary and Secondary Education Act of 1965 (ESEA) or section 602(10) of the Individuals With Disabilities Education Act .

**Historically Black Colleges and Universities (HBCU)**

The Higher Education Act of 1965, as amended, defines an HBCU as: “. . . any historically black college or university that was established prior to 1964, whose principal mission was, and is, the education of black Americans, and that is accredited by a nationally recognized accrediting agency or association determined by the Department [of Education] to be a reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation.”

**Holder** See *Loan Holder*.

**Home School** The postsecondary school where a student attending through a contractual or consortium agreement is enrolled in a degree or certificate program. In a study abroad agreement, the home school must be located in the United States. See the discussion of Written Agreements in *The Federal Student Aid Handbook, Volume 2*.

**Homeschooling** Elementary or secondary educational instruction outside of a state-approved facility, usually provided by parents for children at the elementary or secondary level. See the discussion of Written Agreements in *The Federal Student Aid Handbook, Volume 2*.

**Host School** The school where a student is taking part of his or her program requirements through either a consortium agreement, contractual agreement or study abroad program. See *The Federal Student Aid Handbook, Volume 2*.

## – I –

**Idle Cash** All or part of previously disbursed funds if and when they are returned to the school’s FSA account(s). The return may be due to a refund or the student returning a disbursement. As of July 1, 2008, these funds are now considered excess cash.

**Immediate Need** The funds a school needs to make FSA disbursements to students within the required three business days. Schools request funds as needed, for example, every three days, once a week, or whenever is appropriate. (Note: Immediate need does not authorize a school to maintain a federally funded cash-on-hand balance.)

**Immigration and Naturalization Service (INS)**

This agency has been renamed U.S. Citizenship and Immigration Services (USCIS) and is now a bureau of the Department of Homeland Security. Some FSA references still refer to INS.

**Import** (in EDEExpress) The Import function enables a school to select files that add or update records in the EDEExpress database or that print reports or other types of information.

**Import ID** (in EDEExpress) The import ID is a unique, 14-character identifier created for each batch of records at the time a file is imported into EDEExpress.

**Inadvertent Overpayment** Occurs when a school disburses FSA funds to a student who is no longer in attendance, for example, when a school makes a scheduled disbursement on Monday to a student who dropped out on the previous Friday. Inadvertent overpayments are included in Return calculations as Aid that could have been disbursed rather than Aid that was disbursed. See *The Federal Student Aid Handbook, Volume 5*.

**Incarcerated Student** A student who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution. A student is not considered incarcerated if that student is in a halfway house or home detention

or is sentenced to serve only weekends. Students incarcerated in federal or state correctional facilities are not eligible to receive FSA program funds. However, students incarcerated in local correctional facilities might be eligible for Federal Pell Grant, FSEOG, and LEAP funds. See *The Federal Student Aid Handbook, Volume 1*.

**Incarcerated Student Limitation** A school is not eligible for FSA program participation if, in its latest complete award year, more than 25% of its regular students are incarcerated.

**Incentive Compensation** A salary structure upon which the Department has placed stringent controls. Schools may not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any individual or entity engaged in recruiting or admission activities or in making decisions regarding the award of FSA program funds. See *The Federal Student Aid Handbook, Volume 2*.

**Incentive Repayment Program** A repayment plan in the Federal Perkins Loan Program in which a school may: reduce a borrower’s interest rate; discount the balance owed; or (with the Department’s approval) provide other repayment incentive options. See *The Federal Student Aid Handbook, Volume 6*.

**Income** The amount of money received from employment (salary, wages, and tips), profit from financial instruments (interest, dividends, and capital gains), or other sources (welfare, disability, child support, unemployment benefits, Social Security, and pensions).

**Income-contingent Repayment** A repayment schedule available in the Direct Loan Program under which the monthly payment amount is adjusted annually, based on the total amount of the loans, the family size, and the adjusted gross income (AGI) reported on the most recently filed federal income tax return. In the case of a married borrower who files a joint income tax return, the AGI includes the spouse’s income.

**Income Protection Allowance** An allowance to meet the subsistence expenses of a family, including food, shelter, clothing, and other basic needs. Used in federal need analysis (EFC) formula.

**Income-sensitive Repayment Schedule** A repayment schedule available in the FFEL Program under which the borrower's monthly payment amount is adjusted annually, based solely on the borrower's expected total monthly gross income received from employment and other sources during the course of the repayment period.

**Independent Auditor** An accountant who is a certified public accountant or government auditor who is qualified under both generally accepted auditing standards and government auditing standards, and who: is free from personal and external impairments to independence; organizationally independent; and who maintains an independent attitude and appearance.

**Independent Student** A student who at the time a FAFSA is submitted is married, is at least 24 years of age, has legal dependents, is on active duty (other than for training), is a veteran of the U.S. Armed Forces, is pursuing a graduate or professional degree, or who answers "Yes" to specific questions about his or her status as orphan, ward of the court, legal guardianship, unaccompanied homeless youth, and emancipated minor.

**Individual Loan Check** A draft that is payable on demand and requires the personal endorsement or other written approval of the borrower to be cashed.

**Ineligible Borrower** A borrower or potential borrower who does not meet federal eligibility criteria for a Stafford loan or, in the case of a graduate, professional or parent-borrower, a PLUS loan.

**Inform** (in the Transfer Monitoring Process) Instead of sending paper Financial Aid Transcript (FAT) requests to prior schools or checking NSLDS within the 30-day period, under the

"Inform, Monitor, Alert" process a school "Informs" NSLDS of its mid-year transfer students. See *The Federal Student Aid Handbook, Volume 1*.

**Information for Financial Aid Professionals (IFAP)** An FSA online database/library of current and archived FSA information/materials (e.g., technical publications, reference manuals, regulatory and policy guidance, Dear Partner and Action Letters) pertaining to the administration of FSA programs. Also provides automatic updates electronically to financial aid professionals who subscribe to this service.

Located at: [www.ifap.ed.gov](http://www.ifap.ed.gov). A user ID and password are required to enroll for electronic updates.

**Individual Recipient Basis** (for FSEOG matching) The school may provide its share to each individual FSEOG recipient together with the federal share such that each student's total FSEOG award consists of 25 percent nonfederal dollars and 75 percent federal dollars. A school using this method calculates and documents on a student-by-student basis what portion of the student's FSEOG award comes from federal funds and what portion comes from nonfederal funds. See *The Federal Student Aid Handbook, Volume 6*.

**In-house Control Documents** Documents a school uses to meet federal record-keeping requirements for federal student financial aid programs, provide data needed for aid-related reports, and maintain a clear audit trail.

**Initial Application** The original electronic application data entered for a student in an award year.

**Initial Certification** A school's first period of participation in the FSA programs.

**Initiating Official** The designated department official authorized to begin an emergency action to fine a school or to limit, suspend, or terminate a school's participation in the FSA programs under 34 CFR 668.83. See *The Federal Student Aid Handbook, Volume 2*.

**In School** The period during which borrowers are enrolled in a postsecondary educational program. For purposes of eligibility for loan deferments (other than Perkins) a student must be enrolled at least half-time to be considered "in-school."

**Institution-affiliated organization** Any organization that is directly or indirectly related to a covered institution, and is engaged in the practice of recommending, promoting, or endorsing education loans for students attending such covered institution or the families of such students. Such an organization may include an alumni organization, athletic organization, foundation, or social, academic, or professional organization of a covered institution.

**Institution of Higher Education** For FSA program purposes, a public or private nonprofit educational institution that meets the basic institutional eligibility criteria and:

- offers a program leading to an associate, baccalaureate, graduate, or professional degree; or
- offers at least a two-year program that is acceptable for full credit toward a baccalaureate degree;
- offers at least a one-year degree or certificate training program that leads to a degree or certificate (or other recognized educational credential) and prepares students for gainful employment in a recognized occupation; or
- awards a degree that is acceptable for admission to a graduate or professional degree program, subject to the Department's approval.

See *The Federal Student Aid Handbook, Volume 2*.

**Institutional Aid** Financial assistance funded by school resources. Usually consists of grants and/or scholarships but may also include work opportunities and loans.

**Institutional Capital Contribution (ICC)** The portion of a school's Federal Perkins Loan fund contributed by a school. See *The Federal Student Aid Handbook, Volume 6*.

**Institutional Charges** The charges for tuition and fees, room and board, and other educational expenses that are paid to the school directly. A charge does not have to appear on a student's account to be considered an institutional charge. See *The Federal Student Aid Handbook, Volume 3*.

**Institutional Liability** Financial penalties or repayments that a school must pay to ED as a result of incorrect school action or actions. A liability is the difference between the actual expenditures reported by the school in G5 for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official.

**Institutional Loan** Loans specific to a college, university, or other post-secondary educational institution and made from institutional funds. Eligibility and loan characteristics will vary among institutions.

**Institutional Methodology** A formula a college or university uses to determine financial need for allocation of the school's own financial aid funds.

**Institutional Student Information Record (ISIR)** An electronic output document generated by the Central Processing System (CPS) that summarizes information provided on a student's Free Application for Federal Student Aid (FAFSA). Also provides the result of the expected family contribution (EFC) calculation, results of eligibility matches with certain databases, reject reasons, comments, and data assumptions. ISIRs are sent to schools through the Electronic Data Exchange (EDE) to their SAIG mailbox and also available on FAA Access to CPS Online.

**Insurance Fee** A fee charged by FFEL guarantee agencies and the Direct Loan Program that is deducted from loan proceeds and used to insure against defaulted loans.

**Interest** A fee charged to the borrower for use of a loan holder's money. The borrower pays their loan holder interest in addition to repaying the principal (the sum borrowed). Usually, interest is calculated as a percentage of the principal. Interest and principal payments are usually paid monthly.

**Interest Benefits** The interest payments (benefits) made by ED to an FFEL Program lender on behalf of a student. These payments are based on the student's subsidized Federal Stafford Loan interest rate, but only during certain periods: the student's enrollment (at least half time), the grace period, or any authorized deferment period. Interest benefits are not paid on unsubsidized Federal Stafford Loans. See *Special allowance*.

**Interest-only Payment** A payment that covers only accrued interest owed on a loan and none of the principal balance. Borrowers eligible for interest-only payments are not prohibited from making additional or larger payments.

**Interest Rate** The percentage of a sum of money charged to a borrower for its use.

**Interest Subsidy** See *Interest Benefits*.

**Interim Disbursements** Disbursements a school can make before a student has completed verification. A school is liable for an interim disbursement for which a student turns out to be ineligible. See *The Federal Student Aid Handbook, Volume 4* and See *The Application and Verification Guide*.

**Internal Revenue Service (IRS)** The agency of the federal government responsible for handling tax collection. The IRS tax form is used to verify income information on the FAFSA. See *The Application and Verification Guide*.

**Internships** Part- or full-time opportunities to gain professional work experience while in college. Some interns are paid; others gain college credits; some receive both.

**Investment Plans** Educational savings programs, usually sponsored by commercial banking institutions or financial investment companies. Most are included on the FAFSA. See *The Application and Verification Guide*.

**ISIR Analysis Tool** Tools used to review and analyze a school's Institutional Student Information Record (ISIR) data, and better understand the verification process and the characteristics of its FSA applicant population. The ISIR Analysis Tool is accessible through the FAA Main Menu of the FAA Access to CPS Online Website.

**ISIR FAA Information** The ISIR section that displays for FAAs all information about a student's eligibility in one place. FAA information is printed on the third page of the ISIR following the summary of application data and is labeled "FAA Information." Descriptive labels are provided to help financial aid administrators identify reject codes, match flags, intermediate values, and so forth.

**ISIR Guide** Annual ED reference publication that financial aid administrators (FAAs) use to interpret student information on the Institutional Student Information Record (ISIR). It also explains codes and flags that appear in the FAA Information section of the ISIR. Located at: [www.ifap.ed.gov](http://www.ifap.ed.gov).

**Issuing Checks** When schools use checks to disburse funds directly to students and parents. A check is issued if a student (or parent for PLUS Loan funds) is notified that his or her check is available for immediate pickup, or the school mails the checks to the students or parents.

## - J -

**Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery/Campus Security Act)** Requires all postsecondary institutions participating in FSA programs each year, by October 1, to publish and disclose campus crime statistics and security information.

**Job Location and Development Program (JLD Program)** Under the Job Location and Development Program, a school can use up to 10 percent or \$50,000 (whichever is less) of its annual Federal Work-Study (FWS) Program allocation to expand off-campus job opportunities (including community-service jobs) for its currently enrolled students. See *Federal Work-Study (FWS) Program* and *The Federal Student Aid Handbook, Volume 6*.

**Journal** A record of original accounting entries, providing a chronological record of the debit and credit elements of each transaction. As transactions occur, they are entered initially into the journal. At frequent intervals, such as daily, weekly, or at least monthly, the debits and credits recorded in the journal are transferred (posted) to the individual accounts in a ledger.

**Just-In-Time Payment Method** Under this payment method, a school electronically submits a request for funds up to five days before the actual date of disbursement for the Federal Pell Grant Program. The school's request includes the date and amount of the disbursement it will make or has made to each student. ED places funds in the school's bank account immediately before the funds are needed to make student disbursements. Unlike schools using the advance payment method, these schools do not receive advance authorization of funds. See *Pushed Cash* and See *The Federal Student Aid Handbook, Volume 4*.

## – K –

**Legal Dependent** An individual whose relationship with the applicant falls into one of the following categories:

- the natural or adopted child of an applicant; or
- a person for whom the applicant is a legal guardian; or
- a person who lives with and receives more than half-support from the applicant and will receive more than half-support during the award year.

See *The Application and Verification Guide*.

**Legal Guardian** A person whom a court with jurisdiction in the applicant's state of residence has appointed as a guardian. See *The Application and Verification Guide*.

**Legally Authorized** The legal status granted to a school through a charter, license, or other written document issued by the appropriate agency or official of the state in which the school is physically located. See *The Federal Student Aid Handbook, Volume 2*.

**Lender** An eligible lender in the FFEL Program, the Department for the purpose of the Direct Loan Program, and a private educational lender (as defined in section 140 of the TILA for purposes of private educational loans.

**Lender of Last Resort (LLR)** (in FFEL) A guaranty agency (or a lender or lenders under an agreement with the guaranty agency) that provides a FFEL loan for an eligible borrower who is otherwise unable to obtain one.

**Less-Than-Half-Time Student** A student taking less than half the minimum course load of a full-time student as determined by the school.

**Letter of Credit** An instrument issued by a bank or other financial institution that serves the purpose of securing liquid funds against potential loss to the secured party. ED may require a

school to post a letter of credit for a specified amount of money for reasons such as late return of Title IV funds, weak financial condition or to secure a waiver of the annual audit requirement.

**Letter of Credit Requirement** If a school fails to meet the Refund Reserve Standard for returning funds in a timely manner in either of its two most recently completed fiscal years, the school may be required to submit an irrevocable letter of credit acceptable and payable to the Department equal to 25% of the returns the school made or should have made during its most recently completed fiscal year. Public schools and schools covered by a state tuition recovery fund that has been approved by the Department are not subject to the letter of credit requirements.

**Level of Expenditure (LOE)** The total amount of Federal Perkins Loan funds a school is allowed to use to make loans to students and to pay administrative and collection costs in a given award year. A school's level of expenditure (LOE) is calculated by ED on the basis of funds available from a school's collection of outstanding Federal Perkins Loans, the amount of Federal Capital Contribution (FCC) the school receives, and the amount of Institutional Capital Contribution (ICC) the school provides. See *The Federal Student Aid Handbook, Volume 6*.

**Leveraging Educational Assistance Partnership Program (LEAP Program)** A FSA gift-aid program jointly funded by the federal government and participating states. It provides state scholarship or grant assistance to students who show financial need. Formerly called the State Student Incentive Grant (SSIG) Program.

**Limitation** (on participation in the FSA programs) A restriction or regulatory limit on participation by a school that exceeds limits on:

- correspondence courses,
- correspondence students,
- incarcerated students, and
- students admitted without high school diploma or its equivalent.

**Liquidation (Perkins)** Part of the process of voluntarily ending participation in the Federal Perkins Loan Program. Liquidation requires a school to either assign all outstanding loans to ED for collection or purchase them and to return the Federal share of the cash on hand in its Loan Fund. See Dear Partner Letter CB-00-05.

**Liquidation Period** (in G5) The period immediately following the end of the performance period. During liquidation, no new expenditures may be made on an award, but payment requests and adjustments may still be processed for expenditures incurred during the performance period.

**Loan** An advance of funds guaranteed by a signed promissory note in which the recipient of the funds promises to repay a specified amount under prescribed conditions. In the FSA programs, a financial source that is available to students and their parents through student loan programs with varying interest rates and repayment provisions to supplement the family's financial resources, scholarships, and grants.

**Loan Balance** The total unpaid amount of a specific loan. This sum includes outstanding principal, capitalized interest, accrued interest, late charges, and any miscellaneous fees such as returned check fees.

**Loan Certification** (in FFEL Program) The submission of borrower data by a school indicating the intent and eligibility to borrow. Loan certification can be thought of as a loan application. See Loan Origination.

**Loan Discharge** An entitlement under which borrowers of FSA loans may have part of their debt discharged based on conditions outlined in the Higher Education Act, as amended. See *Cancellation and Forgiveness*.

**Late Disbursement** A disbursement may be made to an ineligible student who has withdrawn or otherwise ceased attendance if the student became ineligible only because of a change in enrollment status and he or she is otherwise eligible for the funds. See *The Federal Student Aid Handbook, Volume 4*.

**Late Enrollment Reporting Roster Notification** Any of a series of notifications sent to a school that fails to return a submittal file to NSLDS within 30 days from the date the Enrollment Reporting Roster file was created and sent to the school.

**Late Fee Charges** A fee that may be assessed if a scheduled FSA loan payment is not made by the due date.

**Leave of Absence (LOA)** A temporary interruption in a student's enrollment, not including semester, winter or spring break, requested by the student and sanctioned by the school that meets the conditions established by ED. A student on an approved FSA leave of absence is not considered a withdrawal.

A leave of absence granted by a school that does not meet the regulatory requirements is (for FSA purposes) an unapproved leave of absence. See *The Federal Student Aid Handbook, Volume 5*.

**Ledger** A book of accounts in which each item of a monetary nature to be included in reports is assigned an account. Posting from a journal to the ledger results in each account having either a debit or credit balance that is shown on a particular report listing. Separate ledgers should be maintained for each program or fund.

**Loan Disclosure Statement** A statement sent to a loan borrower by the lender before or at the time a loan is disbursed, as well as before the start of the repayment period. The purpose of the disclosure statement is to provide the borrower with thorough and accurate information about the loan terms and the consequences of default.

**Loan Holder** The agency, financial institution, or school that “owns” a loan.

**Loan Origination** (in The Direct Loan Program) A school’s submission of borrower data to COD. See *Loan Certification*.

**Loan Payoff Calculator** An on-line feature that displays how much a borrower would save by paying off their loan immediately. There are Direct Loan payoff calculators available at [www.direct.ed.gov](http://www.direct.ed.gov) and [www.dl.ed.gov](http://www.dl.ed.gov).

**Loan Period** The period of enrollment for which a loan application is certified or originated.

**Loan Period Begin and End** (in NSLDS) The date classes are (or were) to begin or end for the period covered by the loan.

**Loan Rehabilitation** The removal of a loan from default status after a borrower makes a minimum number of payments over a specified period of time. See *The Federal Student Aid Handbook, Volume 1*.

**Local Area Network (LAN)** Connects multiple PCs through a common server, enabling them to share software, files, and devices such as printers.

## – M –

**Major** (in NSLDS) The academic area in which a student is seeking a degree. In the SMART Grant program, a student’s major course of study is also known by its Classification of Instructional Programs (CIP) code.

**Mandatory Administrative Forbearance** Forbearance that a lender is required to grant for periods during which the borrower is involved in a local or national emergency or military mobilization or resides in a designated disaster area. A lender is also required to grant a mandatory administrative forbearance for up to three years if the borrower’s repayment period must be extended due to the effect of changes in the variable interest rate on standard or graduated repayment terms and for up to five years to accommodate income-sensitive repayment schedules. There are similar provisions in the Direct Loan Program.

**Mandatory Forbearance** Forbearance granted for medical or dental internships and residencies after the borrower’s in-school deferment period has expired for service in AmeriCorps, for excess student loan debt burden, for participation in the student loan repayment programs as administered by the U.S. Department of Defense, and for non-medical or dental internships.

**Master Calendar** To assure adequate notification about, and timely delivery of, FSA program funds, ED operates using a master calendar defined in the Higher Education Act of 1965, as amended (HEA). This calendar gives specific dates by which federal forms will be developed and distributed, as well as dates campus-based funds will be allocated and Federal Pell Grant funds will be authorized for an award year. The master calendar determines the effective date for FSA regulations, based on the date of their publication. The provisions governing the Master Calendar are in *Part G, Section 481, of The Higher Education Act*.

**Master Check** A master check is a single check, written by a lender, that contains all the lender’s FFEL Program funds for the school’s borrowers for a given disbursement date. A master check must be accompanied by a list of names, Social Security numbers, and loan amounts of borrowers who are to receive a portion of the master check. See *The Federal Student Aid Handbook, Volume 4*.

**Master Promissory Note (MPN)** A legal document borrowers must sign before receiving a FSA loan. An MPN may be used as both a single-year and multi-year note. A borrower who elects to use the multi-year feature may obtain additional loans, based on that same note, during the same year or in subsequent years. Both schools and borrowers have the option to opt out of the multi-year feature.

By signing an MPN, a borrower promises to repay the loan, with interest, in specified installments. See *The Federal Student Aid Handbook, Volume 4*.

**Master Promissory Note Manifest (MPN Manifest)** (in Direct Loans) A cover sheet submitted by a school with a group of Sub/Unsub master promissory notes (MPNs) and PLUS MPNs.

**Match Flag** (on SAR/ISIR) Alphabetic or numeric code indicating the results of data matches the Central Processing System performs against the databases of certain federal agencies to confirm the identification and eligibility of FSA applicants.

**Matriculate** To enroll at a school, working toward a degree or certificate in an eligible program.

**Maximum Loan Amount** The maximum annual amount a student may borrow. It is based on dependency status, grade level, additional eligibility for a Health Profession Program loan, and additional unsubsidized loan eligibility. A student may borrow less than the maximum. See also *Total Annual Loan Limit*.

**Merit-Based** Financial aid awarded on the basis of specific accomplishments or talents rather than financial need.

**Message Class** (In SAIG) The part of a file name that identifies the type of records in the file. For example, message class ISRF09OP contains specific ISIRs requested from the Central Processing System (CPS).

**Module** A course or group of courses offered for a period of time that is different (usually shorter) than the school's quarter, term, semester or period of enrollment.

**Monitor** See *Transfer Monitoring Process* and *The Federal Student Aid Handbook, Volume 1*.

**MPN ID** The unique identifier printed on a Direct Loan MPN.

**Multiple Disbursements** The requirement that FSA funds, except the Federal Work-Study wages, be paid in two or more installments of approximately equal increments.

**Multiple Reporting Record (MRR)** A record automatically generated by the Common Origination and Disbursement (COD) System when it receives origination and disbursement records from more than one school for the same student during the same payment period. It informs a school about other schools that have submitted origination and disbursement records for the same student during that period.

The MRR is sent to all schools involved in the issue detected by the COD edit, and contains contact information (in COD via PEPS) to assist schools in resolving the reported issue. Schools must monitor MRRs and, as part of the ongoing reconciliation process, resolve the issue with the other concerned parties as soon as possible.

Schools may also request MRRs. (See also *Potential Overaward (POP)*).

**Multi-Year Feature** The feature of the Master Promissory Note, that allows multiple loans for the same student/borrower to link to the same MPN. Once an MPN has been accepted and remains open, schools that choose to use this feature do not have to obtain a new promissory note each academic year. A multi-year MPN expires after 10 years (sooner if no loan is made). See *The Federal Student Aid Handbook, Volume 4*.

## - N -

**National Association of Student Financial Aid Administrators (NASFAA)** A non-profit membership association representing financial aid professionals at colleges, universities, and career schools.

**National Credit Bureau** A credit reporting agency with a service area encompassing more than a single region of the country.

**National Defense Student Loan Program (Defense Loans)** The first of the Campus-Based loan programs. Subsequently renamed The National Direct Student Loan Program and later, the Federal Perkins Loan Program.

**National Direct Student Loan Program (NDSL Program)** The Campus-Based loan program that succeeded the National Defense Student Loan Program and preceded the Federal Perkins Loan Program.

**National Science and Mathematics Access to Retain Talent Grant Program (SMART Grant Program)** Provides grants during the third and fourth years of study to eligible undergraduate students with financial need who are pursuing eligible majors in the physical, life, or computer sciences, mathematics, technology, or engineering, or foreign languages determined to be critical to the national security of the United States.

**National Service Trust** A national community service program whereby students who participate in this program before attending school may be able to use Education Award funds provided by the Trust to pay educational expenses. If students participate after graduating, the funds may be used to repay their federal student loans. Eligible types of community service include education, human services, the environment, and public safety.

**National SMART Grant Electronic Statement of Account (SMART ESOA)** Summarizes the status of a school's Current Funding Level (CFL) as it compares to the net drawdowns for the award year. The SMART ESOA also provides: the previous CFL, CFL change amount, new CFL amount, YTD total accepted and posted disbursements, and the net drawdown payments from G5. An SMART ESOA is sent to the school's SAIG mailbox each time its CFL changes and schools can request that the last system generated ESOA be resent to their SAIG mailbox.

**National SMART Grant MRR** Identifies students who are in a concurrent enrollment situation (based on COD reported enrollment dates), informs all schools involved of the condition, and provides information helpful in resolving the condition. Schools must monitor MRRs and, resolve issues with the other concerned parties as quickly as possible. A SMART Grant MRR is triggered automatically by COD when a record comes in which the COD edits show creating a possible concurrent enrollment condition. The MRR is sent to all schools involved in the issue detected by the COD edit.

**National SMART Grant Pending Disbursement List** The National SMART Grant Pending Disbursement List produces a list of anticipated disbursements (Disbursement Release Indicator (DRI) set to false). The List can be used to monitor anticipated disbursements nearing disbursement dates to either set the DRI to true for confirmed eligible students, or to cancel the award for ineligible students. A National SMART Grant Pending Disbursement List is generated for each ACG school on a weekly basis if there is anticipated disbursement data present in COD for the week and it is sent to the school's SAIG mailbox.

**National SMART Grant Reconciliation Report**

Provides a one-record student summary of YTD COD processed SMART Grant disbursement records. The Report is useful for both monthly and year-end reconciliation efforts, and for identifying discrepancies in National SMART Grant disbursement totals. Schools can use the COD system to see the COD detail of accepted records and resolve the discrepancies. The National SMART Grant Reconciliation Report is sent automatically by the COD system, prior to September 30, on an annual basis, and can be requested on an ad hoc basis.

**National SMART Grant YTD Record** Contains detailed award and disbursement information at a transaction level. It can be requested on an individual recipient, or all recipients basis. The Record shows the number of recipients at the school; the number of award and/or disbursement records that were accepted or rejected; and, for certain edit codes, the number of times a school received that specific edit code on a response document. Due to the available detail the National SMART Grant YTD Record is a good tool for individual reconciling of student SMART Grant data. The National SMART Grant YTD Record also can be used to rebuild a school's corrupted data base.

**National Student Clearinghouse** Privately run organization that facilitates school reporting of degree and enrollment data.

**National Student Loan Data System (NSLDS)** An integrated ED system that collects and reports information about the financial aid history of students who receive FSA funds and maintains that information in an online database available to the financial aid community. The database stores information about FSA loans and grants received by students as well as information about lenders, guaranty agencies, schools and loan servicers. The CPS conducts a match of FAFSA data against this database to confirm the student's identification and eligibility for federal student financial aid. Located at: [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov). A user ID and Password are required to access the database.

**National Student Loan Data System Financial Aid History**

Section on the SAR and ISIR that reports a student's previous federal student financial aid, defaults, and overpayments. Also known as Financial Aid History. Also see *Financial Aid Transcript*.

**National Student Loan Data System Transaction Number**

A number that appears at the end of the Match Flags section. It is the number of the last transaction on which the student's NSLDS data changed and is a signal to the financial aid administrator to review the NSLDS information on a particular transaction.

**National Student Loan Data System Transfer Student Monitoring Process**

The three-step process FAAs use to automatically receive information from the NSLDS database pertaining to the FSA eligibility of mid-year transfer students. The three steps to the process include: Inform, Monitor, and Alert.

**Nationally Recognized Accrediting Agency** An agency or association the Department recognizes as a reliable authority for determining the quality of education or training offered by a school or a program offered by a school. The Department recognizes these agencies and associations under the provisions of 34 CFR part 602 and publishes a list of the recognized agencies in the Federal Register.

**Need** See *Financial Need*.

**Need Analysis** The process of determining the student's Expected Family Contribution (EFC) based on Federal Methodology (FM). See Federal Methodology. Also known as Federal (Need Analysis) Methodology.

**Need-Based** Financial aid awarded using financial need as the determining factor.

**Negotiated Rulemaking** A legislatively mandated process for developing FSA regulations that includes representatives of ED and affected communities.

**Net Income** Income after taxes, deductions, and allowances have been subtracted from gross income.

**Net Income Ratio** Under the financial responsibility regulations, the equity ratio is:

For *proprietary schools*:

$$\frac{\text{Income Before Taxes}}{\text{Total Revenue}}$$

For *private, nonprofit schools*:

$$\frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$$

For further definitions and other details, refer to 34 CFR 668–Subpart L, Appendix A (proprietary) and Appendix B (private, nonprofit).

See *The Federal Student Aid Handbook, Volume 2*.

(The) **90/10 Rule** To be eligible for FSA participation, a proprietary institution may derive no more than 90% of its revenues from the FSA programs. See *The Federal Student Aid Handbook, Volume 2*.

**Nonfederal Audit** A school financial statement and/or compliance audit conducted by an independent public accountant (as defined by the audit standards of the U.S. General Accounting Office) who has been hired by the school. Also called an *Independent Audit* or an *OMB Circular A-133 audit*.

**Nonfederal Share** The portion of campus-based program funds that a school must contribute from a nonfederal source (usually the portion comes from the school itself). Sometimes called the *Nonfederal Match*.

**Nonfederal Share of FSEOG Methods of Matching** There are three methods by which a school may meet the 25 percent nonfederal share requirement for FSEOG: Individual, Aggregate, and Fund-Specific. See *The Federal Student Aid Handbook, Volume 6*.

**Non Need-Based Aid** Assistance based on criteria other than need, such as academic, musical, or athletic ability. Also, refers to FSA programs where the expected family contribution (EFC) is not part of the eligibility determination.

**Nonparticipating School** A school that has established its eligibility for FSA programs but elected not to participate in them. Designation as an eligible, nonparticipating school may qualify a school or its students for non-FSA programs, such as the HOPE and Lifetime Learning Tax Credit. In addition, only students attending eligible schools qualify for in-school deferments of payments on their FSA loans. See *The Federal Student Aid Handbook, Volume 2*.

**Nonprofit institution** A school that –

- is owned and operated by one or more nonprofit corporations or associations;
- is legally authorized to operate as a nonprofit organization by each State in which it is physically located; and
- is determined by the U.S. Internal Revenue Service to be an organization that qualifies for this status under section 501(c)(3) of the Internal Revenue Code (26 U.S.C. 501(c)(3)).

See *The Federal Student Aid Handbook, Volume 2*.

**Nonstandard Terms** Terms that are not semester, trimester, or quarter terms.

**Non-Subsidized Loan** A loan that is not eligible for federal interest benefits. The borrower is responsible for paying the interest on the outstanding principal balance of a non-subsidized loan throughout the life of the loan. During the in-school, grace, and deferment periods, these interest payments are normally made on a monthly or quarterly basis, or are capitalized.

**Non-Taxable Income** See *Untaxed Income*.

**Non-term** A program that measures progress in credit hours is considered to be using a non-term calendar if it has: courses that do not begin and end within a set period of time; courses that overlap terms, self-paced and independent study courses that overlap terms, or sequential courses that do not begin and end within a term. If a program measures progress in clock hours, it is always treated as a non-term program. See *The Federal Student Aid Handbook, Volume 3*.

**Notice of Proposed Rulemaking (NPRM)** Notice printed in the Federal Register of proposed regulations from a government agency, such as ED. Interested parties are invited to submit comments and recommendations about proposed regulations.

**Notification of Disbursement** Providing information to FSA recipients of pending disbursement of FSA funds.

**General Disbursement Notification** A school must notify a student of the amount of funds the student and his or her parent can expect to receive from each FSA program, including FWS, and how and when those funds will be disbursed. This notification must be sent before the disbursement is made.

**Loan Notification** Except when loan funds are being credited to a student's account, as a post-withdrawal disbursement, a school must notify the student or parent in writing of the: anticipated date and amount of the disbursement; the student's (or parent's) right to cancel all or part of the loan or disbursement (not required if issuing a paper check under the FFEL program); and procedures and the time by which the student (or parent) must notify the school that he or she wishes to cancel the loan or disbursement.

**Numeric Equivalent** A numeric value assigned to represent information given in a non-numeric form, e.g., January may be equated with 1, February with 2, etc. Also, for school programs that do not use a standard grading system where A = 4.0, this refers to the conversion of the non-standard grades to the 4.0 scale.

## O

**Object Class (OC)** Also referred to as Objective Classification, this is a method of recording financial transactions in terms of the nature of the services or articles for which obligations are first incurred. This method is prescribed by the OMB circular A-12 and the Department of Treasury circular 1073. It is used throughout the federal government when submitting budgets.

**Obligation** An encumbrance of funds issued by the Department of Education to a grantee in support of education projects.

**Off-Campus Agreement** (in FWS) A written agreement between a school and an off-campus organization to employ FWS students. See *The Federal Student Aid Handbook, Volume 6*.

**Office of Postsecondary Education (OPE)** The office with the U.S. Department of Education that develops policies and regulations governing the FSA programs. OPE directs, coordinates, and recommends policies for programs that are designed to provide financial assistance to eligible students; improve postsecondary educational facilities and programs; recruit and prepare disadvantaged students for postsecondary programs; and promote the domestic study of foreign languages and international affairs, research, and exchange activities.

**Office of Postsecondary Education Identifier (OPE-ID)** An eight-digit identification number assigned by ED's Office of Postsecondary Education to an institution that has been approved to participate in FSA programs. Schools that don't administer Title IV funds but want their students to qualify for in-school deferments and are approved as Title IV, HEA eligible institutions also are assigned an OPEID number. Additional locations of a school are designated by the last two digits of the OPEID (e.g., the OPEID of a school's main campus is 00163900; while the OPEID of the school's additional location is 00163901).

**Officer** A director or trustee of a covered institution or institution-affiliated organization, if the director or trustee is treated as an employee of the institution or organization.

**OMB Circular A-133** A publication published by the Office of Management and Budget (OMB) that gives specific guidelines under limited circumstances to nonprofit postsecondary schools on procedures for conducting an audit. For A-133 audits, the auditor is required to report only audit findings of noncompliance.

(FSA) **Ombudsman** An office within Federal Student Aid that is a resource for borrowers to use when other approaches to resolving student loan problems have failed.

**Operator-Assisted Mode** One of the two modes schools and other G5 recipients use to request funds from G5 under the automated clearinghouse (ACH). As the name implies, recipients speak directly to an operator to request funds. Compare *Automated Voice Response (AVR)*.

**Operations Services** Name of the Office within Federal Student Aid that oversees the collection of grant overpayments and defaulted student loans.

**Order of Return of Title IV Funds** A federally prescribed order of returning funds resulting from return of Title IV funds calculation. See *The Federal Student Aid Handbook, Volume 5* and 34 CFR 668.22.

**Original Social Security Number (Original SSN)** The Social Security number (SSN) reported by the student on his or her initial FAFSA application. If the student corrects his or her SSN, the student's correct SSN appears in the Current Social Security number field on any future FAFSAs, but the Original SSN remains the same.

**Original Student ID** The original student ID is the student's original Social Security number (SSN) followed by the name code and transaction number. The original student ID is also sometimes called the trankey. The Original SSN is a component of the student identifier in the COD system, and remains so even if the student later corrects it. (See *Current Social Security Number*.)

**Origination** The process by which a school reports to the COD System that it is submitting grant or loan award information.

**Origination Fee** A fee charged a borrower to help defray the cost of making a FFEL or Direct loan.

**Origination Record** (in COD) A Common Record containing student or borrower identifiers and other demographic, award, and disbursement information.

**Orphan** The student is an orphan if both parents are dead and the student doesn't have an adoptive parent. Such a student is considered an orphan even if she has a legal guardian.

**Output Document** The Student Aid Report (SAR), electronic Student Aid Report (eSAR), ISIR, or other document or automated data generated by the Central Processing System (CPS) after processing a Free Application for Federal Student Aid (FAFSA).

**Outstanding Principal Balance Amount** (in NSLDS) The cumulative dollar value remaining due on a loan. If the field is preceded by an exclamation mark, the amount may include capitalized interest and/or other fees.

**Outside Resources** Assistance awarded to students by organizations outside of the school, for example: scholarships, alternative loans, vocational rehabilitation benefits, and veterans' benefits.

**Overaward** Any FSA assistance awarded in excess of the amount the student is eligible to receive.

**Overaward Tolerance Threshold** An amount in excess of a student's eligibility that a student receiving Campus-Based funds can receive without penalty so long as the overaward occurs after the Campus-Based aid has been packaged and the package contains no ACG or National SMART Grant funds. Currently the overaward tolerance is \$300.

**Overpayment** FSA funds paid to a student in excess of the amount the student is eligible to receive. Except for Federal Work-Study funds a student has earned, unless adjustments can be made to eliminate the overpayment within the same award year, either the student or school must repay an overpayment.

**Overpayment Flag** (On the SAR/ISIR) Indicate that an overpayment appears on the student's NSLDS record for ACG, Pell, FSEOG, Perkins, or National SMART Grant. The flags are D – Deferred; N – N/A; S – Satisfactory Payment Arrangements; F – Fraud; W – Waived; Y – Overpayment exists.

**Overpayment Indicator** (in NSLDS) The code identifying the status of the overpayment. Codes include – *Overpayment, Repaid, Satisfactory Arrangement Made, and Fraud.*

**Overpayment Source** (in NSLDS) The code identifying where an overpayment is being held, including:

- *Transfer* (DCS) – When a school has transferred an overpayment to the U.S. Department of Education's Debt Collection Service.
- *School* (SCH) – Whenever a school is attempting to add a new, or update an existing overpayment record;
- *ED Region* – The debt is now held by one of the U.S. Department of Education's Debt Collection Service regional offices.

**Overpayment Type** (in NSLDS) The FSA program (Perkins, SEOG, Pell, Academic Competitiveness Grant, or National SMART Grant) for which the student has received an amount in excess of what the student is eligible to receive.

**Override** A flag the financial aid administrator sets on a student record in FAA Access to CPS Online to instruct the Central Processing System (CPS) to use school-provided data provided in processing the student's record and calculating the expected family contribution (EFC).

## – P –

**Packaging** The process of determining the types and amounts of financial aid awards – loans, grants, scholarships, and employment – and offering those awards to a student. See *The Federal Student Aid Handbook, Volume 3*.

**Paper Secondary Confirmation** (in DHS match) Process used when a school has conflicting information about a student's immigration status. See *The Federal Student Aid Handbook, Volume 1* and *The Application and Verification Guide*.

**Parent** A student's biological or adoptive mother or father or the student's stepparent, if the biological parent or adoptive mother or father has remarried at the time of application.

**Parent Contribution** The financial amount parents can be expected to contribute each year to the cost of the student's education. The result of the EFC calculation performed by the CPS.

**Participating Institution** An eligible institution that meets the standards for participation in Title IV, HEA programs in subpart B and has a current program participation agreement with the Department.

**Part-time Student** One who attends a school on less than a full-time basis as defined by the school.

**Pass-through Charges** Fees for institutional housing or board provided by a Third-Party under contract with a school that may be paid with FSA funds.

**Passive Confirmation** Process in which a school does not disburse a loan made under an MPN until the borrower is notified of the proposed loan package and the time given to the borrower to respond has elapsed. The borrower only needs to take action if he or she wants to decline the loan or make adjustments to the type or amount of the loan. See *Active Confirmation* and *The Federal Student Aid Handbook, Volume 4*.

**Past Due Amount** The current amount delinquent on the loan.

**Payee** (in G5) The recipient (organization or individual) of Department of Education funds who is responsible for accounting for those funds. The payee may be a single entity, such as a college, or a central finance office which requests funds and prepares financial reports for several organizations within its system.

**Payment** (in G5) Funds deposited into payees accounts. The payment must be disbursed within three business days.

**Payment Analyst** An FSA employee who ensures that schools placed on the Reimbursement Payment Method have accurately determined the eligibility of and payment to each student for whom a school has submitted data. Formerly referred to as "Reimbursement Analyst."

**Payment Data** An electronic record that is provided to the Department by a school showing student disbursement information.

**Payment Period** An academic term or other subdivision of an academic year for which financial aid funds are paid to a student. See *The Federal Student Aid Handbook, Volume 3 & Volume 4*.

**Payment Trigger Flag** See *Disbursement Release Indicator*.

**Payoff Amount** (in DL) The total loan amount required to pay off a specific loan. Includes the loan principal, capitalized interest, borrower accrued interest, billed interest, any late charges, any returned check charges, any refinancing fees, and any collection costs. It is calculated based on what the accrued interest will be 10 days from the date the payoff amount is requested. This is to allow time for the borrower to forward a check in the mail and not leave a small outstanding balance.

**Payoff Date** The date on which the loan payoff calculation is based. The ending principal balance, interest, fees, etc. are combined to determine the final payment amount.

**Peak Enrollment Period** Occurs when at least 25 percent of a school's students start classes during a given 30-day period. A school is given some leeway under the excess cash rules during this period. See *The Federal Student Aid Handbook, Volume 4*.

**Peer Evaluation** An objective review of a school's policies, procedures, and practices by a financial aid administrator from another school or by a consultant. Peer evaluations allow first-hand observations and comparisons of how comparable schools carry out financial aid responsibilities.

**Pell Grant Funded Disbursement List** (For Pushed Cash/Just-in-Time (JIT) Funded Schools) Provides Pushed Cash funded schools with a list of disbursements that have been funded. It also allows JIT schools to monitor those actual (DRI = true) Pell disbursements accepted and posted to COD that have been funded. The List is automatically sent to schools SAIG mailbox daily if any new data is on file in COD.

**Pell Grant Multiple Reporting Record (MRR)** An MRR is triggered automatically by COD when a record comes in that the COD edits show as creating a possible concurrent enrollment or **Pell Grant Potential Overaward** condition. The Pell Grant MRR is sent to all schools the COD edits detect are involved in the issue and contains information about a student's origination and disbursement status at all schools. Schools must monitor MRRs as part of the ongoing reconciliation process, and resolve the issue with the other concerned parties as soon as possible. See *Pell Grant Potential Overaward Process (POP) Report*.

**Pell Grant Payment Schedule** Chart posted annually on the IFAP Website through which financial aid administrators can combine a student's Pell Grant cost of attendance, EFC, and enrollment status in order to determine the student's Pell Grant award.

**Pell Grant Pending Disbursement List** This list is automatically generated by COD and sent to a school's SAIG mailbox. It produces a listing of anticipated disbursements (Disbursement

Release Indicator (DRI) set to false) and actual disbursements (DRI = true) with dates set 8 to 30 days in the future. The List can be used to monitor anticipated disbursements nearing disbursement dates to either set the DRI to true for confirmed eligible students, or to cancel the award for ineligible students. The List also can be used to monitor awards scheduled for upcoming disbursements to determine current eligibility.

**Pell Grant Potential Overaward Process (POP) Report** On a weekly basis, the Report is automatically sent to the SAIG mailbox of all schools that have reported disbursements for students who are in, or have been in, an overaward situation for the award year. The Report lists all students who are currently in a POP situation, students who have been (but are no longer) in a POP situation, and all schools involved in the POP situation. The Report can also be requested over the COD Website, and will provide data as of the previous night's processing. See *Pell Grant Multiple Reporting Record*.

**Pell Grant** See *Federal Pell Grant Program*

**Pell Grant Reconciliation Report** Sent annually by COD just prior to the close of the Award Year (September 30), the Report provides a one-record per student summary of the total YTD Pell Grant disbursements in COD. Pell Grant Reconciliation Reports can also be ordered by a school over the COD web and are useful for both monthly and year-end reconciliation.

**Pell Grant Verification Status Report** Provides a list of students selected by the CPS for verification who have either a 'blank' or 'W' verification status in COD. Students whose verification status is "W" must be updated to be reconciled. Students whose verification status is "blank" must be updated to be disbursed. COD automatically sends the Report to the school's SAIG mailbox on a monthly basis through the last day of December for the award year ending on July 31.

**Pell Grant Year-to-Date (YTD) Record** Contains detailed award and disbursement information at a transaction level. Pell Grant YTD Records are not automatically generated by COD; they are triggered only by school requests. They can be requested on a per student, or all students, basis and they are a good tool for reconciling of student Pell data and rebuilding a school's corrupted data base. On an "all student" basis, the Pell Grant YTD Record shows the number of recipients at the school; the number of award and/or disbursement records that were accepted, corrected, and rejected; and, for certain edit codes, the number of times a school received that specific edit code on a response document.

**Percent (%) Eligibility Used Scheduled Award (ACG SMART)** The percent of his or her ACG/SMART eligibility the student has used across award years for a specific grade level. The percentage is calculated by summing all of the accepted disbursements across all award years and all schools for a specific Grade Level and dividing by the Scheduled Award Amount for a specific grade level and award year. See *The Federal Student Aid Handbook, Volume 3*.

**Percent (%) Scheduled Award Used by Award Year (Pell)** The percent of his or her Pell eligibility a student has used in an award year. The percentage is calculated by summing all of the accepted disbursement records for a student within an award year across all schools and dividing that amount by the Scheduled Federal Pell Grant Award for the student for the award year. See *The Federal Student Aid Handbook, Volume 3*.

**Performance-Based Organization (PBO)** In the U.S. government, a PBO is an agency or office that is formally designated and granted authority to deviate from Government-wide rules if this is needed to achieve agreed-upon results. A PBO sets forth clear measures of performance and holds the head of the organization clearly accountable for achieving results. The head of a Performance Based Organization is its chief operating officer (COO). Federal Student Aid was designated a Performance Based Organization (PBO) in 1998.

**Performance Period** (in G5) Period of time between the grant award begin date and the grant award end date during which the grantee satisfies the requirements of the grant award. During this time, a payee may make expenditures, request funds, modify payment requests, and adjust drawdown amounts on the award. Once the performance period ends, a grant award begins the closeout process.

**Period of Enrollment** The period for which a Stafford or PLUS loan is intended. The period of enrollment must coincide with a bona fide academic period established by the school for which institutional charges are generally assessed (e.g. semester, trimester, quarter, length of the student's program or academic year). Also referred to as the loan period.

**Perkins Loan Program** See *Perkins Loan Program*.

**Personal Identification Number (PIN)** An identifier that allows students and parents to access their personal information in ED systems. The PIN is also used to electronically sign the FAFSA and make corrections electronically to data submitted on the form. A PIN should always be protected, and never provided to anyone other than the person for whom it was created.

**Plain Language Disclosure (PLD)** (in Direct Loans/FFEL/Perkins) An abbreviated version of a *Statement of Borrower's Rights and Responsibilities* provided to a borrower receiving a new loan under the multi-year feature of an Master Promissory Note. A PLD does not contain any loan specific information. (See also *Disclosure Statement*.)

**PLUS Loan** See *Federal PLUS Loan*

**Policies And Procedures Manual** An in-house manual that helps a school effectively and consistently manage financial aid using a set of written policies and procedures. Although ED does not require such a manual, it recommends

that a school compile one since FSA regulations require schools to have, maintain, and disclose certain written policies. See the *Policies and Procedures Assessment and Assistance Tool* on IFAP and *The Blue Book*.

**Portable Document Format (PDF)** A file format developed by Adobe Systems, Inc. PDF that can be used to share text and graphic documents with readers who may have different software, hardware, and operating systems. Using Adobe® Reader®, a free product that can be downloaded from the Adobe® Website, one can view a PDF document without having the same software and fonts as the computer on which the document was created. Most FSA publications are posted to the IFAP Website in the PDF format."

**Post-baccalaureate Program** A program of instruction for individuals who have completed a baccalaureate degree. Some Post-baccalaureate Programs qualify for Pell and TEACH grants.

**Posting** In accounting, transferring debits and credits from a journal to the proper control and subsidiary ledger accounts. Each amount recorded in the debit column of a journal is posted by entering it on the debit side of the appropriate ledger account, and each amount recorded in the credit column of the journal is posted by entering it on the credit side of the appropriate ledger account.

**Postscreening** A process subsequent to pre-screening whereby the NSLDS database is scanned regularly to check for changes to the eligibility of FSA applicants identified for *transfer monitoring*. These changes include loan aggregates and the student's moving into or out of a default or overpayment status, and are reported to the CPS. The CPS then creates new record transactions and generates new SARs and ISIRs.

**Postscreening Reason Code** (On SAR/ISIR) Codes listed in the NSLDS Postscreening Reason Code field that help schools identify students whose FSA eligibility may have changed since the last SAR/ISIR transaction was produced.

**Postsecondary Education Participants System (PEPS)** The FSA's management information system for all organizations that have a role in administering FSA and related Higher Education Act programs. It maintains eligibility, certification, demographic, financial, review, audit, and default rate data about schools, lenders and guarantors participating in the FSA programs.

**Postsecondary Institution** An institution providing education beyond the high school level. The term refers to trade and technical schools, two-year colleges, community colleges, and four-year colleges and universities.

**Postsecondary Vocational Institution** A public or private nonprofit educational institution that is otherwise eligible to participate in the FSA programs and that offers at least:

- a 15-week undergraduate program (of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours); or
- a 10-week program (of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours) that is also a graduate/professional program or that admits only students with an associate degree or equivalent; or
- a 10-week undergraduate program (of 300-599 clock hours) that admits at least some students without an associate degree or equivalent and meets some specific qualitative standards (such a program is eligible for FFEL and Direct Loan participation only).

See *The Federal Student Aid Handbook, Volume 2*.

**Post-withdrawal Disbursement** A disbursement a school is required to make or offer, as appropriate, to a student who has withdrawn from school that the student has earned as determined by a Return of Title IV Aid calculation.

**Potential Overaward Process (POP)** An electronic process that sends an alert to a school's SAIG mailbox when it appears that a student may be receiving more than a full Scheduled Pell Grant or simultaneous Pell disbursements at two or more schools. The COD System allows a potential overaward situation to exist for 30 days before reducing all of the students Pell Grant disbursements for that award year to zero.

**Poverty Line** The official poverty line defined by the Office of Management and Budget (OMB) based on the most recent data available from the Bureau of the Census.

**Preaccredited** A status that a nationally recognized accrediting agency, recognized by the Department to grant that status has accorded an unaccredited public or private nonprofit institution that is progressing toward accreditation within a reasonable period of time. See *The Federal Student Aid Handbook, Volume 2*.

**Preeacquisition Review** A review performed when a school submits an E-App a school 45 days prior to undergoing a change in ownership. The review determines whether the school has answered all the questions completely and accurately. See *The Federal Student Aid Handbook, Volume 2*.

**Preferred Lender Arrangement** An arrangement or agreement between a lender and a covered institution, or an institution-affiliated organization of such covered institution, (1) under which the lender provides or otherwise issues education loans to students attending such covered institution or the families of such students and (2) involves the covered institution or institution-affiliated organization recommending, promoting, or endorsing the lender's education loan products. Such an arrangement does not include an institution participating in the Direct Loan Program or arrangements or agreements under the PLUS auction pilot program.

**Preferred Lender List** Annually updated list of (at least three) lenders provided by a school of lenders that make FFEL loans to a school's students. See *The Federal Student Aid Handbook, Volume 2* & 4.

**Pre-paid Debit Card** See *Stored Value Card*.

**Prepaid Tuition Plan** A college savings plan that is guaranteed to rise in value at the same rate as college tuition. See *The Federal Student Aid Handbook, Volume 2*.

**Preparatory Coursework** Prepares a student for entry into a given program of study. The courses must be part of an eligible program otherwise offered by the school. If enrolled at least half time in these prerequisite courses, a student might eligible to receive some types of FSA assistance.

**Prepayment** Paying off all or part of a loan before it is due.

**Prescreening** The initial match of FAFSA data that CPS performs against the NSLDS database to identify applicants for federal student financial aid who are in default on an existing Title FSA loan; who owe overpayments on Federal Pell Grants, FSEOGs, and/or Perkins Loans; or who have exceeded maximum loan limits. Prescreening is performed before the CPS processing of FAFSA data is complete.

**Primary Accreditor** Typically an accrediting agency whose scope is institution-wide rather than only programmatic. A participating institution must advise the Department which accrediting agency it wants to serve as its primary accrediting agency for the purpose of FSA eligibility. See *The Federal Student Aid Handbook, Volume 2*.

**Primary EFC** The expected family contribution (EFC) that appears on the first page of the Student Aid Report (SAR) or Institutional Student Information Record (ISIR). It is the highest priority system-calculated EFC. If the simplified

needs test is met, the primary EFC will be calculated using a simplified formula. If the simplified needs test is not met, the primary EFC will be calculated using the full data formula.

**Primary Reserve Ratio** Under the financial responsibility regulations, the primary reserve ratio is:

For proprietary schools:

$$\frac{\text{Adjusted Equity}}{\text{Total Expenses}}$$

For private, nonprofit schools:

$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

For further definitions and other details refer to 34 CFR 668–Subpart L, Appendix A (proprietary) and Appendix B (private, nonprofit). Also see *The Federal Student Aid Handbook, Volume 2*.

**Principal** The amount of a loan on which interest is calculated.

**Principal Balance** The amount that remains outstanding amount on a the loan. As the loan is repaid, a portion of each payment is used to satisfy interest that has accrued and the remainder of the payment is applied to the outstanding principal balance.

**Prior-year Recoveries** Funds a school recovers in a given award year from money disbursed in prior award years. Schools must adjust award expenditures and administrative cost allowances (ACAs) in award years in which recoveries are made. See *The Blue Book*.

**Priority Deadline** The latest date at a school that students who apply for financial aid for the award year can apply for aid and be able to receive maximum consideration for institutional funds. Many schools award the bulk of their institutional financial aid to students who apply by this deadline.

**Privacy Act of 1974** Federal law that ensures the confidentiality of information gathered from individuals in association with such governmental programs as the Federal Pell Grant Program. Also see *FERPA* which governs the privacy of educational records. See *The Federal Student Aid Handbook, Volume 2*.

**Private Loans** A loan provided by a private educational lender that is not a Title IV loan, is issued expressly for the postsecondary educational expenses of the borrower regardless of whether the loan is provided through the educational institution that the subject student attends or directly to the borrower from the private educational lender, and does not include an extension of credit under an open end consumer credit plan, a reverse mortgage transaction, a residential mortgage transaction, or any other loan that is secured by real property or a dwelling.

**Private, Nonprofit Institution** A school under private control that was not established for the purpose of making a profit. See *The Federal Student Aid Handbook, Volume 2*.

**Processed Edit Codes** These codes communicate unique messages from the Common Origination and Disbursement (COD) System when a school's reported student payment data is found to be in error or inconsistent with related data. See the *2008-2009 Common Origination and Disbursement (COD) Technical Reference* for a current list of processed edit codes.

**Processing Period** The time allowed for completing the processing financial transactions for Title IV funds for one award year. Example: For the award year July 1, 2009 to June 30, 2010 the financial aid processing period is January 1, 2009 through September 30, 2010.

**Professional Degree** A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor's degree. Professional licensure is also generally required. Examples of a professional degree include but are not limited to Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), and Theology (M.Div., or M.H.L.).

**Professional Judgment (PJ)** A provision in the Higher Education Act that allows financial aid administrators to:

- override the student's dependency status to make the student independent;
- adjust the components of the student's cost of attendance; and
- adjust the data elements used to calculate the student's Expected Family Contribution (EFC).

Professional judgment must be used only on a case-by-case basis, and the reason must be documented in the student's file.

**Program Participation Agreement (PPA)** A written agreement that must be signed by both a top official at a school and ED that permits the school to participate in one or more FSA programs. The signed agreement makes the school's initial and continued eligibility to participate in FSA programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have to be updated periodically due to changes at the school. Schools must apply for recertification at regular intervals.

**Program Records** Those a school must maintain that reflect its general administration of the FSA programs including, for example: information included on any application for FSA funds; the school's approval to participate in the FSA programs; the FSA eligibility of the school's pro-

grams of education; the school's administration of the FSA programs; and the school's administrative capability and financial responsibility. See *The Federal Student Aid Handbook, Volume 2*.

**Program Review** An audit-like examination by ED or a guaranty agency of a school's compliance with federal laws and FSA regulations and its own school policies. The process may also review the school's overall management and administrative capabilities.

**Program Review Exceptions** School policies, procedures, or actions cited in a program review report as being contrary to federal laws or regulations that govern the FSA programs. Also referred to as *Findings*.

**Promissory Note (P-Note)** The promissory note is the legally binding document that is evidence of a borrower's indebtedness. See *Master Promissory Note*.

**Prompt Disbursement** Schools that are not receiving federal cash from the Department through one of the heightened cash monitoring payment methods must make disbursements as soon as administratively feasible but no later than 3 business days after receiving funds from the Department.

**Proprietary Institution of Higher Education (Proprietary School)** A private for-profit educational institution that is otherwise eligible to participate in the FSA programs, and that offers at least:

- a 15-week undergraduate program (of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours); or
- a 10-week program (of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours) that is also a graduate/professional program or that admits only students with an associate degree or equivalent; or

- a 10-week undergraduate program (of 300-599 clock hours) that admits at least some students without an associate degree or equivalent and meets some specific qualitative standards (such a program is eligible for FFEL and Direct Loan participation only).

See *The Federal Student Aid Handbook, Volume 2*.

**Proration** A reduction of the standard annual loan limit for an undergraduate student. Proration of the loan amount is required if the student's program, or the remainder of the student's program, is less than a full academic year in length. See *The Federal Student Aid Handbook, Volume 3*.

**Provisional Certification** Rather than granting full approval to participate, the Department may grant a school conditional approval to participate in the FSA programs for up to three complete award years. This level of approval is granted at the Department's discretion. See *The Federal Student Aid Handbook, Volume 2*.

**Public Institution** A school maintained at public expense and under public control. See *The Federal Student Aid Handbook, Volume 2*.

**Pushed Cash** The delivery method associated with the Just-in-Time payment method. Based on accepted actual disbursements submitted by a school and accepted by COD, funds are automatically deposited in the school's bank account without the school submitting a drawdown request. For Direct Loans, an origination record and accepted MPN is required before an actual disbursement is accepted and cash pushed to the school. (Applicable to schools in the Direct Loan Program, some schools receiving Pell Grant funds, and schools on the reimbursement Payment Method.)

## – Q –

**Qualified Drug Rehabilitation Program** A program through which a student denied eligibility for conviction of possession or sale of drugs can regain eligibility for FSA funds. See *The Federal Student Aid Handbook, Volume 1*.

**Qualified Education Benefits** The HERA grouped qualified tuition programs ((QTP), also known as section 529 plans because they are covered in section 529 of the IRS tax code) and Coverdell education savings accounts in the new category of qualified education benefits. These savings vehicles are all considered an asset of the owner (not the beneficiary because the owner can change the beneficiary at any time). Effective July 1, 2009, when the owner is a dependent student, the value of the asset is reported as a parental asset. See *The Application and Verification Guide*.

**Qualitative Standard** One of the standards a student must satisfy in order to be considered making satisfactory academic progress. This standard consists of grades or comparable factors that are measurable against a norm. See *The Federal Student Aid Handbook, Volumes 1 & 2*.

**Quality Assurance Program (QA Program)** Helps schools attain, sustain, and advance exceptional student aid delivery and service excellence. You can find it at: <http://www.ifap.ed.gov/qahome/Default.html>

**Quantitative Standard** One of the standards a student must satisfy to be considered making satisfactory academic progress. This standard includes a maximum time frame in which a student must complete his or her educational program. The school's academic progress policy must divide the maximum time frame into equal evaluation periods called *increments* that can't be longer than half the program or one academic year, whichever is less. See *The Federal Student Aid Handbook, Volume 2*.

**Quarter** A standard of measurement in higher education used to group weeks of instructional time in the academic calendar. A quarter academic term is usually 10 to 12 weeks long, and a traditional quarter calendar generally includes three quarters in the fall, winter, and spring (and often a summer quarter as well). Students successfully completing a course earn quarter credits.

## – R –

**Real and Reasonable Opportunity** When a school can document that required course materials are available for purchase at a relatively convenient location unaffiliated with the school; and that the school provides financial aid funds in a way and at a time that made it possible for a student to purchase the required materials in a timely manner. If a student has a real and reasonable opportunity to purchase materials at an unaffiliated location, the materials are not institutional charges (e.g. in a Return calculation).

**Reallocation** The release, back to the federal government, of Campus-Based funds that will not be used during the period for which the funds were allocated. A *Supplemental Allocation* may then provide additional funding to schools in need of additional Campus-Based funds.

**Reauthorization** The process of extending current authorizing legislation. It is generally conducted every five to six years in the case of the Higher Education Act (HEA), at which time Congress reviews and then renews, terminates, or amends existing programs.

**Receipt** (in COD) An electronic notification COD sends to schools indicating that the COD system has received a school's Common Record and that it is readable and complies with the Extensible Markup Language (XML) schema. The receipt is sent after the Common Record is received by the COD System, but before actual processing of the Common Record.

**Recertification** The process through which a school that is presently certified to participate in the FSA programs applies to have its participation extended beyond the expiration date of its current Program Participation Agreement (PPA) and Eligibility and Certification Approval Report (ECAR).

**Recipient System** Lists of all organizations doing business with the Department of Education. The system maintains each organization's name, address, and D-U-N-S Number or SSN.

**Recognized Equivalent of a High School Diploma** For FSA purposes, a General Education Development Certificate (GED or other documentation of readiness for postsecondary education as defined by regulation. See *The Federal Student Aid Handbook, Volume 1*.

**Recognized Occupation** For purposes of FSA program eligibility, an occupation that is –

- listed in an “occupational division” of the latest edition of the Dictionary of Occupational Titles, published by the U.S. Department of Labor; or
- determined by the Department in consultation with the Department of Labor to be a recognized occupation.

See *The Federal Student Aid Handbook, Volume 2*.

**Reconciliation File/Report** A one-record summary of the award and disbursement data in COD for an individual Pell Grant recipient.

**Reconciliation of Cash** A confirmation that the cash amount shown in a school's accounting records agrees with the cash amount reported by the school's bank.

**Reconciliation of Federal Funds** Balancing the school's records of federal funds received, expended, and returned against ED's records. Reconciliation should be performed monthly to ensure that reported expenditures, the trial balance, ED's year-to-date summary for the Pell Grant Program, the school's FISAP (Fiscal Operations Report and Application to Participate) for the campus-based programs, and any other allocation (other than FSA funds) are in agreement. There should also be a yearly reconciliation of the same items included in a school's nonfederal audit.

**Record Layout (RL)** A list of the field definitions for data records, including field numbers, field lengths, field descriptions, valid values, start positions, and end positions. The layouts for records transmitted to and received from the Central Processing System (CPS) and Common Origination and Disbursement (COD), can be found in the *Electronic Data Exchange (EDE) Technical Reference* and the *COD Technical Reference*. The record layouts used to transmit data to and from mainframe systems, Import External Add and Import External Change, are available in the *EDE Technical Reference*, the *COD Technical Reference*, and *Packaging Technical Reference*. Available for at fsadownload.ed.gov.

**Record Retention Period** The length of time for which a school is required to retain and make available for review records pertaining to its administration of the FSA programs. In general three years from the end of the award year, but the starting point for all record retention is not the same, and some records (e.g. loan records) must be retained for much longer periods. See *The Federal Student Aid Handbook, Volume 2*.

**Reference** An individual to whom inquiries may be made regarding another person's character, ability, or whereabouts. A lender generally will ask a borrower to provide the names, phone numbers, and addresses of individuals to be used as references for the borrower. In the event that the lender loses track of the borrower's whereabouts, the lender will contact these individuals to try to find the borrower.

**Referring an Overpayment** When a school assigns a student's overpayment to ED's Borrower Services for collection.

**Refund** The return of interest or excess cash to ED from G5 drawdowns or the return of audit and program review liabilities and fines. Previously, the required return of funds by a school to the Title IV programs when a student withdrew. That process is now referred to as the *Return of Title IV funds*. Also used by schools to refer to a school's distribution of a FSA credit balance to a student.

**Refund Policy** A school policy that determines the conditions under which a student is entitled to a refund of payments made to the school, or whether the student owes the school for outstanding charges. A school's refund policy has no bearing on the amount of funds a school might have to return to ED or disburse to a student under the Return of Title IV requirements. See *The Federal Student Aid Handbook, Volume 5*, and 34 CFR 668.22.

**Refund Reserve Standard** One of the standards that a school must satisfy in order to be considered financially responsible. A school must have sufficient cash reserves to return FSA funds when a student withdraws. See *The Federal Student Aid Handbook, Volume 2*.

**Regular Student** A person who is enrolled or accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school. See *The Federal Student Aid Handbook, Volume 1*.

**Rehabilitation** (of a defaulted loan) A process by which a borrower may bring a loan out of default by adhering to specified repayment requirements.

**Reimbursement** (in Perkins) The requirement that a school replace with school funds, money for an outstanding balance on an overpayment or defaulted loan when the school failed to fulfill its regulatory responsibilities. A school must also reimburse the Perkins Loan Fund for the amount of the administrative cost allowance claimed on the reimbursed portion of a loan.

**Reimbursement Payment Method** Under Reimbursement, the FSA School Participation Team initiates a drawdown through G5 on behalf of a school or direct cash payments are deposited in the school's bank account based on actual disbursements submitted to and accepted by the COD System and released by the FSA School Participation Team.

**Reinstatement** (of borrower Title IV eligibility) A process by which a borrower with a defaulted FSA loan may regain eligibility for FSA funds by adhering to strict repayment requirements.

**Reject Codes** (On SAR/ISIR) An alphabetic or numeric code that indicates to the financial aid administrator (FAA) why a record has been rejected. Some reject reasons are verifiable – that is, the student can confirm the questionable data by reentering the same value or correct it to a different value. Other reject reasons are not verifiable – the questioned data must be changed or provided. In all reject situations, the questioned information is highlighted on the Student Aid Report (SAR) and an expected family contribution (EFC) is not calculated.

**Rejected ISIR/SAR** When significant information on the Free Application for Federal Student Aid (FAFSA) is missing, incomplete, or contradictory, the Central Processing System (CPS) cannot calculate an expected family contribution (EFC) and the record is rejected.

**Release of Proceeds** Delivery of loan proceeds by the school to the borrower. Release of proceeds is not disbursement of proceeds by the lender.

**Release Record** In the COD process, a record that changes an Edit Only or Anticipated Disbursement to an Actual Disbursement Record. Schools using the Common Record submit a new record with the Disbursement Release Indicator set to "True."

**Remedial Coursework** Prepares a student for study at the postsecondary level. A student enrolled solely in a remedial program is not considered to be in an eligible program if acceptance into an eligible program is contingent on completing remedial work. However, if a student is admitted into an eligible program and takes remedial coursework within that program, he or she can be considered a regular student; even if he or she is taking all remedial courses before taking any regular courses (also see *Preparatory Coursework*). See *The Federal Student Aid Handbook, Volume 1*.

**Renewal FAFSA on the Web** Term formerly used to refer to a Free Application for Federal Student Aid (FAFSA) pre-populated with the student's prior year data and used for applying for the upcoming award year. While financial aid administrators (FAAs) may continue to use the term "Renewal FAFSA", the term is no longer used for students applying on the Web. When a renewal-eligible student accesses FAFSA on the Web, the student is asked if he or she would like to "pre-fill" his or her application with data from the previous year.

**Repayment** When a borrower pays back an education loan or overaward/overpayment.

**Repayment Period** The period during which principal payments are required. The repayment period excludes any period of authorized deferment or forbearance.

**Repayment Schedule** A written document, usually provided during exit counseling, that indicates the total principal and interest due, the payment amount, and the number of payments required to pay the loan in full. A Repayment Schedule also contains the interest rate for the loan included on the schedule, the due date of the first and subsequent payments, and the frequency of payments.

**Repayment Start Date** The date the repayment period begins. For Stafford loans, repayment begins on the day following the last day of the grace period. For PLUS loans, repayment begins on the date the loan is fully disbursed. See *Deferral Period*.

**Required Verification Items** The items that must be verified if the CPS selects an application for verification including –

- household size,
- number enrolled in college,
- adjusted gross income (AGI),
- U.S. income tax paid, and
- certain untaxed income and benefits.

**Response** The Common Record document sent back to the school after processing of an incoming Common Record document is complete. It contains processing results and edit codes.

**Reporting an Overpayment** When a school enters a student's overpayment in NSLDS.

**Reporting Pell ID** (in COD) The six-digit Pell ID for a participating independent campus or central administrative campus/office for branch campuses that have unique Pell IDs. The Reporting Pell ID is the funded school.

**Reporting School** (in COD) The school that sends and receives data for the campuses or students it serves. The Reporting School must be a school and cannot be a 3rd Party Servicer.

**Reporting Waiver** (in NSLDS) A school may apply for a waiver for the Enrollment Reporting process if there are unusual or unforeseen circumstances that will prevent it from submitting its roster within the required 30-day period. To apply for a waiver, a school must call the NSLDS Customer Service Center at 800-999-8219.

**Resources** Student aid that must be taken into account to prevent an overaward. (See Estimated Financial Assistance.)

**Response** (in COD) For all Common Records the Common Origination and Disbursement (COD) System receives and processes, it returns a response document indicating the status of Common Record processing, including any rejected data elements and reasons for the rejection.

**Restricted** (limited use) **Funds** A restricted fund made up of a self-balancing group of accounts: assets, liabilities, capital (fund balance), revenues, and expenses. It is important to note that individual funds are separated completely from one another and from the general fund of the school and are self-balancing.

**Retroactive Payment** Paying a student for any completed payment periods within the award year if the student was eligible for payment in that period.

**Return of Title IV Funds (R2T4)** When a recipient of Title IV FSA aid ceases enrollment (or withdraws from a school) prior to the planned ending date of the payment period or period of enrollment in which the recipient began attendance, the school must calculate the recipient's earned and unearned Title IV aid. Unearned Title IV funds must be returned to the appropriate Title IV programs.

**Return of Title IV Funds (R2T4) on the Web** An FSA developed online calculator schools can use to calculate the earned and unearned portion of Title IV program assistance in accordance with section 484B of the Higher Education Act. The site is accessible at: [https://www.fsadownload.ed.gov/arc\\_ReturnT4Funds.htm](https://www.fsadownload.ed.gov/arc_ReturnT4Funds.htm)

**Rigorous Secondary School Program of Study** For the purpose of qualifying for an ACG, a student must have received a high school diploma and completed a rigorous secondary school programs designated by state education agencies (SEAs) and state-authorized local education agencies (LEAs) and recognized by the Secretary of Education, or meet another standard recognized by the Secretary. For each calendar year the Secretary publishes a list of all rigorous secondary school programs of study. The webpage at

<http://www.ed.gov/admins/finaid/about/ac-smart/state-programs.html>

links to separate pages for each year of graduation.

**Robert C. Byrd Honors Scholarship Program (Byrd Scholarship)** An OPE administered Title IV financial aid program that makes scholarships available to full-time postsecondary students with exceptional ability and promise. Students apply for the merit-based scholarships through their state education agencies.

**Roster File** This file is the output document from the Enrollment Reporting process. The Roster File lists all Direct Loan Program and Federal Family Education Loan (FFEL) Program borrowers at a school who were last reported as enrolled at the school. Formerly known as *Student Status Confirmation Report (SSCR)*. Also see *Enrollment Reporting*.

**Routing Identifier** A randomly generated eight-digit number assigned to schools and Third Party Servicers and common across the Pell Grant and Direct Loan programs. It replaces the Pell Institution Number and Direct Loan School code for the reporting of Pell Grant and Direct Loan data. Previously referred to as the *Common School Identifier (CSID)*.

## – S –

**Safe Harbor** In general usage, a provision of a regulation that reduces or eliminates a party's liability under the law on the condition that the party performed its actions in good faith. The FSA regulations sometimes grant minor exceptions to a general rule that are also called safe harbors, as in the 12 Safe Harbors to the Incentive Compensation regulations. See *The Federal Student Aid Handbook, Volume 2*.

**Sanctions** Include emergency actions, fines, limitations, suspensions, and terminations that the Department may initiate against any school or group of schools that:

- violate the law or regulations governing the FSA programs, its PPA, or any agreement made under the law or regulations;
- substantially misrepresent the nature of its educational programs, its financial charges, or its graduates' employability; and
- no longer meet the criteria for participation in the programs.

Similarly, the Department may also sanction a third-party servicer that performs functions related to the FSA programs or a group of schools or servicers if it finds that a person or entity with substantial control over all schools or servicers within the group has violated any of the FSA program requirements or has been suspended or debarred from program participation.

**SAR/ISIR Comment Codes and Text** Companion document to the Electronic Data Exchange (EDE) Technical Reference. It can be used as a stand-alone guide for interpreting comment codes and text found on the Student Aid Report (SAR).

**SAR Acknowledgement** See *Student Aid Report*.

**SAR "C" Flag** Prints on the Student Aid Report (SAR) next to the expected family contribution (EFC) and indicates to the school that there is an issue with the student's record and one of the database matches. Resolution by the school is required. See *The ISIR Guide* for information on resolving SAR C flag issues.

**Satisfactory Academic Progress (SAP)** The qualitative (grade point average) and quantitative (time limit) measure of a student's progress toward completing a program of study. To maintain eligibility for FSA funds, the student must show adequate progress. Schools must establish policies regarding satisfactory academic progress, and must check the progress of federal aid recipients at least once each academic year.

**Satisfactory Repayment Arrangement** (of a FSA loan) A specified number of consecutive, on-time, voluntary, reasonable, and affordable payments made directly to the guarantor or loan holder by a borrower with a loan or loans in default.

**Satisfactory Repayment Arrangement** (of an overpayment) An agreement between a student who owes an overpayment and the student's school or ED Borrower Services, as appropriate, under which the student promises to repay the overpayment within a specified period of time.

**Scheduled Academic Year (SAY)** For purposes of monitoring Stafford annual loan limits, an SAY corresponds to a traditional academic year calendar that is published in a school's catalogue or other materials (for example, fall and spring semesters, or fall, winter, and spring quarters). An SAY is a fixed period of time that begins and ends at the same time each year. For more information see *The Federal Student Aid Handbook, Volume 3*. Also see *Borrower-Based Academic Year*.

**Scheduled Award** (in Pell) The amount paid to a full-time student for a full academic year within a Pell Grant award year based upon the student's Estimated Family Contribution (EFC) and Cost of Attendance (COA).

**Scheduled Break** An interruption in training that appears on a school's published calendar. In the Return of Title IV Aid, institutionally scheduled breaks of five or more consecutive days are excluded from the Return calculation as periods of nonattendance and therefore do not affect the calculation of the amount of earned FSA program funds.

**Scholarships** Financial assistance that does not have to be repaid. Scholarships may be awarded based on any number of criteria, such as: academics, achievements, hobbies, talents, and affiliations with various groups, or career aspirations. Scholarships, unlike grants, may not have a need component.

**School Closeout** The process of identifying and submitting any outstanding records for an award year and returning any money for which there are no records to substantiate its use.

**School Lender** A school that has been approved as a lender under the FFELP and has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

**School Participation Team (SPT)** Assist participating schools with eligibility issues, including management improvement services, program review, financials, eligibility and re-certification, and audits. There are 10 School Participation Teams within FSA. Formerly known as Case Management Team.

**School Serving Low-Income Students** (Low-income School) For purposes of FSA loan cancellation and satisfying the TEACH Grant obligation, an elementary or secondary school that is listed in the Department's Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits. It is located at: <http://www.tcli.ed.gov/CBSWebApp/tcli/TCLI-PubSchoolSearch.jsp>

**School Transfer Profile** The information a school provides to the NSLDS pertaining to its participation in the *Transfer Student Monitoring Process*. The profile designates the school's contact, email address where Alert Notification Messages should be sent, and Inform and Alert options.

**Schools Portal** Former name of the Financial Aid Professionals Website. This site was retired in November, 2008 and its functions and services subsumed into the IFAP Website.

**Second Selection Group** (in FSEOG) That group of students with the second highest priority in awarding FSEOG funds. Students at a school with the lowest expected family contribution who will **not** receive Pell Grants in that award year.

**Secondary Confirmation Flag** Indicator on ISIR reporting results of subsequent CPS data matches with DHS (after the initial match fails) to confirm eligible noncitizen status. See *The Federal Student Aid Handbook, Volume 1*.

**Secondary EFC** A second expected family contribution (EFC) is calculated when a student qualifies for the simplified formula but also provides information about assets. In these cases a Primary EFC is calculated excluding assets, and a Secondary EFC is calculated with the assets. The Secondary EFC only appears in the information summary of the Student Aid Report or Institutional Student Information Record.

**Secondary School** A nonprofit day or residential school, including a public secondary charter school, that provides secondary education, as determined under State law, except that the term does not include any education beyond grade 12.

**Secretary** The Secretary of the Department of Education or an official or employee of the Department of Education acting for the Secretary under a delegation of authority.

**Section 529 Plans** State tuition savings plans, named for the section of the IRS code authorizing their existence. See *The Application and Verification Guide*.

**Selective Service System (SSS)** The federal system, mandated by the Military Selective Service Act, that delivers manpower to the U.S. Armed Forces during emergencies. Males between the ages of 18 and 25 are required to register with the Selective Service System.

**Selective Service System Match (SSS Match)** To check that students who must be registered actually are registered; the CPS performs a match with the Selective Service System. The CPS provides a match flag showing the results in the FAA Information section of the output document. In addition, the output document has a comment about the match results. See “Packaging in *The Federal Student Aid Handbook, Volume 3*.”

**Self-Evaluation** A school’s in-house evaluation of the way it administers its student financial aid program. A self-evaluation is undertaken in an effort to detect any problems early on and resolve them.

**Self-Help Aid** Financial aid that must be repaid (loans) or is earned through employment. See *The Federal Student Aid Handbook, Volume 1*.

**Self-Paced Program** An educational program without terms that allows a student to: complete courses without a defined schedule; or at the student’s discretion, to begin courses within a program either at any time or on specific dates set by the institution for the beginning of courses without a defined schedule for completing the program.

**Semester** A standard of measurement in higher education used to group weeks of instructional time in the academic calendar. A semester provides 15 to 17 weeks of instruction. Students earn semester credits.

**Separation of Functions** As a part of administering FSA programs, a school is required to establish and maintain a checks-and-balance/internal-control system that ensures no single school office or individual can both authorize payments of FSA program funds and disburse those funds to students. Often this required separation is created by dividing the functions between the school’s financial aid office and the school’s business office.

**Servicer** See *Third-Party Servicer*.

**Show-cause Official** Designated department official authorized to conduct a show-cause proceeding for an emergency action.

**Simplified Needs Test (Simplified Formula)** A formula under the Federal Methodology that ignores the asset information reported on the FAFSA in calculating a student’s Expected Family Contribution (EFC). It is also referred to as a simplified formula. Also see Federal Methodology (FM).

**Single Audit Act (A-133 audits)** In lieu of audits performed under the FSA Audit Guide, some schools are permitted to have audits performed under the guidelines of the Single Audit Act (also known as A-133 Audits because the guidelines for the audits are provided in *OMB Circular A-133 Audits of States, Local Governments, and Non-profit Organizations*). Audits performed under the Single Audit Act satisfy the Department’s audit requirements. See *The Federal Student Aid Handbook, Volume 2* and *The Audit Guide*.

**Single-entry Bookkeeping** The system, for example, in a personal checkbook, where generally only records of cash accounts are maintained. Where transactions are infrequent and receivables, payables, and assets other than cash are few, carefully maintained single-entry records may be adequate.

**Single-year Feature (SY Feature)** Using a Master Promissory Note to make FFEL or Direct Loans within a single academic year. The single year feature applies to schools or borrowers that choose not to use the multi-year feature. Schools/borrowers that choose to use this feature must complete a new promissory note for each academic year.

**Site Visit** A visit to a school during which an independent auditor, nationally recognized accrediting agency, or ED representative seeks to understand the school’s physical plant, enrollment, student financial aid application process, and methods of monitoring student attendance.

**Skip Tracing** Traditionally, searching for someone with unpaid debts who has moved without leaving a forwarding address. When a FSA loan borrower no longer lives at an address the Direct Loan Servicing Center, or lender or school must attempt to locate the borrower’s correct address. In the search, the law allows the use of any information obtained from the borrower while the borrower was at the school (such as data taken from applications and files), as well as information gleaned from any school office (including the registrar’s office and the alumni office). If the borrower still cannot be located using information from the school (or otherwise available to the lender), the lender or school must use ED’s free skip-tracing service to try to locate the missing loan borrower.

**Social Security Administration (SSA)** The federal agency that establishes policy and coordinates Social Security earnings and benefits. The Central Processing System (CPS) conducts a match of Free Application for Federal Student Aid (FAFSA) data against this agency’s database to confirm the student’s identification and eligibility for federal student financial aid.

**Social Security Number (SSN)** The nine-digit number assigned by the Social Security Administration. The SSN is used as an identifier for students applying for and receiving FSA. Applicants from the Pacific Islands who do not have SSNs are assigned SSNs beginning with 888 by the Central Processing System (CPS).

**Social Security Match (SSN Match)** A program that compares the student’s (and parents, where applicable) SSN as reported on the FAFSA with the Social Security Administration (SSA). See *The Application and Verification Guide*.

**Source Document** The original supporting document used by a school to determine the value of any data element used to determine a student’s eligibility for aid (e.g. a tax return or divorce agreement).

**Special Leveraging Educational Assistance Partnership Program (SLEAP Program)** State grant programs providing aid to students with financial need to assist them in paying for their postsecondary cost or help states fulfill service programs to strengthen opportunities for elementary school and secondary school students with financial need to enter postsecondary education. The SLEAP Program is funded only when the Leveraging Educational Assistance Partnership (LEAP) Program fund is in excess of \$30 million. The excess amount must be applied to the SLEAP Program.

**SSCR (Enrollment Reporting) for Windows** A multi-year PC application used by schools to electronically certify borrowers’ enrollment and update student information on the National Student Loan Data System (NSLDS). It can be used to import, update, and export student records in the Enrollment Roster (sent on a regular basis to each school by NSLDS) to return to NSLDS. Available for download through FSA Downloads through IFAP.

**Standard Repayment Schedule** A repayment schedule under which a borrower pays the same amount for each installment payment throughout the entire repayment period, or pays an amount that is adjusted to reflect annual changes in the loan’s variable interest rate. The Standard Repayment Schedule cannot exceed 10 years, excluding in-school, grace, deferment, or forbearance periods.

**Standard Response** (in COD) A standard response is a Common Record returned to a school by the Common Origination and Disbursement (COD) System that contains only rejected data elements and reason codes. A full response, on the other hand contains all the original tags as well as the rejected data elements and reason codes.

**Standard Terms** Semesters and trimesters generally contain 15 to 17 weeks of instructional time. Quarters generally contain 10 to 12 weeks of instructional time.

**State** A state of the union, American Samoa, the Commonwealth of Puerto Rico, the District of Columbia, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. The latter three are also known as the Freely Associated States.

**State Lender** In any state, a single state agency or private not-for-profit agency designated by the state that has been approved as an FFEL lender and that has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

**State Student Incentive Grant (SSIG) Program** See *Leveraging Educational Assistance Partnership (LEAP) Program*.

**Statement of Borrower's Rights and Responsibilities (BRR)** A list of an FSA borrower's rights under his or her promissory note as well a list of the actions a borrower must take in order to satisfy his or her obligations under the note. A school or lender must provide a BRR as part of the MPN.

**Statement of Educational Purpose** Formerly known as the "Affidavit of Educational Purpose," this statement is certified by the student applicant when completing the FAFSA indicating his/her agreement to use the financial aid funds awarded for the educational or educationally-related purposes only.

**Stored Value Card** A prepaid debit card that

can be used to withdraw cash from an automated teller machine (ATM) or to purchase goods from a merchant. A school may use stored-value cards as a way to make direct payments to students of FSA credit balances. We distinguish a stored-value card from a traditional debit card by defining a stored-value card as not being linked to a checking or savings account. See *The Federal Student Aid Handbook, Volume 4*.

**Statutory Interest Rate** The maximum annual interest rate (under the Higher Education Act) that a lender may charge on a FSA loan.

**Student Aid Internet Gateway (SAIG)** ED vehicle for electronically transmitting and receiving data for the FSA programs. Entities exchanging data through the SAIG include the CPS, NSLDS, COD, schools, third-party servicers, state agencies, lenders and guarantors. Enrollment in the SAIG (formerly known as the Title IV WAN) is available at: [www.fsawebroll.ed.gov](http://www.fsawebroll.ed.gov).

**Student Aid Master Record** A school record (not an FSA requirement) for a single student containing information relating to all student aid programs, including institutional and other aid programs for a single award year.

**Student Aid Report (SAR)** A paper federal "output" document sent directly to a student from FSA's Central Processing System (CPS). The SAR contains the family financial information submitted on the student's Free Application for Federal Student Aid (FAFSA) and provides the Expected Family Contribution (EFC) calculated by the CPS.

If the student provided an e-mail address, the CPS will send an e-mail instructing the student how to access the SAR electronically. A student who applies using a paper FAFSA but does not give an e-mail address will receive a paper SAR. A student who applies electronically but does not give an e-mail address will receive a paper SAR *Information Acknowledgement*.

**Student Aid Report Information Acknowledgement**

**(SAR Acknowledgment)** See *Student Aid Report*.

**Student Consumer Information** Data and procedures that participating institutions are required to disclose to their consumers, enrolled students, and prospective students, including:

- basic information about the school's academic programs, facilities, and financial aid;
- disclosures on campus security, graduation and transfer-out rates, revenue, and expense data at schools awarding athletically-related student aid; and
- for schools participating in the Campus-based Programs, disclosure on drug-abuse and alcohol-abuse prevention.

**Student Contribution** A quantitative estimate of the student's ability to contribute to postsecondary expenses for a given year.

**Student Identifier (SID)** A unique identifier for each applicant, made up of an applicant's Social Security Number (SSN), and the first two letters of the applicant's last name.

**Student Loan Interest Statement** The Form 1098-E issued from the financial institution, from a governmental unit (or any of its subsidiary agencies), from schools, or any other person to whom interest of \$600 or more was paid.

**Student Service Jobs** (in FWS) Jobs at a proprietary school that qualify for the FWS program. See *The Federal Student Aid Handbook, Volume 6*.

**Student Status Confirmation Report (SSCR)** The former name of the enrollment reporting function in the National Student Loan Data System (NSLDS) that monitors student enrollment status.

**Subsidiary Accounts** Accounts related to the *control account* that support in detail the summary transactions posted in the control account.

**Subsidiary Records** School records required

to support the totals in each FSA program account. Reconciliation between accounts and subsidiary record detail should be performed at least once a month.

**Subsidized Loan** A FFEL or Direct loan eligible for interest benefits paid by the federal government. The federal government pays the interest that accrues on subsidized loans during an in-school, grace, authorized deferment, and (if applicable) post-deferment grace periods if the loan meets certain eligibility requirements.

**Subsidy** Refers to the federal government's payment of interest on a borrower's behalf until repayment of the subsidized loan begins, including authorized periods of deferment.

**Substantially Equal** Academic terms are substantially equal in length if no term in the program is more than two weeks of instructional time longer than any other term in that program.

**Substantiation of Cash** The act of accounting for funds already drawn. In the COD Process, schools can substantiate funds by sending in actual disbursement records (Disbursement Release Indicator or DRI equals "True").

**Successfully Completes** A student successfully completes credit hours or clock hours if the school considers the student to have passed the coursework associated with those hours.

**Supplemental Appropriation** An additional allocation of available funds for one or more Campus-Based programs that may be given to a school on the basis of the school's need for additional funds. Supplemental allocations are made after schools release unexpended campus-based funds at the end of an award year.

**Suspension Period** The suspension period follows liquidation. During the suspension period, no new payment actions can take place without the approval of a FSA program office.

**System-generated Transaction** A change to a

student's Free Application for Federal Student Aid (FAFSA) data not resulting directly from a student's or school's changes and causing a new transaction to be generated by the Central Processing System (CPS). Such changes may result from a change in National Student Loan Data System (NSLDS) status, CPS reprocessing, a CPS system-generated signature, or a match with the SSA Death Master File.

**T-account** A short method accountants use to

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illustrate ledger accounts, alleviating the tedious reproduction of accounts as they actually appear in a school's ledger. Accountants use the T-account as a worksheet to check the debit and credit balances of individual ledger accounts and to trace posting of transactions to the various ledger accounts.

**T-Bill** A short-term debt obligation backed by the U.S. government with a maturity of less than one year. T-bills are sold in denominations of \$1,000 up to a maximum purchase of \$5 million and commonly have maturities ranging from a few days to 52 weeks. Some Direct Subsidized, Direct Unsubsidized, and Direct PLUS loans have a variable interest rate based on a specified T-Bill rate.

**Tag** In XML, a tag is an element name that is used inside brackets to denote the beginning and end of content. For example, <LastName>Jones</LastName> uses the tag of LastName.

**Taxable Income** Income earned from wages, salaries and tips as well as interest income, dividend income, business or farm profits, and rental or property income.

**Taxpayer Identification Number (TIN)** A unique nine-digit number assigned by the Internal Revenue Service that uniquely identifies organizations receiving funds from the Department of Education.

**Teacher (in Loan Cancellation)** A person who provides direct classroom teaching or classroom-type teaching in a non-classroom setting, including special education teachers and reading specialists.

**Teacher Cancellation Payments (TCPayments)** Reimbursements made to a school's Perkins loan fund as a repayment for a Perkins borrower serving as a teacher in a qualified program.

**Teacher Certification Coursework** Coursework required for elementary or secondary teacher certification or recertification in the state where

a student plans to teach and offered in credit or clock hours (courses using direct assessment in lieu of credit or clock hours are not eligible). A student may receive Federal Work-Study and Stafford, Perkins, and PLUS loans if he is enrolled at least half time in required teacher certification coursework, even though it does not lead to a degree or certificate awarded by the school.

**Teacher Education Assistance for College and Higher Education Grant Program (TEACH Grant Program)** The College Cost Reduction and Access Act (the CCRAA), Pub. L. 110-84 authorized the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program for implementation beginning with the 2008-2009 Award Year. TEACH grants are awarded by a school to students who are completing, or intend to complete, coursework to begin a career in teaching and who agree to serve for not less than four years as a full-time, highly-qualified, high-need field teacher in a low-income school. If the recipient of a TEACH Grant does not complete four years of qualified teaching service within eight years of completing the course of study for which the TEACH Grant was received or otherwise fails to meet the requirements of 34 CFR 686.12, the amount of the TEACH Grant converts into a Federal Direct Unsubsidized Loan.

**Teacher Loan Forgiveness (TLF)** A program to encourage individuals to enter and continue in the teaching profession. Under this program, individuals who teach full-time for five consecutive complete academic years in certain elementary and secondary schools that serve low-income families and meet other qualifications may be eligible for forgiveness of a portion of the principal and interest of their FFEL and/or Direct Loan program loans.

**Teacher Preparation Program (in TEACH)** A State-approved course of study, the completion

of which signifies that an enrollee has met all the State's educational or training requirements for initial certification or licensure to teach in the State's elementary or secondary schools. A teacher preparation program may be a regular program or an alternative route to certification, as defined by the State. For purposes of a TEACH Grant, the program must be provided by an institution of higher education.

**Teacher Shortage Area** (in FSA loan forgiveness) A federally designated geographic area, grade level, academic, instructional, subject matter, or discipline that has been classified as a shortage area as defined by the Department. See *The Federal Student Aid Handbook, Volume 2*.

**Telecommunications Course** A telecommunications course is one that is offered principally through the use of one or more technologies to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between these students and the instructor, whether asynchronously or in "real-time." These technologies include:

- television, audio, or computer transmission through open broadcast, closed circuit, cable, microwave, or satellite, and
- audio and computer conferencing.

A course taught through video cassettes or discs is also considered a telecommunications course, but only if the course is delivered to students physically attending classes at the school and is providing the course during the same award year, through another technology.

Distance courses that do not qualify as a telecommunications course are considered to be correspondence courses. Programs offered at foreign schools in whole or in part through telecommunications are not eligible programs for FSA purposes.

**Temporary Approval for Continued Participa-**

**tion** Provisional approval by the Department, at its discretion, to permit a school undergoing a change in ownership that results in a change in control to continue to participate in the FSA programs on a temporary basis as long as the school meets specific requirements. See *The Federal Student Aid Handbook, Volume 2*.

**Temporary Assistance to Needy Families (TANF)** Also known as *Aid to Families with Dependent Children (AFDC)* – A welfare program aiding low-income parents with children. See *The Application and Verification Guide*.

**Tentative Allocation** The amount of funding in a Campus-Based program a school is initially expected to receive based on data from the previous award year.

**Term-Based Program** A degree or certificate program that uses semesters, trimesters, or quarters to divide the academic year.

**Third-Party Servicer** An individual, state, private, profit or non-profit organization that enters into contract with an eligible school to administer any aspect of the school's participation in any Title IV, HEA program.

**Three-quarter Time Student** An enrolled student who is carrying a three-quarter-time academic workload, as determined by the school, that amounts to at least three quarters of the work of the applicable minimum requirement outlined in the definition of a full-time student.

**Title IV/FSA Recipient** A student who has actually received Federal Student Aid funds or has met the conditions that entitle the student to a late disbursement.

**Title IV Student Financial Aid** Federal financial

aid programs for students attending postsecondary educational schools, authorized under Title IV of the Higher Education Act of 1965, as amended. Those Title IV programs administered by Federal Student Aid are:

- Academic Competitiveness Grant (ACG),
- Federal Consolidation Loans,
- Federal Direct Student Loans,
- Federal Family Education Loan (FFEL) Program,
- Federal Pell Grants,
- Federal Perkins Loans,
- Federal Supplemental Educational Opportunity Grant (FSEOG),
- Federal Work Study (FWS),
- Gaining Early Awareness and Readiness for Undergraduates Program (GEAR-UP),
- Leveraging Educational Assistance Program (LEAP),
- National Science and Mathematics Access to Retain Talents (SMART) Grant,
- Robert C. Byrd Honors Scholarships, and
- TEACH Grant Program.

**Tolerance Levels** (in Verification) The maximum error level (in dollars) at or below which income or asset information on a FAFSA does not have to be corrected or reprocessed.

**Total and Permanent Disability Discharge** The final discharge granted to a borrower who had been granted a *Conditional Discharge*, and who met the applicable requirements throughout the Conditional Discharge Period.

**Total Amount Outstanding** Unpaid balance on a loan including late fees, outstanding principal balance, and interest.

**Total Annual Loan Limit** (in FFEL/DL) The

maximum annual amount a student may borrow through the combined eligibilities of the subsidized and unsubsidized portions of the loan program, taking into consideration dependency status, grade level and whether or not the student's parents (if the student is dependent) are eligible to borrow through the PLUS program. Regardless of the annual loan limit, a student may only borrow up to his or her unmet need.

**Total Student Contribution** The Total Student Contribution (TSC) is calculated from the income and assets of independent students with dependents other than a spouse (except in the simplified needs calculation, where the assets are excluded). The TSC is divided by the number of persons in the student's household who are in college to yield the expected family contribution (EFC).

**Trading Partner** Two parties that exchange electronic data. Trading partners include: COD and schools; FFEL partners and schools; state grant agencies and schools; and alternative loan partners and schools.

**Trailer** (in a crossover payment period) When a school chooses, for a student enrolled in a crossover payment period, to use funds for the student's award from the award year in the crossover period that ends on June 30.

**Trankey** The trankey is the student's Social Security number (SSN) followed by the first two letters of the last name and transaction number. The trankey is also called the original student ID.

**Transaction** (in CPS) An interaction between the Central Processing System (CPS) and a financial aid applicant or a school that changes any of the data on a student's record. Each transaction results in a new Student Aid Report (SAR) and Institutional Student Information Record (ISIR), and is identified by a two-byte transaction number (for example, 01, 02, 03). A transaction may be system-generated.

**Transaction Number** Indicates the number of

times a student's information has been processed. New transactions can be caused by corrections made by either the student or a school, or they can be caused by automatic functions such as a change in the reported loan information and status with the National Student Loan Data system (NSLDS). Each time a Free Application for Federal Student Aid (FAFSA) or a correction to a Student Aid Report (SAR)/ Institutional Student Information Record (ISIR) is processed, a transaction number is created. The transaction number is located on each page of a paper SAR, right after the Social Security Number (SSN) and the first two letters of the last name.

**Transcript** A list of all the courses that a student has taken at a particular high school or college with the grades that the student earned in each course. Transcripts are usually required for college applications.

**Transfer** (of Campus-Based funds) To help meet their students' need, schools may transfer funds from certain Campus-Based programs into certain other Campus-Based programs. In all cases, funds transferred that are unexpended at the end of the award year must be transferred back to the original program, and all transfers must be reported on the FISAP. See *The Federal Student Aid Handbook, Volume 6*. See *Carry Forward, Carry Back*.

**Transfer Monitoring Alert (Alert)** Information generated by the NSLDS as a result of the Transfer Monitoring process. The Alert tells a school that new information has been reported that may affect eligibility for FSA program funds on one or more students on that school's Transfer Monitoring List.

**Transfer Monitoring Inform (Inform)** Information provided to the NSLDS by a school or servicer. An Inform consists of identifiers and Enrollment Begin dates for one or more students that the school has identified as Transfer students. The Inform tells the NSLDS to moni-

tor those student records for information being reported that may affect eligibility for FSA program funds.

**Transfer Monitoring List** Those students a school has identified as Transfer Students, and for whom the school has requested NSLDS to monitor and report record changes.

**Transfer Monitoring Process / Transfer Student Monitoring** An NSLDS process that provides schools with the most current relevant data about the financial aid history of its transfer students – especially its mid-year transfers. There are three steps in the process: Inform, Monitor, and Alert.

(School) **Transfer Profile** (on NSLDS FAP Website) The information a school provides to NSLDS pertaining to its participation in the Transfer Student Monitoring Process. Includes the school's contact person, e-mail address for receipt of Alert Notification Messages and Inform and Alert options. Also see *Alert Notification Message* and *NSLDS Transfer Student Monitoring Process*.

**Trial Balance** A comparison of debit, credit balances, and account balances. Taking a trial balance should be performed at least monthly. See *The Blue Book*.

**Trimester** A standard of measurement in higher education used to group weeks of instructional time in the academic calendar. A trimester academic term provides about 15 weeks of instruction and a traditional trimester program generally consists of fall, spring, and summer terms.

**Trio Programs** Title IV programs administered by the Office of Postsecondary Education that support college preparation, placement, and retention of educationally disadvantaged students. The TRIO programs include:

- Ronald E McNair Postbaccalaureate Achievement
- Educational Opportunity Centers

- Student Support Services
- Talent Search
- TRIO Dissemination Partnership Program
- Training Program for Federal TRIO Programs Staff
- Upward Bound
- Upward Bound Math/Science

**Truth-in-Lending Statement** The document provided to loan recipients that delineates the interest rates and other information relative to the loan the student has received. The use of the statement is required by the Consumer Credit Act. The FSA loan programs are exempt from compliance with Truth-in-Lending.

**Tuition** The amount of money colleges charge for classroom and other instruction, and use of some facilities such as libraries.

**Tuition Payment Plan** An arrangement in which payment for present costs of postsecondary education is extended into a future period of time.

**Two Plus Two Program** A partnership between a two-year and four-year school that facilitates a student's completing the last two years of the student's four-year degree.

**Two-Year Rule** To be eligible as a proprietary institution or a postsecondary vocational institution, a school must be legally authorized to give (and have continuously been giving) the same postsecondary instruction for at least two consecutive years prior to its application.

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**Unclaimed Funds** Credit balances a school is unable to deliver to a student. Unclaimed funds must be returned to the Department consistent with the provisions of 34 CFR 668.164(h). (See Escheat.)

**Undergraduate Student** A student who is enrolled in an undergraduate course of study that usually does not exceed four years, or is enrolled in a longer program designed to lead to a degree at the baccalaureate level. For purposes of the Pell Grant program, students who have completed a baccalaureate program of study and who are subsequently completing a State-required teacher certification program are treated as undergraduates.

In addition to meeting the definition above a student is only considered an undergraduate for purposes of the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, the Federal Pell Grant Program, the Academic Competitiveness Grant (ACG) Program, and National Science and Mathematics Access to Retain Talent (SMART) Grant Program if the student has not yet earned a baccalaureate or professional degree.

For purposes of dual degree programs that allow individuals to complete a bachelor's degree and either a graduate or professional degree within the same program, a student is considered an undergraduate student for at least the first three years of that program. A student enrolled in a program of any other, longer length is considered an undergraduate student for only the first four years of that program.

**Unearned Aid** For a student who has ceased attendance in a period of training during which the student received FSA program funds, the difference between the FSA program funds that were disbursed or could have been disbursed for the payment period or period of enrollment and the FSA program funds that were “earned” when a student withdrew. See *The Federal Student Aid Handbook, Volume 5*.

**Unemployment Benefits** Temporary and partial wage replacement to workers who have become unemployed through no fault of their own.

**Uniform Commercial Code Statement (UCC-1 Statement)** A notice that discloses to the appropriate state or local government entity that a school's account contains federal funds. If the form is required, the school must retain a copy in its records. See *The Federal Student Aid Handbook, Volume 4*.

**Universal Design** A concept or philosophy for designing and delivering products and services that are usable by people with the widest possible range of functional capabilities, which include products and services that are directly usable (without requiring assistive technologies) and products and services that are made usable with assistive technologies.

**Universal Design for Learning** A scientifically valid framework for guiding educational practice that provides flexibility in the ways information is presented, in the ways students respond or demonstrate knowledge and skills, and in the ways students are engaged; and that reduces barriers in instruction, provides appropriate accommodations, supports, and challenges, and maintains high achievement expectations for all students.

**U.S. Citizen or National** A citizen of the United States; or a person defined in the Immigration and Nationality Act who though not a citizen of the United States owes permanent allegiance to the United States.

**U. S. Citizenship and Immigration Services (USCIS)** Part of the Department of Homeland Security (DHS) responsible for enforcing the laws regulating the admission of foreign-born persons (i.e., aliens) into the United States. Free Application for Federal Student Aid (FAFSA) data is compared to the DHS database to confirm the student's identification and eligibility for FSA funds.

**U.S. Department of Education (ED, The Department)** Government department that administers the Title IV programs.

**Unmet Need** The difference between a student's total available resources and the total cost for the student's attendance at a specific school.

**Unprocessed Deobligations** Negative available balances in the Pell Grant program that are generally created when a school submits disbursement decreases and those decreases cause the CFL to fall below the amount already sent to the school by G5.

**Unsubsidized Loan** A loan that is not eligible for federal interest benefits and that begins accruing interest charges from the disbursement date forward. A borrower can elect to pay the interest on the outstanding principal balance during the in-school, grace, and deferment period or elect to have that interest added to the principal. See *Capitalization*.

**Unsubstantiated Cash** Net cash by a school received for an award year (not including cash at schools for less than 30 days) minus total accepted disbursements (booked disbursements for DL) for award year.

**Untaxed Income** All income received that is not required to be reported to the Internal Revenue Service (IRS) or income reported but excluded from taxation. Such income would include but not be limited to any untaxed portion of Social Security benefits, Earned Income Credit, welfare payments, untaxed capital gains, interest on tax-free bonds, dividend exclusion, and military and other subsistence and living allowances.

**Update** Data on the SAR/ISIR that has been updated to reflect changes in a student's situation after the FAFSA was signed. Updates are limited to dependency status for reasons other than the student's marital status, household size and number in college under certain conditions.

**User Identification (User ID)** A unique eight-character identifier issued to payees by the Department of Education. The G5 User ID and password are required for a payee to access G5.

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**Valid ISIR/SAR** An Institutional Student Information Record (ISIR) or Student Aid Report (SAR) having a calculated expected family contribution (EFC), accurate and complete data, and no unresolved SAR “C” flags. Also referred to as “Valid Output Document.”

**Variable Interest Rate** An interest rate that is recalculated on a periodic basis, usually based on the prime rate or the T-bill rate. For FSA loans, this rate changes yearly on July 1.

**Verification** The process a school follows to check the accuracy of information reported by a student on the Free Application for Federal Student Aid (FAFSA). If an application is selected for verification by the Central Processing System (CPS), an asterisk will appear to the right of the applicant’s Expected Family Contribution (EFC) on the Student Aid Report (SAR). Schools may also choose to verify other applications. Whether the application is selected by the CPS or chosen for verification by the school, the school verifies the application information by comparing it to documentation provided by the student (and parents, if required).

**Verification Exclusions** A selected application may be exempt from some or all of the verification requirements due to unusual circumstances. Except in the case of the student’s death, however, none of these exemptions excuse the school from the requirement to resolve conflicting information.

**Verification Flag** In the ISIR record layout it indicates that a student has been selected for verification on any transaction. After the student is selected, he or she will always be selected for the current processing year. Flags include: “Y” – Selected for Verification; “N” – Not selected for Verification; “\*” – Selected for Verification on a subsequent transaction.

**Verification Items** FAFSA data that must be checked for accuracy during the verification process.

**Verification Status Code** For each Pell Grant award disbursed to a student who was selected for verification, a school must report the student’s verification status via the Common Origination and Disbursement (COD) System. See *The Application and Verification Guide* and the Electronic Announcement at <http://ifap.ed.gov/eannouncements/0928VeriStatusCode.html>

**Verification Tolerance** The acceptable limit for small dollar-value errors that are detected when verifying a student’s FAFSA data but that do not significantly affect the student’s eligibility. See *The Application and Verification Guide*.

**Verification Tool** A Web-based application used to compare Institutional Student Information Record (ISIR) data with data on verification documents such as Federal tax returns and the verification worksheet. The tool provides a comparison of ISIR data to Tax/Worksheet data and calculates individual value differences, as well as a Verification Tolerance. Schools can access the Verification Tool from any Student Inquiry screen in FAA Access to CPS Online, located at <http://fafsa.ed.gov/FOTWWebApp/faa/faa.jsp>.

**Verification Worksheet** A worksheet provided by a school to students who are selected for verification. FSA provides a sample worksheet on IFAP, but schools are not required use it.

**Veteran** For FSA purposes, such as determining dependency status, a veteran is a former member of the US Armed Forces who served on active duty and was discharged other than dishonorably.

**Veteran Match** If a student answers “Yes” to the question about veteran status, the CPS performs a match with the Department of Veterans Affairs

records to confirm that status. The VA sends the back the result which appears as a match flag in the FAA Information section of the output document.

(U.S. Department of) **Veterans Affairs (VA)** The federal agency responsible for administering and managing the education, health care and financial assistance benefits of U.S. veterans and their families. The Central Processing System (CPS) conducts a match of Free Application for Federal Student Aid (FAFSA) data against this agency’s database to confirm the student’s identification and eligibility for federal student financial aid.

**Veteran’s Education Benefits** Non-need-based assistance a student is eligible to receive because of his or her service in the U.S. military, or a dependent student is eligible to receive because of the service of a deceased or disabled (due to military service) parent. Some VA Education benefits are excluded from, or receive special treatment in the calculation of a student’s EFC and the packaging process. See *The Federal Student Aid Handbook, Volume 3*, and *The Application and Verification Guide*.

**Vocational-Technical Institution** A school that provides a program of training to prepare students for gainful employment in a recognized occupation.

## – W –

**W-2 Forms** Statement of wages earned and taxes withheld for a given year. Issued by an employer to an employee in quadruplicate and appended to appropriate income tax returns.

**Waiver** Relief from a regulatory requirement or financial obligation, for example, when a school grants a waiver from out-of-state tuition for veterans, or ED grants a waiver from change in ownership training, the correspondence course limitation, or the incarcerated student limitation.

**Ward of the Court** A student for whom a court has assumed custody. In some states a court may impose its authority over a juvenile who remains in the legal custody of his or her parents. Such a student is not a ward of the court. Also, neither emancipation (when a child is released from control of a parent or a guardian) nor incarceration of a student qualifies a student as a ward of the court.

**Week of Instructional Time** For all FSA programs, any period of seven consecutive days in which at least one day of regularly scheduled instruction, examination, or (after the last day of classes) at least one scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination. The “number of weeks of instructional time” is based on the period that begins on the first day of classes in the academic year and ends on the last day of classes or examinations.

**William D. Ford Federal Direct Loan Program**  
See *Direct Loan Program*.

**Willingness to Repay** Evidence that a borrower intends to repay a loan. In selecting loan recipients, a school must consider evidence of a borrower’s willingness to repay the loan. Previous delinquency, default, or other failure to meet repayment obligations on a previous loan may

be evidence that the borrower is unwilling to repay other loans.

**Withdrawal** When a student ceases attendance in all classes before the end of the semester, term, or period of enrollment, as applicable.

- **Official Withdrawal** – For Return of Title IV Aid Purposes, a student who provides notice in writing (including electronically) or orally to a designated campus official acting in his or her official capacity in the withdrawal process that the student intends to interrupt his or her attendance.
- **Unofficial Withdrawal** – For Return of Title IV Purposes, a student who withdraws without providing official notification.

**Withdrawal Date** The date the student withdraws, as determined by the school.

**Work College** An eligible institution that:

- is a public or private nonprofit school with a commitment to community service;
- has operated a comprehensive work-learning program for at least two years;
- provides students participating in the comprehensive work learning program with the opportunity to contribute to their education and to the welfare of the community as a whole;
- requires all students who reside on campus to participate in a comprehensive work-learning program; and
- requires providing services as an integral part of the school’s educational program and as part of the school’s educational philosophy.

**Work-study** See *Federal Work Study Program*

## – X –

## – Y –

**Year-to-date Data (YTD)** The total year-to-date processed Pell payment records that were accepted by the Common Origination and Disbursement (COD) System for a school as of the current date for a school year.

**Year-to-date Record (YTD Record)** A YTD Record contains more detailed origination and disbursement data than a Reconciliation Report. The YTD Record can be requested for an individual student or for all Pell Grant recipients at a school.

**YTD Data Request Record** Provides details of the record layout for the year-to-date Pell data requests.

## – Z –

**Federal Student Aid plays a central and essential role in the American community of postsecondary education. We ensure that all eligible Americans can benefit from federally funded assistance for education beyond high school. As one of the government's select Performance-Based Organizations, we uphold the high standards of operational efficiency, innovation, and customer care. Throughout, we consistently champion the promise of postsecondary education to all Americans – and its value to our society.**

**UNITED STATES  
DEPARTMENT OF EDUCATION  
FEDERAL STUDENT AID**



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# Acronyms



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<b>ACA</b>	Administrative Cost Allowance
<b>ACH/EFT</b>	Automated Clearinghouse/Electronic Funds Transfer
<b>ACN</b>	Audit Control Number
<b>ADB</b>	Average Daily Balance
<b>ADL</b>	Anticipated Disbursement Listing
<b>ADR</b>	Actual Disbursement Roster
<b>AGI</b>	Adjusted Gross Income
<b>AI</b>	Available Income
<b>ANN</b>	Announcement <i>Dear Colleague Letter</i>
<b>AICPA</b>	American Institute of Certified Public Accountants
<b>APR</b>	Annual Percentage Rate
<b>ATB</b>	Ability to Benefit
<b>AVR</b>	Automated Voice Response
<b>AY</b>	Academic Year (may refer to Award Year in some contexts)
<b>BBAY</b>	Borrower Based Academic Year
<b>BIA</b>	Bureau of Indian Affairs
<b>CAP</b>	Corrective Action Plan
<b>CB</b>	Campus-Based
<b>CBT</b>	Computer Based Training
<b>CDR</b>	Cohort Default Rate
<b>CEO</b>	Chief Executive Officer
<b>CFDA</b>	Catalog of Federal Domestic Assistance
<b>CFL</b>	Current Funding Level
<b>CFO</b>	Chief Fiscal/Financial Officer
<b>CFR</b>	Code of Federal Regulations
<b>CMT</b>	Case Management Team (now School Participation Team)
<b>COA</b>	Cost of Attendance
<b>COD</b>	Common Origination and Disbursement
<b>COH</b>	Cash on Hand
<b>COO</b>	Chief Operating Officer

<b>CPA</b>	Certified Public Accountant
<b>CPS</b>	Central Processing System
<b>CR</b>	Credit
<b>CS/JLD</b>	Community Service Job Location and Development (Program)
<b>CSC</b>	Customer Service Center
<b>CSR</b>	Customer Service Representative
<b>CSL</b>	Community Service Learning (Program)
<b>DB</b>	Debit
<b>DCL</b>	Dear Colleague Letter
<b>DCS</b>	Debt Collection Service (in ED) now Borrower Services, Collections
<b>DHS</b>	Department of Homeland Security
<b>DOJ</b>	Department of Justice
<b>DL</b>	Direct Loan
<b>DLSC</b>	Direct Loan Servicing Center
<b>DMRS</b>	(Treasury Department) Deposit Message Retrieval System
<b>DOB</b>	Date of Birth
<b>DPA</b>	Destination Point Administrator
<b>DRAP</b>	Default Reduction Assistance Program
<b>DRI</b>	Disbursement Release Indicator
<b>DRN</b>	Data Release Number
<b>D-U-N-S</b>	Data Universal Numbering System (by Dun & Bradstreet)
<b>E-App</b>	Electronic Application to Participate (in the Federal Student Aid Programs)
<b>EAC</b>	Electronic Access Conference
<b>eCFR</b>	Electronic Code of Federal Regulations
<b>eMPN</b>	Electronic Master Promissory Note
<b>ECAR</b>	Eligibility and Certification Approval Report
<b>ED</b>	United States Department of Education
<b>EDCAPS</b>	Education Central Automated Processing System
<b>EDE</b>	Electronic Data Exchange
<b>EDGAR</b>	Education Department General Administrative Regulations
<b>EDP</b>	Electronic Data Processing
<b>EFA</b>	Estimated Financial Assistance
<b>EFC</b>	Expected Family Contribution
<b>EFT</b>	Electronic Funds Transfer (see also <i>ACH/EFT</i> )
<b>EIN</b>	Employer Identification Number
<b>ESAR</b>	Electronic Student Aid Report

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<b>E-SIGN</b>	Electronic Signatures in Global and National Commerce Act
<b>ESOA</b>	Electronic Statement of Account
<b>FAA</b>	Financial Aid Administrator
<b>FADL</b>	Final Audit Determination Letter
<b>FAFSA</b>	Free Application for Federal Student Aid
<b>FAO</b>	Financial Aid Office (also, Officer)
<b>FASB</b>	Financial Accounting Standards Board
<b>FAT</b>	Financial Aid Transcript
<b>FCC</b>	Federal Capital Contribution
<b>FDDL/DL</b>	The William D. Ford Federal Direct Student Loan Program
<b>FEDWIRE</b>	The Federal Reserve Communications System's Fund Transfer System
<b>FERPA</b>	Family Education Rights and Privacy Act
<b>FFELP</b>	Federal Family Education Loan Program
<b>FISAP</b>	Fiscal Operations Report and Application to Participate
<b>FMS</b>	Financial Aid Management System
<b>FOIA</b>	Freedom of Information Act
<b>FOTW</b>	FAFSA on the Web
<b>FP</b>	Financial Partners Dear Colleague Letter
<b>FPL</b>	Federal Perkins Loan [Program]
<b>FPRD</b>	Final Program Review Determination (letter)
<b>FRB</b>	Federal Reserve Bank
<b>FRCS</b>	Federal Reserve Communications System
<b>FS</b>	Financial Services (in the U. S. Department of Education)
<b>FSA</b>	Federal Student Aid, a principal office of the Department of Education
<b>FSEOG</b>	Federal Supplemental Educational Opportunity Grant Program
<b>FT</b>	Full Time
<b>FWS</b>	Federal Work-Study [Program]
<b>FY</b>	Fiscal Year
<b>G</b>	Guaranty Agency Dear Colleague Letter
<b>GA</b>	Guaranty Agency
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAAS</b>	Generally Accepted Auditing Standards
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>GAO</b>	Government Accountability Office (formerly General Accounting Office)
<b>GAPS</b>	Grant Administration and Payment System
<b>GAS</b>	Government Auditing Standards

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<b>GASB</b>	Governmental Accounting Standards Board
<b>GEAR UP</b>	Gaining Early Awareness and Readiness for Undergraduates Program
<b>GEN</b>	General Dear Colleague Letter
<b>GPA</b>	Grade Point Average
<b>GPO</b>	Government Printing Office
<b>HEA</b>	Higher Education Act
<b>HPSL</b>	Health Professions Student Loan (Program)
<b>ICC</b>	Institutional Capital Contribution
<b>IFAP</b>	Information for Student Aid Professionals (Web Site)
<b>IG</b>	Inspector General
<b>IHE</b>	Institution of Higher Education
<b>IIS</b>	Institutional Improvement Specialist
<b>INS</b>	Immigration and Naturalization Service (Now known as USCIS and part of DHS)
<b>IPA</b>	Independent Public Auditor
<b>IPEDS</b>	Integrated Postsecondary Education Data System
<b>IRS</b>	Internal Revenue Service
<b>ISIR</b>	Institutional Student Information Record
<b>ISP</b>	Internet Service Provider
<b>JLD</b>	Job Location and Development (Program)
<b>L</b>	FFEL Lender Dear Colleague Letter
<b>LCC</b>	Loan Consolidation Center
<b>LD</b>	Limited Distribution Dear Colleague Letter
<b>LDA</b>	Last Date of Attendance
<b>LEAP</b>	Leveraging Educational Assistance Partnership (Program)
<b>LOA</b>	Leave of Absence
<b>LOC</b>	Direct Loan Origination Center <i>or</i> Letter of Credit
<b>LOE</b>	Level of Expenditure in the Federal Perkins Loan Program
<b>MD&amp;A</b>	Management's Discussion and Analysis
<b>MDE</b>	Multiple Data Entry Processor
<b>MPN</b>	Master Promissory Note
<b>MPN ID</b>	The unique identifier printed on the MPN
<b>MRR</b>	Multiple Reporting Record
<b>MY</b>	Multi-Year
<b>NACUBO</b>	National Association of College and University Business Officer
<b>NASFAA</b>	National Association of Student Financial Aid Administrators
<b>NCES</b>	National Center for Educational Statistics

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<b>NDSL</b>	National Direct Student Loan Program <i>or</i> National Defense Student Loan Program
<b>NFC</b>	National Finance Center
<b>NPRM</b>	Notice of Proposed Rulemaking
<b>NRM</b>	Negotiated Rulemaking
<b>NSF</b>	Non-Sufficient Funds
<b>NSLC</b>	National Student Loan Clearinghouse
<b>NSLDS</b>	National Student Loan Data System
<b>OC</b>	Object Class / Objective Classification
<b>OGC</b>	Office of General Counsel
<b>OHA</b>	Office of Hearings and Appeals
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OPE</b>	Office of Postsecondary Education (in the U.S. Department of Education)
<b>OPE-ID</b>	Office of Postsecondary Education Identifier
<b>P</b>	Pell Dear Colleague Letter
<b>P.L.</b>	Public Law
<b>P-Note</b>	Promissory Note
<b>PA</b>	Payment Analyst
<b>PAN</b>	Payee Account Number
<b>PDF</b>	Portable Document Format
<b>PEPS</b>	Postsecondary Education Participation System
<b>PIN</b>	Personal Identification Number
<b>PJ</b>	Professional Judgment
<b>PLUS</b>	Parent Loans for Undergraduate Students
<b>POP</b>	Potential Overaward
<b>PPA</b>	Program Participation Agreement
<b>PRR</b>	Program Review Report
<b>QA</b>	Quality Assurance <i>or</i> Quality Analysis
<b>R2T4</b>	Return of Title IV (Funds)
<b>SAIG</b>	Student Aid Internet Gateway (successor to TIV WAN)
<b>SAP</b>	Satisfactory Academic Progress
<b>SAR</b>	Student Aid Report
<b>SAS</b>	AICPA Statements on Auditing Standards
<b>SAY</b>	Scheduled Academic Year
<b>SID</b>	Student Identifier (COD)
<b>SLEAP</b>	Special Leveraging Educational Assistance Partnership (Program)

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<b>SOA</b>	Statement of Account
<b>SPT</b>	School Participation Team (new name for Case Management Team)
<b>SSI</b>	Supplemental Security Income
<b>SSA</b>	Social Security Administration
<b>SSN</b>	Social Security Number
<b>SSAE</b>	AICPA Statements on Standards for Attestation Engagements
<b>SSCR</b>	Student Status Confirmation Report
<b>SSS</b>	Student Support Services (A Title IV TRIO program, also Selective Service System)
<b>SY</b>	Single Year Feature
<b>TANF</b>	Temporary Assistance for Needy Families
<b>TFCS</b>	Treasury Financial Communications System
<b>TIN</b>	Taxpayer Identification Number
<b>TIV</b>	Title IV of the HEA
<b>U.S.C.</b>	United States Code
<b>USCIS</b>	U.S. Citizenship and Immigration Services (previously <i>INS</i> )
<b>VA</b>	Department of Veterans Affairs
<b>YTD</b>	Year-To-Date

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# References



*While nongovernmental organizations and their publications often provide useful information, the guidance they offer provides no defense in the case of audit and program review findings. For authoritative guidance on the FSA program requirements, schools should refer first to Department of Education publications, and then to broader U.S. Government publications.*

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## DEPARTMENT OF EDUCATION RESOURCES

### ***Information for Financial Aid Professionals (IFAP)***

#### ***Web site.***

Provides Dear Colleague/Partner letters, electronic publications, and numerous other references that are excellent resources. This site should be your first stop when seeking authoritative FSA reference materials

The IFAP Web address is  
**<http://www.ifap.ed.gov>**

### ***Audit Guide of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers, January 2000***

Assists independent public auditors (IPAs) in performing audits of federal Title IV federal student aid (FSA) programs. It provides:

Go to IFAP at  
**<http://ifap.ed.gov>**

- ◆ general information about engagement planning and other considerations,
- ◆ compliance requirements and management's assertions that must be reported by the IPA, *and*
- ◆ reporting requirements.

Click on "Current FSA Publications," then on "Audit Materials" then "Specific Guidance on FSA Audits," and under "School/School Servicer Audits" you will find "School/Servicer Audit Guide (2000)" and "Changes to School/Servicer Audit Guide (2000)."

### ***Searchable Code of Student Financial Aid Regulations***

Updated annually. Title 34 includes the regulations for the Title IV programs including the Federal Student Assistance (FSA) programs administered by ED.

Go to IFAP Web site at  
**<http://ifap.ed.gov>**

under "Laws and Regulations," select, "Code of Federal Regulations (GPO Compilation)."

Go to IFAP Web site at

<http://ifap.ed.gov>

under "Publications," select "Federal Student Aid Handbook."

### *The Federal Student Aid Handbook*

ED's comprehensive guide to –

- ◆ institutional and student eligibility,
- ◆ the FSA programs,
- ◆ awarding and packaging,
- ◆ record keeping, and
- ◆ processing overpayments and returns.

Explains the policies and procedures required to properly administer ED's federal student assistance (FSA) programs. Based in law, in regulations, or in guidance from ED, these policies and procedures describe required elements of processing and reporting in the Title IV aid programs.

### *U.S. Department of Education Payee Guide for Grant Administration and Payment System (GAPS)*

Go to the GAPS Web site at

<https://gapsweb.ed.gov/gapsweb/epWelcome.asp>

Enter your user ID and password, and once you're in the system, Select "Downloads" for the "GAPS Payee's Guide."

Provides information on the operations and procedures for grants and contracts that are paid through GAPS. It helps an institution understand its responsibilities in expending payments and managing federal cash received through GAPS. GAPS is used for Title IV aid programs, as well as non-Title IV aid programs. Included in the Web site is a training module that allows users to become familiar with the various GAPS screens and data contained within those screens.

### *The Program Review Guide for Student Financial Assistance Programs*

Go to IFAP Web site at

<http://ifap.ed.gov>

under "Publications," select "Program Review Guide."

Designed to set forth the guidelines and procedures of the U.S. Department of Education officials conducting institutional reviews of Title IV student financial assistance programs, this publication can help schools identify management, record keeping, and accounting procedures they need to strengthen.

### *Federal Register*

Go to IFAP Web site at

<http://ifap.ed.gov>

under "Laws and Regulations, select, Federal Registers."

Published every business day (except federal holidays), the Federal Register contains federal agency final regulations (including ED's), notices of proposed rulemaking (NPRMs), executive orders, proclamations, and other presidential notices. The IFAP site contains those affecting the Title IV programs.

## OTHER FEDERAL GOVERNMENT PUBLICATIONS

### **OMB Circular A-133. *Audits of States, Local Governments, and Non-Profit Organizations***

Circular A-133 establishes the standards for audits of states, local governments, and non-profit organizations expending federal awards. The standards established by Circular A-133 apply to non-federal entities, whether they are recipients expending federal awards received directly from federal awarding agencies, or are subrecipients expending federal awards received from a pass-through entity (a recipient or another subrecipient).

Circular A-133 can be found at

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

### **OMB Circular A-133 Compliance Supplement**

The Compliance Supplement is based on the legislative requirement that provides for the issuance of a compliance supplement to assist auditors in performing the required audits. This tool allows federal agencies to effectively communicate items that they believe are important to the successful management of the program. The Supplement provides a source of information for auditors that explains the federal program's objectives, procedures, and compliance requirements relevant to the audit as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

The Compliance Supplement can be found at

[http://www.whitehouse.gov/omb/circulars/a133\\_compliance/04/04toc.html](http://www.whitehouse.gov/omb/circulars/a133_compliance/04/04toc.html)

### **Government Auditing Standards, 2003**

Contains standards for audits of government organizations, programs, activities, and functions; and of government assistance received by contractors, nonprofit organizations, and other nongovernment organizations. Also known as *The Yellow Book*.

To find "The Yellow Book," go to

<http://www.access.gpo.gov/>

then, under "GPO Access," select "Online Bookstore," and "Accounting and Auditing." From the "Browse a Topic" drop down menu, and select the publication.

## NONGOVERNMENTAL ORGANIZATIONS AND PUBLICATIONS

### **National Association of College and University Business Officers (NACUBO)**

NACUBO represents chief administrative and financial officers at higher education institutions in the United States. Through a collaboration of knowledge, professional development, advocacy, and community, NACUBO encourages excellence in higher education, business, and financial management.-

The NACUBO Website is at

<http://nacubo.org>

NACUBO  
2501 M Street, NW, Suite 400  
Washington, DC 20037

Telephone: (202) 861-2500  
Toll Free: (800) 462-4916

Go to the NACUBO site at

<http://www.nacubo.org/>

Select "Bookstore," and then the appropriate publication.

***Process Guide to 1098-T Reporting, Third Edition eBook.***  
**NACUBO**

This is a guide for promoting compliance with the Hope and Lifetime Learning tax credits under the Taxpayer Relief Act of 1997 and the final regulations issued in December 2002.

***Basic Institutional Accounting Package (FASB) NACUBO***

An introduction to college and university accounting, this package is designed for independent colleges and universities, and reflects changes brought about by the latest FASB standards.

***College and University Business Administration NACUBO***

A basic reference work for all phases of higher education business and financial management, it addresses both the policy and practice of business administration at postsecondary institutions. Available in hardcover and CD-ROM.

***National Association of Student Financial Aid Administrators (NASFAA)***

The NASFAA Website is at

<http://www.nasfaa.org/>

Representing financial aid professionals at nearly 3,000 institutions of postsecondary education, as well as others with an interest in the advancement of student aid, NASFAA focuses primarily on student aid legislation, regulatory analysis, and professional development for financial aid administrators. An excellent source of accurate and timely information on the federal student aid process, the Association also represents the interests of students and financial aid administrators to the Congress, the Department of Education, and other regulatory agencies, working to improve financial aid administration and the delivery of aid to students.

NASFAA  
1129 20th Street, NW,  
Suite 400 Washington, DC 20036-3453

Telephone: 202-785-0453

You will need a pin to access most of the site.

***NASFAA Encyclopedia of Student Financial Aid***

A comprehensive guide to administering a financial aid office.

***NASFAA Self-Evaluation Guide for Institutional Participation in Title IV and Other Federal Programs***

The *Guide* is an in-house assessment device that helps institutions determine the effectiveness of their administration of the Title IV programs.

***The Financial Accounting Standards Board (FASB)***

The mission of the Financial Accounting Standards Board is to establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors, and users of financial information.

FASB  
401 Merritt 7, P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Telephone: (203) 847-0700

***The American Institute of Certified Public Accountants (AICPA)***

The American Institute of Certified Public Accountants is the national, professional organization for all Certified Public Accountants. Its mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients.

AICPA  
1211 Avenue of the Americas  
New York, New York 10036-8775

Telephone: (212) 596-6200

***Governmental Accounting Standards Board (GASB)***

The mission of the Governmental Accounting Standards Board is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

GASB  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116  
Telephone: (800) 748-0659

The FASB Website is at

<http://www.fasb.org/>

The AICPA Website is at

<http://www.aicpa.org>

The GASB Website is at

<http://www.gasb.org/>



# Technical Resources and Assistance



*While nongovernmental organizations and their publications often provide useful information, the guidance they offer provides no defense in the case of audit and program review findings. For authoritative guidance on the Federal Student Aid program requirements, schools should refer first to Department of Education publications, and then to broader U.S. Government publications.*

## ELECTRONIC ASSISTANCE

### ***FSA Schools Portal: Financial Aid Professionals Website***

The Financial Aid Professionals Portal Website (FAP), located at

<http://fsa4schools.ed.gov/>

provides a single portal from which you can access Federal Student Aid tools, products and services such as –

- links to all Federal Student Aid services for schools,
- a calendar of financial aid events,
- hot topics in Federal Student Aid,
- conferences and training,
- listservs and mailing lists,
- information about ordering publications,
- student data, and
- school participation and funding

### ***Information for Financial Aid Professionals (IFAP)***

With the launch of the Financial Aid Professionals Portal Website (FAP), the Information for Financial Aid Professionals Website (IFAP) has returned to its original mission as a library of Title IV documents.

<http://ifap.ed.gov>

The IFAP online library contains links to –

- reference materials,
- technical publications,
- laws and regulations,
- letters and bulletins, and
- policy guidance on the administration of the Federal Student Aid Programs.

IFAP has recently implemented a RSS feed that gives hourly updates of IFAP's latest publications. Look for the RSS XML button on the IFAP <<http://ifap.ed.gov/>> home web page along the left side navigational bar.

### IFAP Subscription Service

If you wish to be informed of recent changes to laws, regulations, and policy, you can subscribe to weekly updates to the Information for Financial Aid Professionals Website. You can enroll at

<http://ifap.ed.gov/IFAPWebApp/logonMemberServicesPag.jsp>

### Federal Student Aid Media Podcasts

ED has begun providing a limited number of Federal Student Aid presentations in podcast (audio) format. Transcripts of the presentations are provided as well. Some of the presentations are offered in a slideshow format (Microsoft Power Point), and Portable Document Format (PDF). In addition, handouts are available for some of the presentations. You can find a list of available presentations at

<http://ifap.ed.gov/presentations/ifapMedia.html>

### Federal Student Aid Listserv

The Federal Student Aid Listserv (FSATech) is located at

<http://www.ed.gov/offices/OSFAP/services/fsatechsubscribe.html>

is an e-mail listserv for technical questions about Federal Student Aid systems, software, and mainframe products. For more information about FSATECH, including how to subscribe and post questions, go to [fsa4schools.ed.gov](http://fsa4schools.ed.gov), click “Listserve/Mailing Lists” on the left menu, and click the “FSATech listserv” link.

### FSA Download Center for Software and Manuals

You can download many of Federal Student Aid’s most helpful publications and products such as software and related user documentation from the U.S. Department of Education’s Federal Student Aid Download (FSAdownload) Web site, located at

<http://fsadownload.ed.gov/>

The following are some of the materials available through the Download Center that might be useful in the Business Office.

### Direct Loan Tools Release 7.0

Direct Loan (DL) Tools for Windows, Release 7.0, is a multi-year Windows-based application designed to provide the following functionality related to all Direct Loan schools’ software:

- Compare the School Account Statement (SAS) to loans and actual disbursements recorded in EDEExpress or an external file, and/or compare the SAS to the DL Tools Cash database.
- Print the SAS in a readable format.
- Track Cash Receipts (drawdowns) and Refunds of Cash for Direct Loans.
- Rebuild your Direct Loan origination and disbursement records in EDEExpress using an automated process.

DL Tools processes data for multiple program years. Release 7.0 contains SAS Compare and formatting, Cash Management, and Rebuild functionality for the 2005-2006, 2006-2007, and 2007-2008 cycles. All Direct Loan schools can use the Compare and Cash Management functionality. The Rebuild function is used by schools to rebuild accepted Direct Loan records in EDEExpress for Windows databases. However, non-EDEExpress users can export data from a rebuilt EDEExpress database to recreate non-EDEExpress loans or databases.

### Federal Perkins DataPrep, Version 3.1

National Student Loan Data System (NSLDS) Federal Perkins DataPrep (Perkins DataPrep), Version 3.1, is software designed to work on Windows 2000 and Windows XP Professional operating systems. It assists schools and third party servicers in reporting Federal Perkins loans to NSLDS. (Schools participating in the Federal Perkins Loan Program are required to report detailed loan information to NSLDS on a monthly basis.)

Perkins DataPrep allows a data provider to:

- Validate Extract Files – Perkins DataPrep examines their Database Extract file verifying that its format is acceptable.
- Edit Extract Files – Perkins DataPrep checks the Extract file for errors. If the number of errors is within the prescribed limits, Perkins DataPrep creates a new file called the Submittal file.
- Create Submittal Files – the Submittal file contains Perkins loans created from the extract file and is transmitted to NSLDS.
- Generate Error Reports – Perkins DataPrep analyzes errors received by NSLDS. The two load-processing error reports, Summary and Detail, list the errors identified.

### Perkins TEF File

The Perkins Threshold, Error Code, and Field Code (TEF) file, contains the software parameters for Load Error processing, error field names, and messages for processing of the Load Error file for schools or servicers that submit Perkins Loan data. This file was previously transmitted quarterly to a school's SAIG mailbox and contained any updates since the last file was sent. Schools and/or servicers must ensure that they "refresh" the TEF file on a quarterly basis.

### School Electronic Process Guide

The School Electronic Process Guide describes cyclical updates and enhancements to the following products:

- FAA Access to CPS Online,
- Return of Title IV Funds (R2T4) on the Web,
- ISIR Analysis Tool,
- EDE Suite PC Products
  - EDEExpress (Global Packaging Application Processing, Pell, ACG, National SMART Grant, and Direct Loan;
  - Direct Loan (DL) Tools for Windows, and
  - Student Status Confirmation Report (SSCR) for Windows.

### EDconnect

EDconnect is a Windows-based software that assists users with sending, receiving, and managing their Federal student aid information electronically. Users collect data on their personal computer (PC) or computer system and transmit the collected data in batches over the Student Aid Internet Gateway (SAIG). The appropriate Title IV Application System receives the data, processes the data, performs any required database cross-referencing, and returns the processed data to the user's SAIG mailbox. The entire processing cycle for routine application data within the SAIG system is typically 72 hours (three working days).

### EDEExpress for Windows 2007-2008

The EDEExpress software is a free PC application that assists institutions with processing, packaging, and managing Title IV student financial aid records. Functionality to process applications, federal student aid grants (Pell, ACG, and National SMART Grants), and Direct Loans is included.

### COD Technical Reference

The Common Origination and Disbursement (COD) Technical Reference provides technical specifications and record layouts for transmitting ACG, National SMART Grant, Pell Grant and Direct Loan data to the COD System.

### SSCR (Enrollment Reporting)

Student Status Confirmation Report (SSCR) for Windows, is a non year specific software application designed to help schools satisfy enrollment requirements and update student address information with the National Student Loan Database System (NSLDS).

### ISIR Analysis Tool

The ISIR Analysis Tool is a Web-based application that analyzes FAFSA data reported on the ISIR. A school uses the information to fine tune its own institutional verification procedures. The ISIR Analysis Tool compares initial and paid-on ISIR transactions to determine if changes in student reported information had an impact on EFC and Pell eligibility. Users import initial and paid-on records from the ISIR Datamart into a database in the ISIR Analysis Tool. Users can construct queries, develop custom formats and field increments to obtain data from the tool that can help identify problematic areas, zeroing in on specific EFC ranges, data elements, and populations. This data can help a school customize its verification procedures and consumer information provided to students and parents. In addition the data can identify sections of the FAFSA that may be most confusing to applicants and their families. Such information can help Federal Student Aid in the development of future FAFSAs as well as improve verification selection criteria through the Central Processing System.

The ISIR Analysis Tool provides a full complement of report and analytical capabilities utilizing state-of-the-art Web technology. The reports generated and information obtained from the ISIR records can help a school answer the following questions -

- For what group of students (if any) are the CPS edits missing on your campus?
- For what group of students (if any) are discretionary verification procedures missing?
- How can a school effectively develop discretionary verification edits to focus on students making changes that affect EFC and Pell eligibility?

The ISIR Analysis Tool can answer these questions and help a school develop discretionary verification criteria that fit its particular population, and ensure that the right students are receiving the right awards.

To use the ISIR Analysis Tool, your school must enroll in FAA Access to CPS Online. For more information, please refer to

<http://www.fsawebenroll.ed.gov>

For additional guidance about using the ISIR Analysis Tool, a school should use the resources available at

<http://ifap.ed.gov/qahome/guidance.html>

## CENTERS FOR SERVICE

The new Website for Financial Aid Professionals, located at

<http://fsa4schools.ed.gov>

and described on page 1 contains links FSA's help desks. Since the information on the Website is updated frequently you can find the most current contact information by using that resource. (On the aforementioned Website on the left hand side under *Resources and Training* you'll find an entry for **Contacts**.)

For your convenience, this document provides links to the most commonly used resources.

If you are not sure which Service Center to call please contact the Research and Customer Care Center at

1-800-433-7327, or email us at [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov).

### **Common Origination and Disbursement (COD) School Relations Center**

For questions related to general Common Origination and Disbursement (COD), ACG, National SMART Grant, Pell Grant, and Direct Loan processing.

<http://fsa4schools.ed.gov/help/cod.htm>

### **Direct Loan School Servicing Center (helps with servicing rather than COD issues)**

For clarification or interpretation of policies and regulations.

<http://fsa4schools.ed.gov/help/directloan.htm>

## **Campus-Based Programs**

For questions related to Perkins default rates, FISAP information, and Campus-Based Programs.

<https://cbfisap.ed.gov/ecb/CBSWebApp/>

## **Training and Conferences**

Questions or feedback related to the FSA conferences can be directed to the Conferences Service Center.

<http://fsa4schools.ed.gov/help/conferences.htm>

## **CPS/SAIG Technical Support**

*Hours are 7 a.m. – 7 p.m. (ET) Monday through Friday*

If you have any questions regarding Federal Student Aid software or Web products, contact CPS/SAIG Technical Support.

Information Center	800/330-5947
Email	CPSSAIG@ed.gov.
TDD/TTY	800-511-5806.

<http://fsa4schools.ed.gov/help/cpswantech.htm>

## **Borrower Services - Collections (ED Collections)**

*Hours are 8 a.m.–10:00 p.m. (ET), Monday through Saturday*

Information Center	800-621-3115
TDD/TTY	800-730-8913
Email	dcshelp@vangent.com

## **Federal Student Aid Ombudsman (helps resolve student loan concerns when other approaches fail)**

The Ombudsman Office is a final resource after individuals look for help through other customer service avenues.

<http://fsa4schools.ed.gov/help/ombudsman.htm>

### **Default Prevention and Management**

Default Prevention and Management calculates and disseminates school cohort default rates, processes appeals/adjustments/challenges to the default rate data, and works with schools/agencies on default prevention tools and techniques. Guaranty agency and lender cohort default rates are available from Financial Partners, Partner Services, at (202) 377-3053. Students with federally insured defaulted student loans may find beneficial information in the Department's Guide to Defaulted Student Loans.

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>

### **Research and Customer Care Center**

*Hours: are 9 a.m. to 5 p.m. (ET) Monday through Friday*

The Federal Student Aid Research and Customer Care Center (RCCC) serves as your advocate within FSA's Applications, Operations and Delivery Services and ensures that your concerns are addressed within Federal Student Aid. RCCC is made up of Department of Education, Federal Student Aid employees, located in Washington, DC, and welcomes inquiries from financial aid professionals about the Federal Financial Aid Programs.

Phone: 1-800-433-7327

Fax: 202-275-5532

E-mail: [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov)

### **Grant Administration and Payment System (GAPS)**

GAPS, ED's state-of-the-art electronic system for grants management and payments, is the site through which you can – drawdown federal funds, return federal funds, and manage federal funds; request and complete data summaries; and prepare and submit reports. GAPS is located at

<http://fsa4schools.ed.gov/help/epayments.htm>

### **National Student Loan Data System (NSLDS)**

<http://fsa4schools.ed.gov/help/NSLDS.htm>

Contact the National Student Loan Data System Customer Service Center for assistance regarding the NSLDS system on-line functions to include:

- Cohort Default Rates

- Data Provider Schedules
- Enrollment Reporting Schedules
- Financial Aid History
- Loan History/Detail
- Online Enrollment Reporting
- Organizational Contacts
- Organizational Search
- Overpayments
- Reported Enrollment History
- Transfer Student Monitoring

### **eZ Audit**

EZ Audit provides schools with a paperless single point of submission for financial statements and compliance audits through the web.

<http://fsa4schools.ed.gov/help/ezaudit.htm>

### **PEPS Help Desk**

*Hours are 7:30 a.m.-7:00 p.m. (ET), Monday through Friday*

Phone

1-877-366-3338

<http://www.ed.gov/offices/OSFAP/PEPS/index.html>

Call the PEPS Help desk for connectivity interruptions or other PEPS application problems.

### **The FSA Self-Assessments**

<http://www.ifap.ed.gov/qahome/fsaassessment.html>

The FSA Assessments are intended to help all schools examine and improve operations. The assessments can help you -

- anticipate and address problems;
- spot-check the systems you are using to manage information;
- prepare for your audit or other review;
- maximize the efficiency of your staff in handling their duties; and
- revise your approaches according to your campus needs - and do so continually.

To enhance their effectiveness, the FSA Assessments include activities to test compliance and procedures. They also are linked to

the latest regulations, Federal Student Aid Handbooks, Blue Book, Dear Colleague Letters, Federal Registers, and other related documents. There is also a link within each assessment to a Policies and Procedures template allowing schools to develop or enhance their policies and procedures.

Schools can also submit Effective Practices or view Effective Practices submitted by other schools. The FSA Assessments currently available are -

1. Student Eligibility,
2. Satisfactory Academic Progress,
3. FSA Verification,
4. Institutional Eligibility,
5. Default Prevention & Management,
6. Consumer Information,
7. Automation,
8. Fiscal Management,
9. Return of Title IV Funds,
10. Federal Work-Study,
11. FSEOG,
12. Perkins Awarding and Disbursement,
13. Perkins Due Diligence,
14. Perkins Repayment,
15. Perkins Forbearance and Deferment, and
16. Perkins Cancellation

For a more detailed explanation of how the FSA Assessments can help your school improve its administration of the FSA programs, please see Appendix F.

### ***Training in the basics of Federal Student Aid Program administration***

Annually, the Department provides training for those who administer the Federal Student Aid programs. You can learn about training offered by the Department at

<http://www.ed.gov/offices/OSFAP/training/index.html>

In addition, ED offers online training in a program called *FSA Coach* (Coach). Coach offers modules on –

1. an introduction to Federal Student Aid,

2. the Federal Student Aid ecosystem,
3. student/family responsibilities,
4. a school's communication responsibilities,
5. a school's responsibilities when awarding aid,
6. a school's fiscal and record management responsibilities,
7. determining a student's eligibility for Federal Student Aid Funds,
8. a school's responsibilities vis-à-vis enrolled and former students, and
9. evaluation of Federal Student Aid program management.

You can find FSA Coach on the Web at

<http://www.ed.gov/offices/OSFAP/fsacoach/index.html>

### ***Quality Assurance Program***

The Quality Assurance (QA) Program helps schools attain, sustain, and advance exceptional student aid delivery and service excellence. You can find information about the QA Program at

<http://www.ifap.ed.gov/qahome/Default.html>

### ***School Participation Teams***

Contact your School Participation team for information and guidance on audit resolution, financial analysis, program reviews, technical assistance, and school and program eligibility/recertification and closed schools.

<http://fsa4schools.ed.gov/help/schoolparticipation.htm>

The Website for School and Program Eligibility and Recertification is:

<http://www.eligcert.ed.gov>

Foreign schools can get help by calling: 202-377-3168

### ***Disability Discharge Loan Servicing Center***

The Disability Discharge Loan Servicing Center reviews applications for conditional disability discharge. For information about a student's eligibility or status vis-a-vis loan eligibility, visit the Disability Discharge Loan Servicing Center site at

<http://fsa4schools.ed.gov/help/permanentdisabilityassignments.htm>

# Miscellaneous Business Office Functions



There are two school reporting requirements that involve FSA that are not Department of Education requirements. Both reporting requirements are Treasury Department/Internal Revenue Service (IRS) requirements.

## IRS FORM 1098

There are two variations of IRS form 1098 –

- IRS Form 1098-E, and
- IRS Form 1098-T.

### *IRS Form 1098-E*

Your school must provide *IRS Form 1098-E, Student Interest Statement*, to all individuals who paid student loan interest of \$600 or more on loans held by your school during a calendar year.

### *IRS Form 1098-T*

Your school must provide *Form 1098-T, Tuition Statement*, for each student enrolled for credit unless –

1. the student is a nonresident alien (unless requested by the student);
2. the student's qualified tuition and related expenses are entirely waived, or entirely paid with scholarships or grants; or
3. the student's qualified tuition and related expenses are entirely covered by a formal billing arrangement between the school and the student's employer or a government agency.

The instruction for Form 1098-T do not specify what a school should do if –

- a student's qualified tuition and related expenses are entirely covered by a combination of scholarships, grants, and formal billing arrangement between the school and the student's employer or a government agency; or

### **IRS 1098 Cites**

26 CFR Parts 1, 301, and 602

26 U.S.C. 6050S

Federal Register: April 29, 2002

(Volume 67, Number 82) Preamble to

Notice of Proposed Rule Making

Federal Register, December 19, 2002

(Volume 67, Number 244) Preamble to

Final Rules

- only a part of a student's qualified tuition and related expenses are covered by a formal billing arrangement between the school and the student's employer or a government agency..

We note that the preamble to the Final Regulations states that *... a taxpayer cannot claim the education credit for education expenses paid with amounts that are excludable from gross income. Educational expenses paid through a formal billing arrangement between an institution and a government entity such as the Veteran's Administration, often are excludable from the gross income of the individual student* (Federal Register, December 19, 2002 (Volume 67, Number 244) page 77680). We encourage schools to seek guidance from their in-house counsel and the IRS on how to complete IRS Form 1098-T when the student falls into one of the aforementioned categories.

## IRS FORMS 1042 AND 1042-S

Pell Grants and other Title IV need-based grants are tax free to the extent they are used to pay for qualified tuition and course-related expenses during the grant period. Qualified tuition and course-related expenses are defined as tuition, fees, books, supplies and equipment required for courses attempted by a degree candidate at an educational institution. To qualify, fees, books, supplies, and equipment must be required of **all students in the course** of instruction.

Amounts paid from Pell Grants and other Title IV need based grants other than for qualifying tuition and fees are taxable. This includes amounts paid for room and board, travel and supplies and equipment not required for the course of instruction at an educational institution. (See IRS Publication 520.)

Institutions are **not** required to withhold or report taxable scholarship amounts for students considered residents by the Internal Revenue Service. Students are considered residents for tax purposes if they are U.S. citizens, permanent residents, or nonresidents that meet the IRS substantial presence test, and are not subject to exemption or treaty benefits.

**Institutions are required to meet withholding and reporting requirements for non residents.** Non residents eligible for Title IV aid include asylees, refugees, and parolees. Schools must generate a 1042-S for each non resident student receiving taxable income other than wages. This includes Title IV need based aid and other grants or scholarships. Schools must also prepare a 1042 summarizing the data reported on the individual 1042-S forms. See IRS instructions for forms 1042 and 1042-S for filing requirements.

Institutions are required to withhold at the rate of 30% of the taxable portion of the Title IV aid for non residents unless the student passes the substantial presence test for the calendar year. To meet this test, the student must be physically present in the United States for:

- at least 31 days during the current year; and
- 183 days during the three-year period that includes the current year, and the two years immediately before that. (Count all the days present in the current year, 1/3 of the days present in the first year before the current year and 1/6 of the days present in the second year before the current year.)

IRS Publications 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities* and IRS Publication 519, *U.S. Tax Guide for Aliens* provide guidance on withholding and reporting requirements.

As a withholding agent, your school is liable for any taxes you are required to withhold. This liability is independent of the tax liability of the foreign student to whom the payment is made. If your school fails to withhold the required amount, and the foreign student fails to satisfy the U.S. tax liability, then both you and the foreign student are liable for the taxes, as well as for interest and any applicable penalties. (Note that the applicable tax will be collected only once.) Even if the foreign student satisfies his or her U.S. tax liability, your school may still be held liable for interest and penalties for your failure to withhold.

If an institution withholds amounts from taxable Title IV need based aid (or other- scholarships and grants) the institution must complete an IRS Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. The foreign student must complete and file an IRS Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons* with the Internal Revenue Service by March 15 of the year following the calendar year in which the Title IV need based aid or other grant or scholarship was paid.



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# The FSA Assessments Tool



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In collaboration with financial aid professionals, FSA has designed management assessment modules to help schools enhance their services. You can find the FSA Assessment Tool at –

<http://www.ifap.ed.gov/qahome/fsaassessment.html>

There are four broad topic areas covered in the modules. They are:

- students,
- schools,
- managing funds, and
- innovation.

Your business office will probably find that the modules in the managing funds area most relevant to its day-to-day operations. However, we hope that you will explore the modules within the other areas as well.

The five modules within managing funds are:

1. Fiscal Management
2. Return of Title IV Funds
3. Perkins
  - a) Due Diligence
  - b) Repayment
  - c) Cancellation
  - d) Loan Awarding and Disbursement
  - e) Forbearance and Deferment
4. Federal Work Study
5. FSEOG

There is also a Policies and Procedures component built into each of the assessments. Schools can access the policies and procedures link from any assessment. This component includes a template that helps schools develop or enhance their policies and procedures.

The following chart details the topics covered in The Assessments.

Category	Module	Description
Students	Student Eligibility	Based on a review of a small sample of student files, evaluates the effectiveness of the financial aid policies and procedures concerned with student eligibility, e.g., citizenship, SSN, status as a regular student in an eligible program, etc.
Students	Satisfactory Academic Progress	Helps the school determine if its Satisfactory Academic Progress (SAP) policy complies with Federal regulations, e.g., SAP policy is in writing.
Students	Verification	Evaluates the school's procedures related to Verification policies and procedures.
Schools	Institutional Eligibility	Evaluates the management procedures regarding Institutional Participation, e.g., approved Program Participation Agreement.
Schools	Consumer Information	Assists schools with requirements for Consumer Information. Includes all applicable requirements and examples, followed by questions to review Consumer Information requirements in place at the school to determine if these requirements are in compliance with all applicable regulations.
Schools	Default Management	Assists schools in understanding cohort default rate calculations, challenges, adjustments and appeals; and helps schools with preventing students from defaulting on Federal student loans.
Schools	Automation	Evaluates management procedures regarding and compliance with automation.

Category	Module	Description
Managing Funds	Return of Title IV Funds	Ensures that Title IV funds are handled correctly when a recipient of those funds ceases to be enrolled prior to the end of the enrollment period for which the recipient was charged.
Managing Funds	Perkins Awarding and Disbursement	Evaluates the schools procedures regarding the awarding and disbursing of Federal Perkins Loans.
Managing Funds	Perkins Due Diligence	Evaluates the school's procedures regarding Federal Perkins Loan collections.
Managing Funds	Perkins Repayment	Evaluates the school's procedures regarding Federal Perkins Loan repayment.
Managing Funds	Perkins Cancellation	Evaluates the school's procedures regarding Federal Perkins Loan cancellation.
Managing Funds	Perkins Forbearance and Deferment	Evaluates the school's procedures regarding Federal Perkins Loan forbearance and deferment.
Managing Funds	FSEOG	Evaluates Federal Supplemental Opportunity Grant Program policies, procedures and operations to ensure compliance with these Title IV areas.
Managing Funds	FWS	Evaluates Federal Work-Study Program policies, procedures and operations to ensure compliance with these Title IV areas.
Managing Funds	Fiscal Management	Evaluates the effectiveness of the institution's Title IV fiscal procedures.
Innovation	Effective Practices	Provides schools with a mechanism to share an effective practice and to view effective practices submitted by other schools.

# Volume 5

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# Introduction to Volume 5

*An overpayment occurs when the student receives more aid than he or she was eligible to receive. One kind of overpayment, traditionally called an overaward, results from changes in the student's aid package; a second occurs when a student withdraws. This volume covers how a school should respond when either of these types of overpayments occurs.*

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Here, we provide a summary of the changes and clarifications presented in greater detail in the chapters that follow. **Alone, the text herein does not provide schools with the guidance needed to satisfactorily administer the Title IV, HEA programs.** For more complete guidance, you should refer to the text in the chapters cited, the Code of Federal Regulations (CFR) and the Higher Education Assistance Act (HEA) as amended:

Throughout this volume, new information is indicated with the following symbol:



When the text represents a clarification rather than a change, it is indicated with this symbol:



When we believe that historically there might be some misunderstanding of a requirement, we indicate that with:



or



Finally, if we want to point out a bit of helpful information we indicate it with:



## **Major Changes**

### **Chapter 1 — Overpayments and Overawards**

We have added a sidebar on FFEL disbursements that schools are still permitted to make.

- We have added sections on the treatment of Iraq and Afghanistan Service Grants.
- We explain that a student who has lost eligibility because he or she has exceeded the undergraduate aggregate maximum loan limit, does not automatically regain eligibility if he or she advances to the graduate level.

### **Chapter 2 — Withdrawals and the Return of Title IV Funds**

- We have clarified that For the Pell, ACG/SMART and IAS Grant programs, a school may not establish an earlier deadline for verification than that established by the Department in annual notice.
- We have clarified that if a student who completed more than 60% of his or her training before ceasing attendance, were to re-enter training within 180 days, because the student had received 100% of his or her aid for the period, the student would not be eligible to receive additional Title IV aid until he or she has completed the weeks of instructional time and hours or credits (as applicable) in the academic year.
- We have added a section on changing or correcting Return calculations.

### **Chapter 2 — Case Studies**

We made no major changes to the case studies.

# Overpayments and Overawards

## CHAPTER 1

*An overpayment occurs when the student receives more aid than he or she was eligible to receive. One kind of overpayment, traditionally called an overaward, results from changes in the student's aid package. In this chapter we will discuss a student's and a school's responsibility for resolving overpayments and overawards. This chapter does not cover returning funds when a student withdraws. Please see Chapter 2 for a discussion of those returns.*

### OVERAWARDS

An overaward is created when the student's aid package exceeds the student's need. While you must always take care not to overaward the student when packaging aid, circumstances may change after the aid has been awarded and result in an overaward. For instance, the student may receive a scholarship or grant from an outside organization, or the student may want to extend his or her work-study employment. When these circumstances arise, you may be required to adjust the other federal student aid in the package.

#### **Pell Grants**

Pell Grants are never adjusted to take into account other forms of aid. If there's a Title IV overaward, you must look at other aid that your school controls, and reduce that aid.

#### **Iraq and Afghanistan Service Grants**

Iraq and Afghanistan Service (IAS) Grants are not adjusted to take into account other forms of aid. However, an Iraq Afghanistan Service Grant may be reduced if it alone exceeds a student's cost of attendance. (Please see the discussion under *Iraq Afghanistan Service Grants and Overpayments* later in this chapter.)

#### **Academic Competitiveness Grant (ACG) and National Science and Mathematics to Retain Talent Grant (National SMART Grant) programs**

The law provides that a student's ACG or National SMART Grant, when combined with a student's expected family contribution and estimated financial assistance may not exceed a student's cost of attendance under section 472 of the HEA. Moreover, the law does not provide any overaward tolerance in these programs. Therefore, any overaward or overpayment containing ACG or National SMART Grant funds must be reduced or repaid.

#### **Treatment of FFEL loans**

Schools may not certify any FFEL loans after June 30, 2010. However, if the first disbursement of any FFEL loan certified by June 30, 2010 is disbursed by that date, a second disbursements of the loan may be made during the 2010-11 award year. Therefore, we continue to include FFEL loans in the treatment of Overawards and Overpayments.

#### **When there are conflicting regulations**

When a student's aid package includes assistance from multiple programs and those programs have different overpayment regulations/requirements, a school must apply the most stringent/restrictive requirements.

#### **Overpayments**

Title IV debts 34 CFR 668.35(e), & (g)  
Pell Grants 34 CFR 690.79  
FFEL 34 CFR 682.604(h)  
DL 34 CFR 685.303(e)

#### **Recovery of fund**

Verification 34 CFR 668.61  
Ineligible student 34 CFR 668.139

**Resolving ACG and National SMART Grant Overawards**

If a school discovers that an overaward situation exists –

The school first should attempt to eliminate that overaward by adjusting subsequent Title IV, HEA program (other than Federal Pell Grant, ACG, or National SMART Grant) payments in the same award year;

If the institution cannot eliminate the overaward by those adjustments, the school should attempt to eliminate the overpayment by adjusting subsequent ACG or National SMART Grant payments in that same award year.

If a school learns that a student received financial assistance that was not included in calculating the student’s eligibility for aid, and that assistance would result in the student’s total aid exceeding his or her financial need, the school must take steps to resolve the overaward.

Before reducing a student’s ACG or National SMART Grant the school should reevaluate the student’s need to determine whether he or she has increased need that was not anticipated when the school initially awarded aid to the student. If the student’s need has increased and if the total assistance does not exceed the revised need, the school is not required to take further action.

If the school recalculates the student’s need and determines that the total assistance still exceeds his or her need, the school must reduce or cancel any future Title IV or institutional disbursements. Beginning with any unsubsidized loans the student is scheduled to receive, the school must first reduce a student’s level of borrowing.

If the school failed to follow required procedures, the school must repay any Title IV overpayment. If the school followed the required procedures and the Title IV overpayment is greater than \$25.00, the student must repay the overpayment.

**Stafford Loans**

If you find out that there’s going to be an overaward before Stafford or PLUS funds are disbursed to the student, you must eliminate the overaward. If you have certified or originated the loan but haven’t received the funds, you can ask the FFEL lender to cancel the loan or reduce the loan proceeds, or make a downward adjustment to a Direct Loan. As an alternative, you can reduce or cancel aid over which you have control.

If your school has already received the funds, you have a number of options:

- If the package includes an unsubsidized Stafford, a PLUS Loan, or a nonfederal loan and the aid package doesn’t already apply these loans to finance the EFC, and the school so chooses, the aid package can be adjusted so that all or some part of these loans replaces the EFC, thus reducing or eliminating the overaward.
- The second or subsequent disbursement of a Stafford can be canceled or reduced. For an FFEL loan, you must inform the lender of the reduced award and request cancellation or reduction of subsequent disbursements. For a Direct Loan, you make the adjustments in COD.
- If these adjustments have been made and an overaward still exists for a Stafford Loan borrower, you must withhold and

**Overaward tolerance for Stafford Loans**

In general, there is no tolerance when determining an overaward in the FFEL and Direct Loan programs. However, if a student’s financial aid package contains an FFEL or Direct Loan and an FWS award, a \$300 tolerance can be applied to eliminate the overaward.

If an overpayment occurs for a student who has a FFEL or Direct Loan and Campus-Based awards, unless the Stafford loans have been fully disbursed, the FFEL or Direct loan must be reduced before the Campus-Based awards are adjusted or canceled.

promptly return to the lender or the federal government any funds that have not yet been disbursed to the borrower. If the student is determined to be ineligible for the entire loan disbursement and the overaward cannot be reduced or eliminated, you must return all of the loan proceeds. Note that Stafford Loan overawards must be repaid before adjusting or cancelling campus-based funds.

- If a student becomes ineligible for only a part of a Direct Loan, you can reduce the loan to eliminate the amount for which the student is ineligible.
- If a student becomes ineligible for only a part of an FFEL disbursement, you can return all the funds or only the amount for which the student is ineligible. A school that returns the entire disbursement must request a disbursement for the correct amount. You must provide the lender with a written statement describing why the funds were returned, and the lender must credit to the borrower's account the portion of the insurance premium and origination fee attributable to the amount returned. If you return the entire amount and ask for a new disbursement, the student will pay only for the reduced insurance premium and origination fee (if applicable) attributable to the reduced loan amount. To return only the amount for which the student is ineligible, you must have the student endorse the loan check or, in the case of a loan disbursed by electronic funds transfer (EFT), obtain the student's authorization to release loan funds. You can then credit the student's account for the amount for which the student is eligible and promptly refund to the lender the portion of the disbursement for which the student is ineligible.

If the overaward situation occurs after Stafford Loan funds have been fully disbursed, there is no Stafford Loan overaward that needs to be addressed. However, you might have to adjust the aid package to prevent an overaward of campus-based funds.

Although a school isn't required to return Stafford Loan funds that were disbursed to the borrower (either directly or by applying them to the student account) before the overaward situation occurred, the law doesn't prevent your school from returning funds that were applied to the student account if you choose to do so. A borrower who receives a direct payment of loan funds is not required to repay an overawarded amount, unless the overaward was caused by his or her misreporting or withholding information.

#### **Example: Student ineligible for part of an FFEL disbursement**

Owen's EFC is "0". Owen's loan disbursement was \$1,000. However, his school discovered after it received the loan funds that Owen also received an outside scholarship, which created an overaward. His school determines that the overaward is \$800. His school could return just the \$800 or could instead return the entire \$1,000 and have the lender issue a new check for \$200.

If Owen were at a Direct Loan school, the school should reduce the loan amount to \$200.

#### **Overaward and unsubsidized loan example**

Hector's EFC is 4,000. His cost of attendance is \$12,000. He is supposed to receive a subsidized Stafford Loan of \$5,000 and an unsubsidized Stafford Loan of \$3,000, which completely meets his need. Before he receives his first loan disbursement, Guerrero University also gives him a \$2,000 scholarship. If Hector's entire loan amount of \$8,000 had been subsidized, Guerrero would have to send some of the loan back. But because part of the loan amount is unsubsidized, Guerrero simply considers that \$2,000 of the unsubsidized loan that applied to Hector's financial need is now being used to replace part of his EFC.

## Campus-based overawards

34 CFR 673.5(d)

### **When a student receiving ACG or National SMART Grant funds and Campus-Based funds has an overpayment**

There is no overaward tolerance in either the ACG or National SMART Grant programs. Therefore, if a school discovers that an overpayment was made to a student who is receiving ACG or National SMART Grant funds and Campus-Based funds, the school must resolve the overpayment.

## *Campus-Based programs*

There is a \$300 overaward tolerance/threshold for all campus-based programs. The \$300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged. The threshold does not allow a school to deliberately award campus-based aid that, in combination with other, exceeds the student's financial need.

If a school learns that a student received financial assistance that was not included in calculating the student's eligibility for aid from the campus-based programs and that assistance would result in the student's total financial assistance exceeding his or her financial need by more than \$300, the school must take steps to resolve the overpayment.

Before reducing the student's campus-based aid, the school should re-evaluate the student's need to determine whether he or she has increased need that was not anticipated when the school initially awarded aid to the student. If the student's need has increased and if the total financial assistance does not exceed the revised need by more than \$300, the school is not required to take further action.

If the school recalculates the student's need and determines that the student's need has not increased, or that his or her need has increased but that the total financial assistance still exceed his or her need by more than \$300, the amount that exceeds the student's need by more than \$300 is an overpayment. The school must eliminate the amount of the overpayment that exceeds the \$300 threshold.

The student must repay the full amount of the campus-based loan or grant disbursements that are considered an overpayment.

## *FWS program*

Because the student can't be required to repay wages earned, you can only adjust FWS by reducing future payments. You can continue to employ the student, but the student can't be paid from FWS funds. If you've already adjusted all other federal aid and institutional aid, and there's still an overaward, you must reimburse the FWS program from your school's funds. You cannot require the student to repay wages earned.

### ***A resolved overaward may become an overpayment***

If a school has resolved an overpayment by reducing scheduled future disbursements for a second or subsequent payment period and the student ceases attendance before the end of the current payment period, that portion of the student's award that was an overpayment must be repaid outside of the requirements of 34 CFR 668.22.



If the school is responsible for repaying the overpayment, the school must repay the overpayment before completing any required Return calculation as described in chapter 2 of this volume.

If the student is responsible for repaying the overpayment, and the student withdrew after the 60 percent point in the payment period or period of attendance, as applicable, the school should try to collect the overpayment from the student and if it is unable to do so, should refer the student to ED's Borrower Services.

If the student is responsible for repaying the overpayment, and the student withdrew before the 60 percent point in the payment period or period of attendance, as applicable, the school should not take any action until it has completed the required Return calculation.

However, when performing the Return calculation, the school should not include the amount of the overpayment for which the student is responsible as *Aid that was or could have been disbursed*. Then, when the school has completed the Return calculation, it should document the amount of the overpayment and, as applicable, reduce any Post-withdrawal disbursement or increase any amount the student must return by the amount of the overpayment owed by the student.

## TREATMENT OF OVERPAYMENTS

An overpayment exists whenever a student receives aid that exceeds his or her eligibility for a Title IV program. Overpayments can be caused by incorrect reporting of information on the FAFSA, miscalculating cost of attendance, miscalculation of the EFC by a school, paying ineligible students, and paying aid in excess of grant or loan maximums. In general, unless the school is liable, a student is liable for any Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, Perkins Loan, or FSEOG overpayment made to him or her.

For purposes of FSEOG overpayments, when a school awards FSEOG using the individual recipient or aggregate matching share methods, the FSEOG overpayment amount includes only the federal share. **When a school uses the fund-specific method of matching, there is no distinction between Federal and other funds. As a result, 100% of the funds disbursed are considered part of the overpayment.**

### If an IASG recipient becomes Pell eligible

If an IAS Grant recipient becomes eligible for a Pell during award year, then the school must treat the Pell as Estimated Financial Assistance, and may need to adjust the student's aid package.

ED will have a process through which it will notify school of IASG recipients who become Pell eligible during the year.

### *Iraq Afghanistan Service Grants and Overpayments*

Iraq Afghanistan Service Grants are not considered Estimated Financial Assistance. Therefore, they are never included when determining whether or not a student's aid exceeds his or her need or cost of attendance. Likewise, if a student's other financial assistance exceeds a student's need or cost of attendance, as applicable, the student's Iraq Afghanistan Service Grant should not be reduced in eliminating the excess.

### *Overpayments for which the school is responsible*

*Please also see the discussion later in this chapter under "Overpayments for which the student is responsible."*

Your school is liable for any amount of a Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, Perkins Loan, or FSEOG overpayment (including amounts under \$25) that occurred because your school failed to follow the requirements in 34 CFR parts 668, 673, 674, 676, 690, or 691 as applicable. If your school makes a Perkins Loan or FSEOG overpayment in any amount for which it is liable, you must immediately restore (to your Perkins loan fund or FSEOG account, as applicable) an amount equal to the overpayment plus any administrative cost allowance claimed on the overpayment. When returning Pell Grant, Iraq Afghanistan Service Grant, ACG, or National SMART Grant overpayments, you must make a downward adjustment to the student's award in COD, and either return the funds through G5, or disburse them to another eligible student. For a description of overpayments for which students are responsible, see the discussion later in this chapter.

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#### **Overpayments and eligibility**

HEA Sec. 484(a)(3)

34 CFR 668.22(h), 668.32(g)(4), 668.35(c)&(e)

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#### **Overpayment due to interim disbursement**

34 CFR 668.61(a)

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#### **Recovery of overpayments**

34 CFR 668.139

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#### **Timeframe for returning funds**

34 CFR 668.21(a)(2)(ii)(A)

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#### **Timeframe for disbursing funds**

**34 CFR 668.166(a)(1)**

A school may attempt to collect funds it has returned from a student. However, this is not a Title IV debt, because an overpayment for which a school is responsible can never become a Title IV debt for a student. Therefore an overpayment for which a school is responsible can never result in a student's losing Title IV eligibility and should never be reported to NSLDS or referred to ED for collection.

If an overpayment is the result of an interim disbursement (see the *Application and Verification Guide*), and the student does not repay it, the school must repay the overpayment from the school's funds. The school must repay the overpayment within 60 days following the student's last day of attendance or by the last day of the award year, whichever comes first. Because the interim disbursement was made at the school's discretion, the school is ultimately responsible for repaying it. Moreover, because the student does not owe a Title IV overpayment, the student should not be reported to NSLDS or referred to ED for collection.

A student may not receive Federal Pell Grant or Iraq Afghanistan Service Grant funds for concurrent enrollment at more than one institution (nor both at the same institution). The COD system will identify students who have been reported as Pell Grant recipients by multiple institutions as potential overawards (POP files). The schools that awarded the student Pell Grant funds for the period must coordinate their response so that the student is receiving Pell Grant funds for attendance at only one school during the period. If after 30 days the schools have not resolved the overpayment, the COD system will reduce both schools' authorization for this student to zero, and the issue will have to be addressed with ED's involvement.

**Note:** COD will not automatically notify schools if a student is receiving an Iraq Afghanistan Service Grant at multiple institutions. Rather, the Department will monitor Iraq Afghanistan Service Grants, and inform schools of students who are over or incorrectly awarded.

## TEACH Grant Overpayments

### TEACH Grants Overpayments when a student has no need-based aid

TEACH Grants are not considered to be need-based aid. However, a student's TEACH Grant, in combination with the student's other estimated financial assistance (EFA) may not exceed the student's Cost of Attendance (COA). Therefore, when awarding a TEACH grant to a student who is not receiving any need-based financial assistance, a school must limit the amount of the student's TEACH Grant so that the TEACH Grant in combination with other EFA does not exceed the student's COA. If a student has no need-based aid, the student's EFC is not considered.

## Clarification

### Examples of overpayments due to school error

Allen received a Pell at Sarven Technical Institute. Although Sarven had the correct EFC on Allen's ISIR, the school looked at the wrong chart and used a different EFC in the Pell calculation. So, Allen received too much money. Because the overpayment is due to a school error, Sarven is liable for the overpayment.

Owen received an outside scholarship to attend Guerrero University. The bursar's office was notified of the scholarship so that it would apply the payments properly, but didn't notify the financial aid office. Owen received a Perkins Loan, but the financial aid office didn't take the scholarship into account when awarding the loan because it didn't know about the scholarship. When the financial aid office later found out about the scholarship, it discovered that Owen received too much aid and had a \$600 Perkins overpayment. Because the school had information about the scholarship (even though the financial aid office didn't), the overpayment is due to a school error.

## TEACH Grants Overpayments when a student is receiving need-based aid

For a student who is receiving need-based Title IV aid, a student's EFC, plus a student's TEACH Grant, plus a student's other EFA may not exceed a student's COA. As with unsubsidized Stafford Loans, PLUS Loans, and nonfederal loans, TEACH Grants may be used to replace a student's expected family contribution (EFC). If the TEACH Grant exceeds a student's EFC, the excess TEACH Grant is considered financial assistance for other FSA programs.

If a student's EFC, plus a student's TEACH Grant, plus a student's estimated financial assistance exceeds a student's COA, the school should first, adjust the student's aid so that the TEACH Grant is applied to finance the EFC. Remember, any TEACH Grant above the EFC is considered financial assistance for the other FSA programs. If the EFC, plus any remaining TEACH Grant, plus any other EFA exceeds the student's COA, the school must reduce the student's aid until the aid no longer exceeds the COA.

Before reducing a student's need-based aid the school should reevaluate the student's cost of attendance to determine whether the student has increased costs that were not anticipated when the school initially awarded aid to the student. If the student's costs have increased, and if the total package does not exceed the revised COA, the school is not required to take further action. If the school determines that the student's package still exceeds the student's cost of attendance, the school must resolve the overpayment.

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### COA may not be exceeded

34 CFR 686.21(c)  
FR / Vol. 73, No. 121 / June 23, 2008 /  
page 35483  
34 CFR 668.35 (g)(4)(i) & (ii)

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### TEACH may replace EFC

34 CFR 686.21(d)

Beginning with any unsubsidized loans, the school should first reduce a student's level of borrowing. Once a student's loans have been reduced, or if the student has no loans, it may be necessary for the school to reduce the student's TEACH Grant or other aid.

If the school fails to follow required procedures, it must repay any Title IV overpayment. If the school followed the required procedures and the Title IV overpayment is greater than \$25.00, the student must repay the overpayment.

## When a student fails to begin attendance

On November 1, 2007, the Department published regulations that modified the treatment of Title IV funds disbursed to students who do not begin attendance (FR Vol. 72, No. 211, Part III, November 1, 2007). If your school disburses Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, Perkins or FSEOG funds, but the student never begins attending classes, you must return the disbursed funds to the respective programs even if those funds were disbursed directly to the student. If the student begins attending some but not all of his or her classes, you will have to recalculate the student's Pell or Iraq Afghanistan Service Grant award based on the student's actual enrollment status—see *Volume 3, chapter 3*.

If a school disburses FFEL and Direct Loan funds but the student does not begin attendance, the school must return all FFEL and Direct Loan funds that were credited to the student's account at the institution for the payment period or period of enrollment. In addition, a school must return the amount of any payments made directly by or on behalf of the student to the school for the payment period or period of enrollment, up to the total amount of the loan funds disbursed.

In addition, a school must return any FFEL or Direct Loan funds that it disbursed directly to a student if the school knew prior to disbursing the funds directly to the student that the student would not begin attendance. (For example, if a student notified the school that he or she would not be attending or if the school expelled the student prior to directly disbursing the funds.)

For any remaining loan funds disbursed directly to a student, the school must notify the lender or Department, as appropriate, of the loan funds that are outstanding, so that the lender or Department can issue a 30-day demand letter to the student.

**A school may not ignore information available to any office at the school indicating that a student failed to begin attendance.**

All schools must return<sup>1</sup> funds disbursed to a student who failed to begin attendance as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance.

1. For Pell, ACG, National SMART Grant, Perkins, TEACH Grant, IAS Grant or FSEOG funds, a school may satisfy this requirement either by redepositing the funds in its federal funds account and disbursing them within three days to another eligible student, or by returning them to the appropriate Title IV program using the **refund function in G5**.

A student is considered not to have begun attendance if a school is unable to document the student's attendance in any class.

### Returning funds for students who do not register or fail to begin attendance

34 CFR 668.21  
34 CFR 668.167  
34 CFR 674.16(f)(1)&(2)  
34 CFR 676.16(d)(1)&(2)  
34 CFR 682.604(d)(3) and (4), and  
34 CFR 685.303(b)(3).  
34 CFR 690.78(b)(1)&(2)

### Recalculating Pell eligibility when a student fails to begin attendance in all classes

34 CFR 690.80(b)(ii)

### When a student withdraws after starting classes but before a school's census date

A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation described in *Volume 5, chapter 2*.

**Attendance at a Foreign School or in Study Abroad Programs**

Schools are not responsible for returning loan funds disbursed directly to the student by the lender for a student in a study-abroad program or for a student attending a foreign school. However, the school must immediately notify the Department or lender, as appropriate, when it becomes aware that the student will not or has not begun attendance so that a final demand letter can be issued to the borrower.

**Returning undisbursed funds for students who do not register or fail to begin attendance**

34 CFR 668.166(a)

34 CFR 668.167(b)(1)&(2)

At a school that is not required to take attendance but that has a census date on which it reports its enrollment levels to a state, local jurisdiction or outside agency, it would be reasonable to expect the school to return funds as soon as possible, but no later than 30 days following the census date.

A school that draws down Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, or FSEOG funds under the advanced payment method must disburse those funds no later than three business days following the date the school receives them. If after a school draws down Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, FSEOG, or Direct Loan funds but before the school disburses them, the school discovers that it cannot disburse all the funds because one of the students for whom the funds were intended has not begun classes, the school must return those funds within the three-day period except as described under *Excess Cash* in *Volume 4*.

A school that receives FFEL funds must disburse them within:  
(a) 3 business days following the date the school receives the funds if the lender provides those funds to the school by EFT or master check; or (b) 30 days after the school receives the funds if a lender provides those funds by a check payable to the borrower or copayable to the borrower and the school. If after the school receives FFEL but before the school disburses them the school discovers that the student has not begun attendance, the school must return the funds promptly but no later than 10 business days after the date the school was required to disburse the funds.

**Important**

**After the start of classes, Title IV funds should not be disbursed without schools confirming that recipients have begun attendance.**

## When funds are considered to have been returned for a student who fails to begin attendance

The Department considers a school to have returned FSA funds timely if the school—

1. deposits or transfers the funds into its federal funds account no later than 30 days after the date that the school becomes aware that the student will not or has not begun attendance;
2. initiates an electronic funds transfer (EFT) no later than 30 days after the date that the school becomes aware that the student will not or has not begun attendance;
3. initiates an electronic transaction, no later than 30 days after the date that the school becomes aware that the student will not or has not begun attendance, that informs an FFEL lender to adjust the borrower's loan account for the amount returned; or
4. issues a check no later than 30 days after the date that the school becomes aware that the student will not or has not begun attendance. An institution does not satisfy this requirement if –
  - the school's records show that the check was issued more than 30 days after the date that the school becomes aware that the student will not or has not begun attendance; or
  - the date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 45 days after the date that the school becomes aware that the student will not or has not begun attendance.

## Overpayments for which the student is responsible

### Examples of overpayments due to student error

When Chavo applied, he didn't have his tax returns, so he estimated his income and said that he wasn't going to file a tax return. After he received his aid from Sarven Technical Institute in June, he told the FAA that he'd underestimated his income, and had to file a tax return. When Chavo submitted the corrections, his EFC increased, and Sarven determined that he'd received a Pell overpayment. Sarven canceled his second Pell disbursement, but he still owed \$100. Sarven allowed Chavo to make an agreement to repay \$25 a month for four months so that he'd still be eligible for other aid for the rest of the year.

Meurig has to report financial information about his father on the application although he's living with his stepfather. On the 2008-2009 application, he didn't report any assets for his father, and Brust Conservatory used the information from that application to award Title IV aid. However, his 2009-2010 application is selected for verification, and during the verification process Brust discovers that Meurig's father has a business that should have been reported as an asset. Brust asks for tax information for the previous year and determines that Meurig should also have reported the business as an asset on the 2008-2009 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2008-2009 award year. Because he's already received all his aid for the year, he has to either pay the overpayment or negotiate a satisfactory repayment agreement.

In some instances, a student rather than the school is responsible for repaying the overpayment.

If a student has received more Pell or Iraq Afghanistan Service Grant funds than the student was eligible to receive because the student's eligibility for a Pell or Iraq Afghanistan Service Grant decreased, you can try to eliminate the Pell or Iraq Afghanistan Service Grant overpayment by adjusting later disbursements for the award year. **You may not reduce a student's correctly awarded and disbursed Pell or Iraq Afghanistan Service Grant to address overpayments in other programs.**

For ACG, National SMART Grant, TEACH Grant, FSEOG, and Perkins overpayments, you can adjust subsequent disbursements.

If that is not possible, you must promptly attempt to recover the overpayment by notifying the student (by paper or electronically) and requesting full payment. The notice must state that if the student fails to repay the overpayment or to make satisfactory arrangements for repayment, he or she will be ineligible for Title IV funds until the overpayment is resolved.

If the student claims that your school made a mistake in determining the overpayment, you must consider any information he or she provides and judge whether the objection is warranted.

If, after notification to the student and consideration of possible objections, an overpayment remains, and the student has not repaid or made satisfactory arrangements to repay the overpayment, you must take further action.

For ACG, National SMART Grant, TEACH Grant, FSEOG, Iraq Afghanistan Service Grant, and Pell Grant funds, you must refer the overpayment to the Department with the required information (see *Referring overpayment cases to Borrower Service's* later in this chapter), and you must report to NSLDS the unresolved overpayment. After that, you are not required to make any further attempt to collect the ACG, National SMART Grant, TEACH Grant, FSEOG, Iraq Afghanistan Service Grant or, Pell Grant overpayment.

For Perkins Loans, you are not required to refer overpayments to Borrower Services, but you must report them to NSLDS, because the student is required to repay the overpayment to your school's revolving loan fund.

A student is not liable for an overpayment when the original amount of the overpayment is less than \$25. A student is liable for an overpayment of less than \$25 when that \$25 is a remaining balance. That is, when the overpayment amount was originally \$25 or more, but is now less than \$25 because the student has made payments.

A student is also liable for overpayments of less than \$25 when that amount is the result of applying the \$300 campus-based overaward threshold/tolerance. For example, if a school discovers that after a student's campus-based aid was disbursed, the student received additional aid that resulted in the aid the student received exceeding his or her need by \$314, the \$314 is an overaward. When the school applies the \$300 overaward tolerance, the student only has a campus-based overpayment of \$14. The student is responsible for repaying the \$14 because the initial amount of the overpayment (before the \$300 tolerance was applied) was \$314 (which is in excess of the less than \$25 *de minimus* amount).

Your school may decide to pay a student's obligation by returning to the appropriate Title IV program account the amount overpaid to the student. Once your school makes the appropriate return, the student will no longer be considered to owe a Title IV debt, but rather a debt to your school that you can collect according to your procedures. The student's eligibility for Title IV funds is restored as long as the student meets other Title IV eligibility criteria.

A student who receives an overpayment of a Title IV program loan, or a Title IV program grant may reestablish eligibility for Title IV program assistance by repaying the excess amount, or by making arrangements satisfactory to the holder of the overpayment debt to pay the excess amount.



## Clarification

Though HERA increased the *de minimus* threshold for overpayments due to withdrawal, the *de minimus* amount for all other overpayments remains less than \$25.

### Exceptions to student liability

There are some exceptions to holding a student liable for a Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, Perkins Loan or FSEOG overpayment.

Generally a student is liable for any Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, FSEOG, or Perkins overpayment he or she receives unless the school is liable for it. However, as noted previously, the student is not liable for the overpayment if it is less than \$25 and is not a remaining balance nor, in the case of a Perkins Loan or FSEOG, is the result of the application of the \$300 overaward threshold.

Such overpayments do not affect the student’s Title IV eligibility. Therefore, your school need not –

- attempt recovery of such overpayments,
- report such overpayments to NSLDS, or
- refer such overpayments to the Department for collection.

### Overpayments created by inadvertent overborrowing

Another kind of overpayment occurs when a student inadvertently has received Title IV loan funds in excess of annual or aggregate loan limits and is no longer eligible for Title IV funds. A student who is not in default on a Title IV program loan, but who has inadvertently obtained Title IV program loan funds in an amount that exceeds the annual or aggregate loan limits is ineligible for any further Title IV program assistance until the student (1) repays in full the excess loan amount; or (2) makes arrangements, satisfactory to the holder of the loan, to repay that excess loan amount.

Satisfactory repayment arrangements are determined by the loan holder, but may involve having the borrower sign an agreement acknowledging the debt and affirming the borrower’s intention to repay the excess amount as part of the normal repayment process.

If a student has inadvertently exceeded the subsidized annual or aggregate loan limit, it may be possible in some cases to eliminate the excess subsidized amount by changing it to an unsubsidized loan. The loan holder will determine whether this is an option.

If a student has consolidated the loan(s) that exceeded the annual or aggregate loan limit, he or she is considered to have made satisfactory arrangements to repay the debt, and no additional action on the part of the student is required. This is true regardless of the type of loan (FFEL or Direct) consolidated and no matter the type of consolidated loan the student obtained. Note that a student who has lost eligibility because he or

#### Satisfactory repayment arrangements

We require a borrower who does not repay the excess loan amount in full to make satisfactory repayment arrangements in order to ensure that the borrower acknowledges a debt in excess of the regulatory maximum.

For defaulted loans, the law and regulations specify what a satisfactory repayment agreement is. For students who have exceeded loan limits or owe an overpayment of a Title IV grant, the law and regulations do not specify what makes a repayment agreement satisfactory. The loan holder or school determines whether the repayment arrangement is satisfactory.

**Clarification**

she has exceeded the undergraduate aggregate maximum loan limit, does not automatically regain eligibility if he or she advances to the graduate level. Rather, the student must resolve the previous overpayment in order to regain eligibility for Title IV funds.

Once you have documented that the inadvertent overborrowing has been resolved (through repayment in full, making satisfactory arrangements to repay the debt, replacement of an excess subsidized loan with an unsubsidized loan, or consolidation of the excess loan amount), you may award additional Title IV funds to the student. Keep in mind, however, that the student may have no remaining loan eligibility, or may be eligible only for unsubsidized loans.

Because you're responsible for knowing about the student's prior Title IV loans before disbursing additional loan funds to the student, inadvertent overborrowing shouldn't occur often. Excess borrowing might occur if a school is unaware of loans a student received at another school. This might happen if the student received the loans under a different name or SSN. (See Volume 1, chapter 3 for a description of how the NSLDS postscreening and transfer monitoring processes can help prevent these kinds of overpayments.)

### Reporting overpayments to NSLDS

You must report overpayments or changes to previously submitted information to NSLDS within 30 days of the date you learn of the overpayment or change.

If the grant overpayment is the result of the student's withdrawal and a return to Title IV calculation, you must contact the student within 30 days of determining that the student withdrew (see chapter 2).

You only report unresolved overpayments if they're due to student error; don't report overpayments that are a result of school error. Instead, as discussed previously, you must use school funds to repay the overpayment.

You must use the NSLDS FAP Web site to report overpayments. To do so, your school must have Internet access, and your Primary Destination Point Administrator (DPA) must have signed up at least one user for Overpayment updates for NSLDS online services at <https://fsawebenroll.ed.gov>. (DCL GEN-04-08 gives the most recent technical specifications.)

Once the overpayment is reported to NSLDS, the student's future output documents will show that she has an overpayment (see "NSLDS Match"). The Financial Aid History section of the SAR and ISIR will have information on the overpayment, including whether the student has made satisfactory repayment arrangements.

#### Resolving an overpayment

Through the process of a borrower replacing an excess subsidized loan with an unsubsidized loan, or consolidating the excess loan amount, the borrower has either eliminated the overpayment or reaffirmed his or her debt and intent to repay the funds. Therefore the borrower is eligible to receive additional Title IV aid.

#### Reporting overpayments to NSLDS

DCL GEN-98-14, July 1998

All new Perkins, Pell Grant, IAS Grant, ACG, National SMART Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which an NSLDS data element has changed must be reported.

Perkins and other data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available at:

**[ifap.ed.gov/ifap/byYear.jsp?type=nsldsmaterials&set=archive](http://ifap.ed.gov/ifap/byYear.jsp?type=nsldsmaterials&set=archive)**

## Recording student payments and reductions in the Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, and TEACH Grant Programs

For reductions and payments to awards, schools should record reductions and payments by entering a replacement value in the COD system. **The replacement value will be the original values less only the amount the school has returned** (the sum of: (a) that amount the school is responsible for returning + (b) any portion of the grant overpayment, that otherwise would be the responsibility of the student, but which the school has chosen to return for the student + (c) any portion of the grant overpayment the school has collected from the student.). **Do not reduce the award/disbursement by the amount the student must return (unless the student has made a payment to the school).**

If a school receives a payment for a current-year overpayment that has not been referred to Debt Resolution Services, the school should NOT send the payment to Debt Resolution Services. Instead, after you have reduced the student's disbursement in COD, return the unearned funds as follows:

### Reminder

#### Returning funds to the Department

**Using the electronic refund function in G5 is the preferred method whenever a school must return Pell, IAS Grant, ACG, National SMART, TEACH or FSEOG funds.**

Only in exceptional circumstances (and **never for a current Pell, ACG, National SMART, TEACH, IAS Grant, or FSEOG award**) should a school return funds from a Return calculation by sending a check instead of using the electronic refund function in G5.

Contact the G5 Hotline at:  
**888-336-8930**  
(M–F 8 a.m. to 6 p.m. ET) for assistance

If because of extraordinary circumstances you must send a check, the G5 lockbox address for Pell, ACG, National SMART, TEACH Grant, IAS Grant, and Campus-Based funds is:

**U.S. Department of Education  
P.O. Box 979053  
St. Louis, Missouri 63197-9000**

The school must note the student's name, SSN, the school's DUNS number, and the complete 11-digit Document/Program Award Number and award year on the check. A school must use a separate check for each award year.

- If your school has made repayment arrangements with a student and received a payment on a current year overpayment, the school should deposit the funds in its Pell, Iraq Afghanistan Service Grant, ACG, National SMART, or TEACH Grant account and make the appropriate entry in the COD system.
- If a student makes a payment on any previous year's Pell, Iraq Afghanistan Service Grant, ACG, National SMART, or TEACH Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

If through its Return calculation a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its *federal funds account*, and award the funds to other needy students.

If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the Electronic Refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

### Accepting payments on referred overpayments

A school may continue to accept payment on a Title IV grant overpayment after the overpayment has been referred to the Department. A school that accepts a check made out to the Department on an overpayment that has been referred to Borrower Service's must –

1. note the student's name and SSN on the check;
2. indicate that the payment is for an overpayment of a Title IV grant; and
3. forward the payment to Debt Resolution Services at:

**National Payment Center**  
**P.O. Box 105028**  
**Atlanta, Georgia 30348-5028**

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to Debt Resolution Services, the school should write its own check to the Department and attach a letter indicating that the check is for a Title IV grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student's name, social security number, and amount paid.

If a school receives a payment for an overpayment **previously referred to** Debt Resolution Services and if –

- the overpayment was made in the current award year, and
- the payment will retire the student's debt in full,

the institution must:

1. deposit the payment in its appropriate institutionally maintained federal funds account;
2. for a Federal Pell Grant or Iraq Afghanistan Service Grant overpayment, make the appropriate entry in the student's record on the COD system (either on COD or via common record); and
3. send a letter or fax to Debt Resolution Services identifying the student and indicating that the student's overpayment has been completely repaid. This will allow the Department to properly update its records in both the Debt Resolution Services system and NSLDS.

**The fax number for this purpose and school use only is –**

(903) 454-5398

**Note:** This process cannot be performed via email.

#### Payment in full

Anytime a school receives a payment (including the application of a Title IV credit balance) that will repay an overpayment in full, the school must also update its original submission to NSLDS by changing the entry on the "Overpayment Update Screen" for the Indicator Field to "Repaid."

In the fax or letter, a school must include the:

1. award year of the overpayment (current award year only);
2. student's social security number;
3. student's last name, first name, and middle initial;
4. student's date of birth;
5. type of overpayment — Federal Pell Grant, Iraq Afghanistan Service Grant, FSEOG; ACG, National SMART Grant, or TEACH Grant; and
6. the disbursement date the institution used to create the overpayment record in NSLDS.

For information on handling student payments after you have referred an overpayment to Debt Resolution Services, see the discussion under *Accepting payments on referred overpayments* later in this chapter.

### Referring overpayments to Debt Resolution Services

If you have tried but not succeeded in collecting a Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, or FSEOG overpayment for which the student is liable, you must refer the overpayment to FSA's Debt Resolution Services. To be referred, the **initial amount** of the overpayment must be at least \$25.

**Note:** For an FSEOG overpayment, when a school uses the individual recipient or aggregate matching methods, the overpayment includes only the federal share. When the school uses the fund-specific method of matching, the overpayment includes both the federal and nonfederal shares. See *Volume 6 – Campus-Based Programs* for more information.

You would still refer a student debt of less than \$25 to Debt Resolution Services when the amount due is a remaining balance or, when the amount is the result of the application of the campus-based overaward threshold/tolerance. You must make this referral in addition to reporting the overpayment to NSLDS. If your school elects not to refer an overpayment to Debt Resolution Services, then your school is liable for the overpayment. In that case, the school must repay the overpayment from its own funds.

To refer student overpayments for collection, schools should use a format similar to the one found at the end of this chapter and send the form to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.

In order to avoid creating a double record for a single overpayment, the school must populate its Overpayment Referral Form, Dates of Disbursements, with the exact same dates the school used when it created the NSLDS record. In addition, a school must ensure that it enters for award year the year the disbursement was made.

#### Schools must resolve student concerns

If a student claims that a school's ACG, National SMART Grant, or FSEOG overpayment determination is erroneous, the school must consider any information the student provides and determine whether the objection is warranted before referring the case to Collections.

**Important**

In addition, when you refer the overpayment, you should update the overpayment information previously reported to NSLDS by changing the Source field from SCH-SCHOOL to TRF-TRANSFER. Once Debt Resolution Services has accepted a referred student overpayment, Debt Resolution Services will transmit the information to NSLDS and “ED Region” will replace “School” as the appropriate contact source for information about the overpayment.

During the 2010-2011 award year, on its Overpayment Referral, schools must continue to provide their School’s Pell Identification Number. During the 2010-2011 award year, schools should NOT enter their Routing Identifier.

### *School responsibility after referral*

Once you have referred the account to Debt Resolution Services, you have no further responsibility in the collection of the debt unless the student contacts your school to make a payment or Debt Resolution Services sends the referral back because it is incomplete. If Debt Resolution Services sends the referral back to you because it is incomplete, you’ll need to supply additional information and resend the referral. If the student tells you that he or she wishes to make a payment, you may accept it on behalf of the Department and forward it to Debt Resolution Services.

You must return to ED any funds accepted from a student who owes an overpayment. Before forwarding the check to Debt Resolution Services, make sure the student’s name and SSN are on the check. If the check covers more than one student, list each student’s name and SSN and each payment amount. Send the check to:

National Payment Center  
P.O. Box 105028  
Atlanta, Georgia 30348-5028

If you want a payment to be applied to a specific overpayment (by program and award year) you must include a memorandum on school letterhead. The memorandum must include the award year and program award number of the award you want credited, and your DUNS number.

If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact Debt Resolution Services by calling:

1-800-621-3115

or by emailing:

[dcshelp@vangent.com](mailto:dcshelp@vangent.com)

**Important**

**Tip**

#### **Accepting payments on referred current-year overpayments**

If a student wants to make a payment on an overpayment from the current award year, and that payment will pay that overpayment in full, follow the procedures described in chapter 2 under “Accepting payments on referred overpayments.”

**Important**

### ***Responsibilities of Debt Resolution Services***

Upon receipt of an overpayment referral, the Department will determine if enough information has been provided to start collection activity; any referral lacking information will be returned to your school to be completed.

Debt Resolution Services will then try via letters and telephone to establish a repayment schedule or to secure payment in full. Debt Resolution Services will also update the NSLDS information that you've already reported to show that the Department now holds the overpayment. Any future SARs or ISIRs for the student will show that he or she owes an overpayment and will direct the student to contact Debt Resolution Services instead of the school. Finally, Debt Resolution Services also communicates Pell and Iraq Afghanistan Service Grant overpayment referrals to the COD system. COD will then alert a school of a student's overpayment status if the student submits a FAFSA in the future.

### ***Return of Title IV funds when a school does not maintain a separate federal bank account***

The Department considers a school that maintains Title IV funds and general operating funds in the same bank account (commingles) to satisfy the requirement that it return unearned funds on a timely basis if:

- the school maintains subsidiary ledgers for each type of funds commingled in that account that clearly show how and when those funds were used and reconciled to its general ledger,
- the subsidiary ledger for each Title IV program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of Title IV program funds received and disbursed by the school, and
- the school updates the relevant subsidiary ledger accounts in its general ledger no later than 30 days after it determines that the student withdrew.

More specifically, the return of an unearned funds transaction should be recorded as a debit to a Title IV program fund subsidiary ledger account and a credit to the school's operating fund subsidiary ledger account. The date of the return is the date this transaction is posted to the school's general ledger.

### ***Returning Funds on FFEL Loans Purchased/Serviced by the Department***

The Department has implemented programs through which it purchases Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. When these purchases occur, the Department becomes the owner and servicer of the loans. Both the prior FFEL loan holder and the Department correspond with an affected borrower upon purchase of a loan.

There are several avenues available to schools that need to return funds from FFEL loans that have been purchased by the Department. The first is through the lender that originated the student's loan. Many lenders allow schools to use their website to return the funds to the lender who will then forward the payments to the appropriate Department servicer. Explore this option first.

A second method is to access NSLDS directly and determine which of several servicers managing FFEL loans purchased by the Department is servicing the loans for which you are returning funds. You can then forward the funds directly to the servicer.

Once you're in NSLDS, select "Aid," then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds.

### Contact Information for Loan Servicers

Servicer Name:	<b>SALLIE MAE</b>
NSLDS Name:	DEPT OF ED/SALLIE MAE
Servicer Code:	700578
GA Code:	578
Payment Address:*	Department of Education P.O. Box 740351 Atlanta, GA 30374-0351
Correspondence Address:*	Sallie Mae PO Box 59008 Panama City, FL 32412-9008
Website:	www.opennet.salliemae.com
Phone:	888-272-4665
Email:	CollegeServ@salliemae.com

\*If a school prefers to utilize ACH or Auto-debit for a return funding method and/or an electronic data transmission (e.g., web/CTSF), please contact the phone number or email address provided for details

Servicer Name:	<b>Student Loan Servicing Center (ACS)</b>
NSLDS Name:	DEPT OF ED/ACS
Servicer Code:	700577
GA Code:	577
Payments and Correspondence Address:	U.S. Department of Education P.O. Box 7063 Utica, NY 13504-7063
Website:	www.ed-servicing.com
Phone:	866-938-4750
Email:	emailsupport@ed-servicing.com

## Important

If you are returning funds by check, together with your check for the funds you are returning, you must include, **on school letterhead**, the following information:

1. The borrower's name,
2. The borrower's social security number,
3. The loan's unique CommonLine ID,
4. The type of loan (subsidized, unsubsidized, PLUS, etc.),
5. The period for which the loan was certified,
6. The scheduled & actual date of the disbursement,
7. The amount of the disbursement,
8. The amount being returned,
9. The reason the funds are being returned (cancellation, overpayment, withdrawal, or failed to begin class),
10. The school OPEID, and
11. The name and phone number of the school official returning the funds.
12. **You must also include a completed Direct Loan Refund of Cash form (available at the end of Chapter 2).**

## Important

**This information is for school use only.**

**Important**  
**This information is for school use only.**

Servicer Name: **FedLoan Servicing (PHEAA)**  
NSLDS Name: DEPT OF ED/FED LOAN SERVICING (PHEAA)  
Servicer Code: 700579  
GA Code: 579  
Payment Address: U.S. Department of Education  
(see Website for form) School Payments  
FedLoan Servicing (PHEAA)  
P.O. Box 530264  
Atlanta, GA 30353-0264  
Correspondence Address: Federal Loan Servicing  
Attn: Education Services Group  
PO Box 69184  
Harrisburg, PA 17106-9184  
Website: myfedloan.org  
Phone: 800-655-3813  
Fax: 717-720-1628  
Email: schoolsupport@myfedloan.org

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Servicer Name: **Great Lakes Educational Loan Services**  
NSLDS Name: DEPT OF ED/GREAT LAKES  
Servicer Code: 700581  
GA Code: 581  
Payment Address: U.S. Department of Education  
P.O. Box 740199  
Atlanta, GA 30374-0199  
Correspondence Address: 115 1st Avenue SW  
Aberdeen, SD 57401  
Phone: 888-686-6919  
Email: clientservices@glhec.org

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**Address for NELNET Overnight Delivery**  
Bank of America  
c/o U.S. Department of Education  
Lockbox 530232  
Atlanta, GA 30337  
Please see Website for form that must accompany overnight deliveries.

Servicer: **NELNET**  
NSLDS Name: DEPT OF ED/NELNET  
Servicer Code: 700580  
GA Code: 580  
Payments Address: U.S. Department of Education  
Nelnet School Service Center  
PO Box 530232  
Atlanta, Georgia 30353-0232  
Correspondence Address: PO Box 82596  
Lincoln, NE 68501-2596  
Website: www.nelnet.com  
Phone: 866-463-5638  
Email: ssc@nelnet.net

## **Recording student payments and reductions in the Direct Loan Program**

If through its Return calculation a school determines that a student has received an overpayment of Direct Loan funds, the school should reduce the student's award/disbursements by making a downward adjustment in COD.

The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

**Only in exceptional circumstances** should a school return funds by sending a check instead of using the electronic refund function in G5.

If a school has to return funds by check, the school must –

1. use a separate check for each award year;
2. note the school's DUNS number, school code, and award year on each check;
3. include a completed Direct Loans Return of Cash form; and
4. include a memorandum that specifies the name and social security number for each student for whom funds are being returned and how much is being returned for each student.

The address for returning Direct Loan funds by check is:

**U.S. Department of Education  
COD School Relations Center  
Attention Refunds of Cash  
P.O. Box 9001  
Niagra Falls, New York 14302**

### **Reporting reductions**

Schools can report current year adjustments for awards/disbursements either through their loan processing software or by using the COD Website at:

**<https://cod.ed.gov>**

# Information Required when Referring Student Overpayments to Debt Resolution Services

## Student Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

If the overpayment includes an Academic Competitiveness, National Smart Grant, or TEACH Grant, enter the Award Identifier (ID) used when the award was created in COD.

ACG Award ID: \_\_\_\_\_ National Smart Grant Award ID: \_\_\_\_\_

TEACH Award ID: \_\_\_\_\_

## Parent/Spouse Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

## School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: \_\_\_\_\_ Attending School's Pell ID Number: \_\_\_\_\_

**If your school does not have a Pell ID, Enter your OPE ID:** \_\_\_\_\_

Name of Contact: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

## Disbursements and Repayments

	Pell Grant	ACG or National Smart Grant <span style="color: red;">(Specify)</span>	Iraq Afghanistan Service Grant	FSEOG <sup>1</sup>	TEACH Grant
Award year in which overpayment was disbursed:	_____	_____	_____	_____	_____
Total grant disbursed:	_____	_____	_____	_____	_____
Dates of disbursement: <span style="color: red;">(Must match NSLDS overpayment record)</span>	_____	_____	_____	_____	_____
Overpayment amount owed by student *	_____	_____	_____	_____	_____
Total grant repaid by student to school, if any:	_____	_____	_____	_____	_____
Date of last payment to school, if any:	_____	_____	_____	_____ <sup>1</sup>	_____

<sup>1</sup> If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

\* If the overpayment is the result of a withdrawal, provide the date of the withdrawal / /

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

\_\_\_\_\_

SEND INFORMATION TO ⇒ Student Loan Processing Center-Overpayments  
P.O. Box 4157  
(903) 454-5398 ⇐ FAX Greenville, Texas 75403

# Withdrawals and the Return of Title IV Funds

## CHAPTER 2

*This chapter will discuss the general requirements for the treatment of Federal Student Aid funds when a student withdraws and will then discuss the principles applicable to the worksheets.*

### WITHDRAWALS

This chapter explains how Federal Student Aid (Title IV) funds are handled when a recipient of those funds ceases to be enrolled prior to the end of a payment period or period of enrollment. These requirements do not apply to a student who does not actually cease attendance at the school. For example, when a student reduces his or her course load from 12 credits to 9 credits, the reduction represents a change in enrollment status not a withdrawal. Therefore, no Return calculation is required.

The Return of Title IV Funds (Return) regulations do not dictate an institutional refund policy. Instead, a school is required to determine the earned and unearned portions of Title IV aid as of the date the student ceased attendance based on the amount of time the student spent in attendance or, in the case of a clock-hour program, was scheduled to be in attendance. The calculation of Title IV funds earned by the student has no relationship to the student's incurred institutional charges.

Up through the **60% point** in each payment period or period of enrollment, a prorata schedule is used to determine the amount of Title IV funds the student has earned at the time of withdrawal. **After the 60% point** in the payment period or period of enrollment, a student has earned 100% of the Title IV funds he or she was scheduled to receive during the period.

For a student who withdraws after the 60% point-in-time, there are no unearned funds. However, a school must still determine whether the student is eligible for a Post-withdrawal disbursement.

The Return regulations do not prohibit a school from developing its own refund policy. However, the school must comply with refund policies required by a state or other outside agencies. Although an institutional, state, or agency refund policy will determine the charges a student will owe after withdrawing, those policies will not affect the amount of Title IV Aid the student has earned under the Return calculation.

#### Treatment of FFEL loans

Schools may not certify FFEL loans after June 30, 2010. However, if the first disbursement of an FFEL loan certified by June 30, 2010 is disbursed by that date, a second disbursements of that loan may be made during the 2010-11 award year. Therefore, we continue to include FFEL loans in the treatment of The Return of Title IV Funds.

## Return of Funds

HEA, Section 484B  
34 CFR 668.22

### When a student withdraws before a school's census date

A student begins earning Title IV funds on his or her first day of attendance. Therefore, even if a student withdraws before a school's census date, the school must perform a Return calculation using the number of days the student attended, or the number of scheduled clock hours the student attended class as the numerator in STEP 2, Part H.

### Technical questions

Technical questions on the Return of Title IV funds Web product are handled by the CPS at:

**800-330-5947**

or via email at:

**cpssaig@ed.gov**

### The FSA Assessment module

that can assist you in understanding and assessing your compliance with the provisions of this chapter is "Return of Title IV Funds," at:

**<http://ifap.ed.gov/qahome/qaassessments/returntivfunds.html>**

### Access to R2T4 Web Product via CPS Online

Individual staff members must be enrolled in the SAIG in order to have access to the Return Web product.

Your school's SAIG Destination Point Administrator (DPA) can enroll the selected staff members via the SAIG Enrollment Website at:

**<http://www.fsawebenroll.ed.gov>**

## General requirements

Title IV funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of Title IV funds that the student was originally scheduled to receive.

If a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the amount of Title IV grant or loan assistance earned by the student must be determined. If the amount disbursed to the student is greater than the amount the student earned, unearned funds must be returned. If the amount disbursed to the student is less than the amount the student earned, and for which the student is otherwise eligible, he or she is eligible to receive a Post-withdrawal disbursement of the earned aid that was not received.

## Worksheets and the Return of Title IV Funds Web product

The Department has developed worksheets and software to assist schools in implementing the Return regulations (you can find blank worksheets at the end of this chapter). There is one worksheet for students who withdraw from credit-hour programs and one for students who withdraw from clock-hour programs. These worksheets are also in portable document file (PDF) format on the Department's Information for Financial Aid Professionals Website at:

**<http://ifap.ed.gov>**

The Department has developed a Return of Title IV Aid Web product. It is accessible via the main menu of the FAA Access at the CPS Online Website:

**<http://www.faaaccess.ed.gov>**

The use of the Department's worksheets and the Web Product is optional.

## Consumer information

In the consumer information a school must make available upon request to prospective and enrolled students, the school must include a statement of –

- any refund policy with which the school must comply;
- the requirements for the treatment of Title IV funds when a student withdraws; and
- the requirements and procedures for officially withdrawing from the school.

A school should provide sufficient information for a student or prospective student to be able to determine the procedures for withdrawing and the financial consequences of doing so. In addition, a student should be able to estimate how much Federal Student Aid he or she will retain, and how much he or she may have to return upon withdrawing. Because the Return provisions do not affect institutional refund policies, a school must provide a student with information on both the school's refund policy and the federal Return requirements, and explain the interaction between the two. The information should include a discussion of how a school might adjust a student's charges to take into account any Return of FSA funds the school might be required to make. Finally, a student or prospective student should be informed that if he or she withdraws, school charges that were previously paid by FSA funds might become a debit that the student will be responsible for paying.

As a part of the institution's disclosure of the procedures for officially withdrawing, the school must identify the office or offices that it has designated to accept notification of official withdrawals.

### Consumer information

Section 485(a)(1)(F), 34 CFR 668.43

For more information see chart on "Institutional and Financial Assistance Information for Students" in "*Volume 1 – Student Eligibility*."

#### Sample summary provided

A sample summary of the requirements of 34 CFR 668.22 is provided at the end of this chapter.

## GENERAL TITLE IV PRINCIPLES WITH SPECIAL APPLICABILITY IN THE RETURN OF TITLE IV AID

### *Definition of a Title IV recipient*

The requirements for the treatment of Title IV funds when a student withdraws apply to any recipient of Title IV grant or loan funds who ceases all attendance. For purposes of these requirements, a recipient of grant or loan assistance is a student who has actually received Title IV funds or has met the conditions that entitled the student to a late disbursement. These conditions are listed in a chart on Late Disbursements in *Volume 4 – Processing Aid and Managing Federal Student Aid Funds*.

#### **Title IV Recipient**

In determining whether the requirements of 34 CFR 668.22 apply, a school must first determine whether a student was eligible to receive any Title IV funds.

#### **If a student withdraws before Title IV funds are disbursed**

Even if a student paid all institutional charges and ceased enrollment prior to Title IV funds being disbursed, if Title IV funds could have been disbursed, the institution must determine the Title IV funds earned by the student and follow the procedures for making a Post-withdrawal disbursement.

The return requirements apply only to the receipt of or qualification for aid that can be included in the calculation. For example, the requirements of 34 CFR 668.22 do not apply to Federal Work-Study funds. Therefore, the Return requirements do not apply to a student if the only Title IV program assistance that the student has received or could have received was FWS funds.

Please note that if the student never actually began attendance for the payment period or period of enrollment, 34 CFR 668.22 does not apply. Likewise, if a student began attendance, but was not and could not have been disbursed Title IV grant or loan funds prior to withdrawal, the student is not considered to have been a Title IV recipient and the requirements of 34 CFR 668.22 do not apply. In these cases, Title IV funds would be handled in accordance with other Title IV regulations (see margin).

#### **Returning funds for students who do not register or fail to begin attendance**

- 34 CFR 668.21
- 34 CFR 668.167
- 34 CFR 674.16(f)(1)&(2)
- 34 CFR 676.16(d)(1)&(2)
- 34 CFR 682.604(d)(3) and (4), and
- 34 CFR 685.303(b)(3).
- 34 CFR 690.78(b)(1)&(2)

### *Verification*

The Return calculations impose no additional liability for interim disbursements made to students selected for verification. However, the Return requirements do place limits on interim disbursements that can be made to students selected for verification who have ceased attendance. **A school may not make an interim disbursement to a student after the student has ceased attendance.**

The Department establishes deadlines for the submission of required verification documents that apply to all Title IV programs.

For campus-based program funds and subsidized FFEL and Direct Loan program funds, an institution may establish an institutional verification deadline that may be earlier than the date established by ED. The institution must include its verification deadlines in the consumer materials it provides to students.

#### **Withdrawals and verification**

DCL-GEN-04-03

#### **No earlier deadline for Pell**

For the Pell, ACG/SMART and IAS Grant programs, a school may not establish an earlier deadline than that established by the Department in annual notice. Therefore, if a Pell eligible student submits the documents required for verification no later than the earlier of 120 days after the student's last day of attendance or the deadline established by the Department, a school must make any applicable Post-Withdrawal Disbursement of the student's Pell Grant.

The following rules apply when a school is completing a Return calculation for a student subject to verification.

1. A school must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew, and offer any Post-withdrawal disbursement of loan funds within 30 days of that date.
2. A school must disburse any Title IV grant funds a student is due as part of a Post-withdrawal disbursement within 45 days of the date the school determined the student withdrew, and disburse any loan funds a student accepts within 180 days of that date.
3. Unless a student subject to verification has provided all required verification documents in time for the school to meet the Return deadlines, the school includes as Aid Disbursed or Aid That Could Have Been Disbursed in the Return calculation only those Title IV funds not subject to verification.
4. If a student who failed to provide all required verification documents in time for the school to meet the Return deadline later provides those documents prior to the applicable verification deadline, the school must perform a new Return calculation on all of the aid the student qualified for based on the completed verification documents and make the appropriate adjustments.

### **When verification is completed before the Return deadlines**

A school must offer any Post-withdrawal disbursement of loan funds within 30 days of the date of the school's determination that the student withdrew, and return any unearned funds and make a Post-withdrawal of grant funds within 45 days of that date. If a student provides all documents required for verification after withdrawing but before the verification submission deadline and in time for the institution to meet the 30-day Return deadline, the institution performs the Return calculation including all Title IV aid for which the student has established eligibility as a result of verification and for which the conditions of a late disbursement had been met prior to the student's loss of eligibility due to withdrawal. (See *Volume 4 – Processing Aid and Managing Federal Student Aid Funds*, and 34 CFR 668.164(g)(2).)

### **When verification is not completed before the Return deadlines**

If a student who has withdrawn does not provide the required documents in time for the school to complete the verification process and meet the Return deadlines noted above, the institution includes in the Return calculation only the Title IV aid that was not subject to the verification process. For a student who failed to provide all required

verification documents, the only aid that may be included in a Return calculation are PLUS loan funds and unsubsidized Stafford loan funds (verification is not required for receipt of these funds) for which the conditions of a late disbursement (as discussed under Title IV aid that could have been disbursed) were met prior to the student’s loss of eligibility due to withdrawal.

If a school has made an interim disbursement to a student who has failed to provide all the documents required for verification in time for the institution to meet the 45-day Return deadline, at that point in time the student has failed to establish eligibility for those Title IV funds affected by verification. Therefore, the institution must return any Title IV funds subject to verification that were disbursed to the student on an interim basis, and may not include any of those funds as aid that was or could have been disbursed in the Return calculation.

### When verification is completed after the Return deadline

If, before the verification deadline but after the institution has completed the Return calculation, a student provides all the documentation required for verification, the institution must perform a new Return calculation including as *Aid that could have been disbursed* all Federal Student Aid for which the student has established eligibility based upon verification and for which the conditions of a late disbursement have been met prior to the student’s loss of eligibility due to withdrawal. If, as a result of verification, the student’s eligibility for Federal Pell Grant, Iraq Afghanistan Service Grant FSEOG, ACG or SMART Grant, TEACH Grant, and Federal Perkins funds has been reduced, only the reduced amount is included in the new Return calculation.

For additional information on Verification, please consult *The Application and Verification Guide*.

### Approved leave of absence

A leave of absence (LOA) is a temporary interruption in a student’s program of study. LOA refers to the specific time period during a program when a student is not in attendance. An LOA is not required if a student is not in attendance only for an institutionally scheduled break. However, a scheduled break may occur during an LOA.

An LOA must meet certain conditions to be counted as a temporary interruption in a student’s education instead of being counted as a withdrawal requiring a school to perform a Return calculation. If an LOA does not meet the conditions in 34 CFR 668.22(d), the student is considered to have ceased attendance and to have withdrawn from the school, and the school is required to perform a Return calculation.

#### Verification and the 30-day deadline

If because verification is not complete a school is unable to meet the requirement to offer a Post-withdrawal disbursement directly to a student (or parent for a PLUS loan) within 30 days of the date of the school’s determination that the student withdrew, once verification is complete the school must perform a new Return calculation. The school must offer the funds as soon as possible, and should provide the student or parent with the minimum 14-day (or longer as a result of HERA) response period whenever possible.

A school must make any Post-withdrawal disbursement that results from the new Return calculation as soon as possible but no later than the applicable 180-day late disbursement deadline.

#### Disbursement rules for students on leave of absence (LOA)

You may NOT make a disbursement of the proceeds of a FFEL or Direct Loan to a student on an LOA (34 CFR 682.604(c)(4)).

You may disburse Pell Grant, IAS Grant, FSEOG, and Perkins funds to a student on an LOA.

You may pay any funds that are part of a Title IV credit balance (and therefore are funds that have already been disbursed) to a student on an LOA.

In order for an LOA to qualify as an approved LOA –

1. the school must have a formal written policy regarding leaves of absence requiring that all requests for leaves of absence be submitted in writing and include the reason for the student's request;
2. the student must follow the school's policy in requesting the LOA;
3. there must be a reasonable expectation that the student will return from the LOA;
4. the school must approve the student's request for an LOA in accordance with the school's policy;
5. the institution may not assess the student any additional institutional charges, the student's need may not increase, and therefore, the student is not eligible for any additional Federal Student Aid;
6. the LOA together with any additional leaves of absence must not exceed a total of 180 days in any 12-month period;
7. except in a clock-hour or nonterm credit-hour program, a student returning from an LOA must resume training at the same point in the academic program that he or she began the LOA; and
8. if the student is a Title IV loan recipient, the school must explain to the student, prior to granting the LOA, the effects that the student's failure to return from an LOA may have on the student's loan repayment terms, including the expiration of the student's grace period.

A student granted an LOA that meets the criteria in this section is not considered to have withdrawn, and no Return calculation is required. Upon the student's return from the leave, he or she continues to earn the Federal Student Aid previously awarded for the period.

### Written formal policy required

Among the policies and procedures a school must maintain is one that discusses the procedures a student must follow in applying for a leave of absence, and the criteria the institution will apply in determining whether to approve the application. An institution's LOA policy must specify that all requests for an LOA must be submitted in writing, must be signed, and must be dated.

#### Maximum Timeframe or LOA

When calculating the maximum timeframe for a student's approved LOA, the school must ensure that it accounts for all periods of nonattendance (including weekends and scheduled breaks).

Thus, since an approved LOA may not be more than 180 days, a school might have to reduce the length of a student's LOA if the 180th day is scheduled to fall on a day the school would be closed.

## Reminder

#### Full tuition credit

An institution may grant a full tuition credit toward the course the student chooses to reenter as a way to comply with the requirement that the institution not assess the student any additional charges upon return from an approved leave of absence.

As mentioned previously, the regulations provide that an institution must determine, before it grants an LOA, that there is a reasonable expectation that the student will return from the leave. In order for the institution to make such a determination, and in order for it to ensure that the student meets the criteria in the institution's LOA policy, the institution must know the student's reason for requesting the leave. **Therefore, an institution's LOA policy must specify that the reason for a student's leave request be included on a student's application for an LOA.**

An institution's policy must require a student to apply in advance for an LOA unless unforeseen circumstances prevent the student from doing so. For example, if a student were injured in a car accident and needed a few weeks to recover before returning to school, the student would not have been able to request the LOA in advance. A school may grant an LOA to a student who did not provide the request prior to the LOA due to unforeseen circumstances if the school documents the reason for its decision and collects the request from the student at a later date. In this example, the beginning date of the approved LOA would be determined by the institution to be the date the student was unable to attend school because of the accident.

A school must publicize its LOA policy. The school may do this by including that policy in the consumer information the school makes available to students (see *Volume 2 – School Eligibility and Operations*).

### **Reasonable expectation of return**

This condition is specified to make clear that a school may not grant a student an LOA merely to delay the return of unearned Title IV funds.

### **Completion of coursework upon return in term-based credit-hour programs**

Approved leaves of absence are viewed as temporary interruptions in a student's attendance. **For term-based programs, a student returning from an LOA must complete the term in order to be eligible to receive a second or subsequent disbursement.**

Therefore, for students enrolled in credit-hour term programs, in order for an LOA to be an official LOA, a school must allow a student returning from an LOA to complete the coursework that he or she began prior to the LOA. In addition, the institution may not impose additional charges and may not award the student additional Title IV assistance.

## Completion of coursework upon return in clock-hour and credit-hour nonterm programs

For nonterm-based programs, the regulations provide that the payment period is the period of time it takes a student to complete both half the number of credits **and** half the number of weeks of the academic year, program, or remainder of the program. For clock-hour programs, the payment period is the period of time it takes a student to complete half the number of clock hours in the academic year. Therefore, for clock-hour and nonterm programs it doesn't matter whether the student returns to the same course and point when the LOA began, or the student starts in a new course within the program (so long as there are no additional charges).

For clock-hour programs and nonterm credit-hour programs, upon returning from an LOA a student need not complete the same coursework he or she began prior to the leave. For a nonterm program, once the student has earned half the required credits, and completed half the number of weeks in the period, the student has earned the Title IV funds he or she was previously paid. For a clock-hour program, once the student has completed half the number of clock hours, the student has earned the Title IV funds he or she was previously paid. At that point, if otherwise eligible, the student may receive a second or subsequent disbursement of Title IV program funds.

### A student may return early

A school may permit a student to return to class before the expiration of the student's LOA in order to review material previously covered. However, until the student has resumed the academic program at the point he or she began the LOA, the student is considered to still be on the approved LOA.

**If a student returns early, the days the student spends in class before the course reaches the point at which the student began his or her LOA must be counted in the 180 days maximum for an approved leave of absence.** That is, a student repeating coursework while on LOA must reach the point at which he or she interrupted training within the 180 days of the start of the student's LOA.

The requirement that an institution not impose additional charges when an approved LOA ends and the student resumes his or her program of study applies when a student returns to repeat prior coursework. Moreover, even if the student enters at the beginning of the module or course from which he or she took the leave of absence, a student is not eligible for any additional Title IV program assistance for this preparatory phase.

Since a student is still considered to be on an LOA while repeating prior coursework, if the student fails to resume attendance at the point in the academic program where he or she interrupted training at the beginning of the LOA, the student must be treated as a withdrawal. In that case, at an institution that is not required to take attendance, the date of the student's withdrawal that must be used in the Return calculation is the date the student began the LOA.

At an institution that is required to take attendance, the Last Date of Attendance (LDA) is used as the withdrawal date for a student that does not return from an LOA.

### **Leaves of absence versus the grade of incomplete**

At term-based schools, students who are unable to complete the requirements of an individual course are often assigned the grade of incomplete (I). Students are usually expected to complete the required work within a reasonable time in order to receive credit and a passing grade.

If a student is assigned an incomplete status for one or several courses but continues to attend other courses, the student is not considered to have withdrawn. A student who is awarded the grade of incomplete in all of his or her classes is not considered a student on an approved LOA unless the LOA meets the criteria in this section.

Because of the criteria that must be met in order for an LOA to be an approved LOA, term-based schools can grant LOAs that meet the Department's criteria for an approved LOA in a very limited number of cases. A term-based credit-hour institution that wishes to explore the possibility of granting an LOA that meets the criteria specified in 34 CFR 668.22(d), should call its School Participation Team for additional information.

### **No additional charges**

An LOA is a temporary break in the student's attendance during which, for purposes of determining whether a Return calculation is required, the student is considered to be enrolled. Since students who are continuously enrolled are not assessed additional charges, any additional charges to a student, even minimal reentry charges, indicate that the institution does not truly consider the student to be on an approved LOA.

### No additional Title IV assistance

Since an institution may not assess any additional charges to a student returning from LOA, the institution may not award any additional Title IV aid until the student has completed the coursework in which the student was enrolled when the leave was granted.

### Leave of absence not to exceed 180 days in any 12-month period

Institutions, at their discretion, may grant a student multiple leaves of absence as long as the total number of days for all leaves does not exceed 180 days within a 12-month period. **This 12-month period begins on the first day of the student's initial LOA.**

### *When a student fails to return from a leave of absence*

At an institution not required to take attendance, if a student does not return to the school at the expiration of an approved LOA (or a student takes an unapproved LOA), the student's withdrawal date is the date the student began the LOA. At an institution required to take attendance, the withdrawal date for the same student would always be the student's last day of attendance.

### Explanation of consequences of withdrawal to loan recipients

A student who is granted an approved LOA is considered to remain in an in-school status for Title IV loan repayment purposes. If a student on an approved LOA fails to return, the school must report to the loan holder the student's change in enrollment status as of the withdrawal date.

One possible consequence of not returning from an LOA is that a student's grace period for a Title IV program loan might be exhausted. Therefore, in order for an LOA to be an approved LOA, prior to granting a leave of absence, a school must inform a student who is a Title IV loan recipient of the possible consequences a withdrawal may have on the student's loan repayment terms, including the exhaustion of the student's grace period.

#### **Deferment or Forbearance**

A student who has exhausted his or her grace period and is unable to begin repayment of a loan may apply for a deferment or forbearance of payment

### Unapproved leaves of absence

A school may grant a student an LOA that does not meet the conditions to be an approved LOA for Title IV purposes (for example, for academic reasons). However, any LOA that does not meet all of the conditions for an approved LOA is considered a withdrawal for Title IV purposes. The student's withdrawal date at an institution not required to take attendance is the date the student begins the LOA. At an institution required to take attendance, the student's withdrawal date is the student's last day of attendance.

An unapproved LOA may not be treated as an unofficial withdrawal. An unofficial withdrawal is one where the school has not received notice from the student that the student has ceased or will cease attending the school. If a school has granted a student an unapproved LOA, the school would know immediately that the student had ceased attendance for Title IV purposes, and must use the specified withdrawal date in the Return calculation.

### Institutional charges

Institutional charges are used to determine the portion of unearned Title IV aid that the school is responsible for returning. Schools must ensure that all appropriate fees as well as applicable charges for books, supplies, materials and equipment are included in Step 5, Part G. of the Return calculation (see *Example of Determining Institutional Charges*). Institutional charges do not affect the amount of Title IV aid that a student earns when he or she withdraws.

### Use of institutional charges in determining the school's responsibility for return

The institutional charges used in the calculation usually are the charges that were initially assessed the student for the entire payment period or period of enrollment as applicable. Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status unrelated to the withdrawal). If, after a student withdraws, the institution changes the amount of institutional charges it is assessing a student, or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation. (Please see Step 3 — Amount of Title IV aid earned by the student, for a further discussion of aid earned and institutional charges.)

The return regulations presume that Title IV program funds are used to pay institutional charges ahead of all other sources of aid. **Institutional charges may not be reduced even if other sources of aid are used to pay those charges.** For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition.

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#### Institutional charges

34 CFR 668.22(g)(1)(ii)  
 34 CFR 668.22(g)(2)  
 DCL-GEN-00-24

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#### Fees as noninstitutional charges

Application fees are excluded from institutional charges because they are not an educational cost. (**Federal Register**, Vol. 59, No. 82, April 29, 1994, page 22356).

### When to prorate charges

When a school chooses to calculate the treatment of Title IV, HEA program assistance on a payment period basis for a nonterm credit-hour or clock-hour program, but the school charges for a period longer than the payment period (most likely the period of enrollment) there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. (Again, institutional charges incurred by the student are charges for which the student was responsible that were initially assessed by the institution for the payment period or period of enrollment.)

When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period generally are a pro-rated amount of institutional charges for the longer period. However, if a school has retained Federal Student Aid funds in excess of the pro-rated amount to cover institutional charges, **then the institutional charges for the payment period are the amount retained.**

A school that charges by the period of enrollment but performs its Return calculation on a payment period basis before entering data in STEP 5, Part L, of the Return calculation, must determine whether it must enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, first, the school prorates **all institutional charges**. Then, the school determines the amount actually retained. The school compares the two results and enters in STEP 5, Part L the greater of the two amounts.

For example, institutional charges are \$8,000 for a nonterm based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of Federal Student Aid funds on a payment period basis. A student withdraws in the first payment period. The pro-rated amount of institutional charges for each payment period is \$4,000. However, the school has retained \$5,000 of the Federal Student Aid funds for institutional charges [\$4,000 for the prorated portion of the tuition and \$1,000 for books and supplies for the entire period of enrollment] for the payment period. Therefore, the institutional charges the school must use in the Return calculation for the payment period are \$5,000.

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#### Prorating charges

34 CFR 668.22(g)(3)

### Waiver Example

An institution charges state residents \$900 per semester. Out-of-state students are charged an additional \$2,000 for a total of \$2,900. However, the institution grants waivers of the out-of-state charges to out-of-state athletes. The waiver is considered a payment to those charges (estimated financial assistance) and the full \$2,900 would need to be included in any Return calculation.

### Reminder

If an institution enters into a contract with a third party to provide institutional housing, the institution has to include the cost of housing as an institutional charge in a Return calculation.

## Effects of waivers on institutional charges

If your school treats a waiver as a payment of tuition and fees that have actually been charged to a student, then the waiver is considered estimated financial assistance, and the full amount of the tuition and fees must be included in Step 5, Part L of the Return calculation. On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the actual charges would be included in the Return calculation (see DCL GEN 00-24, January 2000 for a further discussion of waivers and the Return calculation).

## Institutional versus noninstitutional charges

Institutional charges generally are defined as the charges for tuition and fees, room and board, and other educational expenses that are paid to the school directly. If a fee (like a registration or technology fee) is required for all students in a program, then the fee should be considered an institutional charge. A charge does not have to appear on a student's account to be considered an institutional charge.

The following educational expenses must be considered institutional charges –

- all charges for tuition, fees, and room and board (if contracted with the school); and
- expenses for required course materials, if the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school.

Exceptions: Excludable costs are costs a school may exclude from the total amount of institutional costs, such as the documented cost of unreturnable equipment, and documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.

Noninstitutional charges (not included in a Return calculation) include –

- charges for any required course materials that a school can document a student had a real and reasonable opportunity to purchase elsewhere (see the discussion that follows);
- charges to a student’s account for group health insurance fees, if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student’s withdrawal; and
- charges to a student’s account for discretionary educationally related expenses (e.g., parking or library fines, the cost of athletic or concert tickets, etc.).

### Demonstrating a real and reasonable opportunity

A school may treat charges for books, supplies, equipment, and materials as noninstitutional charges if the school can substantiate that its students have the option of obtaining the required course materials from an alternative source. The school must be able to document that: (1) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school; and (2) the school provided financial aid funds in a way and at a time that made it possible for the student to purchase the materials in a timely manner. A signed statement by a student that he or she had the option to purchase the materials from an alternative source is not sufficient documentation.

### Book vouchers and institutional charges in the return of Title IV funds calculations

If a book voucher issued by a school cannot be used to purchase course materials from a **convenient unaffiliated source**, the student does not have a **real and reasonable opportunity** to purchase his or her course materials elsewhere. In that case the school must include the cost of books and materials purchased with the voucher as institutional charges in Step 5, Part L of the Return calculation.

### Returning equipment

If a school can substantiate that its return policies are reasonable, consistent, and fair to all students, and students are notified in writing of those policies when they enroll, the school may exclude documented costs for nonreturnable equipment, and returnable equipment, if not returned in good condition within 20 days of withdrawal. A policy that classifies all used books or equipment as nonreturnable is not reasonable or fair. An acceptable policy must specify the specific circumstances that would prevent the school from selling the books or equipment to other students.

#### Three principles associated with institutional charges

Published in a January 7, 1999 policy bulletin, these principles are applicable to determining institutional charges.

##### Principle 1: Most costs charged by the school are institutional charges

The most important principle to keep in mind is that all tuition, fees, room and board, and other educationally related charges a school assesses a student are institutional charges, unless demonstrated otherwise. If you want to exclude specific charges or costs from a calculation, you must document that the charges are not institutional charges.

##### Principle 2: An institutional charge does not need to be assessed to all students

A charge assessed to all students enrolled in a course or program is an institutional charge whether or not it is assessed to all students at the school. Moreover, a charge does not have to be specified in a student’s enrollment agreement to be considered an institutional charge.

##### Principle 3: Charges on a student’s account are not always school charges; school charges do not always appear on a student’s account

With the student’s authorization, a school may credit a student’s account with Title IV funds to pay for noninstitutional charges. If a student withdraws from the school with debits for noninstitutional charges on his or her account, the school should exclude those charges from the Return calculation.

Conversely, there may be institutional charges that do not appear on a student’s account. If a school disburses Title IV funds to a student to buy required books, equipment, supplies, or materials and the student does not have a real and reasonable opportunity to purchase them from another source, those costs must be classified as institutional charges.

### Example of school charges versus non-school charges

Aerospace Tech requires its students to purchase a titanium-plated tool set by the first day of class. Aerospace's enrollment agreement does not contain a charge for the tools, and it does not say that the student is required to purchase the tools from Aerospace or a vendor affiliated with Aerospace. As it happens, the required tools are available for purchase from Aerospace and from a retailer across the street. As a routine practice, Aerospace gets written authorization from its students to credit all financial aid to their school accounts, hold any credit balances, and establish a line of credit for students at the campus store so they can purchase the required tools by the first day of class. Most students buy the tools at the campus store and charge the purchase to their school accounts.

Although the cost of the tools is not listed as a charge in the student's enrollment agreement, Aerospace requires that the tools be purchased by everyone in the program of study. Therefore, as a general rule, the tool charges would be considered school charges. However, under the exceptions rule, the tool charges do not have to be considered school charges if Aerospace can demonstrate that – (1) the tools were available for purchase elsewhere; (2) Aerospace made financial aid available to students in time to purchase the tools from another vendor before the first day of class; and (3) Aerospace's practices provide students with an equal opportunity to purchase tools from the campus bookstore or the retailer across the street.

In this case, the school meets the first criterion, the tools are available at the store across the street, so an opportunity could exist. However, the school fails to satisfy the second and third criteria because the school's routine practice of crediting students' accounts with all financial aid, and extending lines of credit for purchases at the campus bookstore, discourages students from purchasing the required tools from another vendor. Unless a student specifically requests that Aerospace not hold his or her credit balance, a student whose education is funded primarily through financial assistance has to purchase the tools at the campus store. As a result, the cost of the tools must be classified as school charges.

### *Treatment of Title IV credit balances when a student withdraws*

#### **Treatment of Credit balance when a student withdraws**

DCL GEN 04-03, February 2004

This treatment applies only to the handling of Title IV credit balances when a student withdraws. For a discussion of credit balances in other circumstances, please see *Volume 4 – Processing Aid and Managing Federal Student Aid Funds*.

When a student withdraws during a period, a Title IV credit balance created during the period is handled as described below:

1. Do not release any portion of a Title IV credit balance to the student and do not return any portion to the Title IV programs prior to performing the Return calculation. The institution must hold these funds even if, consistent with the 14-day credit balance payment requirement of 34 CFR 668.164(e), it would otherwise be required to release them.

2. Perform the Return calculation including any existing Title IV credit balance for the period in the calculation as disbursed aid.
3. Apply any applicable refund policy (state, accrediting agency, institutional, etc.) to determine if doing so creates a new or larger Title IV credit balance.
4. Allocate any Title IV credit balance as follows –
  - a) Any Title IV credit balance must be allocated first to repay any grant overpayment owed by the student as a result of the current withdrawal. The institution must return such funds to the Title IV grant account within 14 days of the date that the institution performs the Return calculation.

Although not included in a Return calculation, any Title IV credit balance from a **prior period** that remains on a student's account when the student withdraws is included as Title IV funds when you determine the amount of any final Title IV credit balance when a student withdraws. Remember, the school must use the final credit balance first to satisfy any current student grant overpayment.

- b) Within 14 days of the date that the institution performs the Return calculation, an institution must pay any remaining Title IV credit balance funds in one or more of the following ways —
  - in accordance with the cash management regulations to pay authorized charges at the institution (including previously paid charges that now are unpaid due to a return of Title IV funds by the institution);

A school may not use a Title IV credit balance to return funds for which it is responsible as a result of a Return calculation (Step 5, item O).

  - **with the student's authorization**, to reduce the student's Title IV loan debt (not limited to loan debt for the period of withdrawal); or
  - to the student (or parent for a PLUS loan).
- c) If the institution cannot locate the student (or parent) to whom a Title IV credit balance must be paid, it must return the credit balance to the Title IV programs. The Department does not specify the order of return to the Title IV programs for a credit balance. We encourage institutions to make determinations that are in the best interest of the individual student.

### New 14-day deadline

In most cases, the cash management regulations require a school to refund a Title IV credit balance to a student within 14 days. However, when a student withdraws, a school is required to perform a Return calculation to determine, among other things, whether adjustments to the credit balance will occur.

For this reason, the existing 14-day payment requirement is placed on hold in order to determine the final amount of any Title IV credit balance. Your school does not need to obtain a student's or parent's authorization to hold a Title IV credit balance that existed prior to the Return calculation (beyond the original 14-day deadline) while you determine the final amount of the credit balance.

In order to allow an institution time to appropriately apply any credit balance after it has been recalculated, a new 14-day deadline is triggered when a school performs a Return calculation. The new 14-day deadline begins on the date the school performs the Return calculation, not the date the school performs any calculations required by its institutional refund policy.

Of course, in order to determine the correct Title IV credit balance, the school must take into account both the results of the Return calculation and any applicable refund policy.

You must apply your school refund policy before allocating a Title IV credit balance. However, you are not required to actually complete the refund process (for example, by making a refund to a student) before completing the steps for allocating the Title IV credit balance.

In order to accommodate differences in institutional accounting and administrative processes, you are not required to actually apply the Title IV credit balance to the student's grant overpayment before applying the Title IV credit balance to other debts, as long as the grant overpayment is satisfied by the 14-day deadline. You may use school funds instead of the actual Title IV credit balance to satisfy any student grant overpayment.

For the treatment of credit balances when a student dies, see the discussion under *Death of a student* later in this chapter.

### ***Timeframe for returning an unclaimed Title IV credit balance***

On November 1, 2007, the Department published regulations that modified the treatment of unclaimed credit balances (FR Vol. 72, No. 211, Part III). If a school attempts to disburse the credit balance by check and the check is not cashed, the school must return the funds no later than 240 days after the date the school issued the check.

If a check is returned to a school or an EFT is rejected, the school may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. When a check is returned or EFT is rejected and the school does not make another attempt to disburse the funds, the funds must be returned before the end of the initial 45-day period.

The school must cease all attempts to disburse the funds and return them no later than 240 days after the date it issued the first check.

### Example of a school performing a Return calculation for a student on whose account there is a Title IV credit balance

Legolas, a first-time student at Northern Mirkwood Community College (NMCC) began classes on September 1. His account was credited with a Pell Grant of \$2,000 and debited with institutional charges of \$500, creating a Title IV credit balance of \$1,500. Because NMCC has several mini semesters in which Legolas had expressed an interest, the school obtained the student's permission to hold the Title IV credit balance while Legolas considered his options.

On September 30, when he has completed 25% of the semester, Legolas informs the school that he has decided to withdraw in order to pursue his dream of winning a gold medal as an Olympic archer. NMCC places a hold on Legolas's account while it performs the required Return calculation and applies its institutional refund policy.

The school performs the required Return calculation on October 20, and determines that the Amount of unearned funds due from the school is \$375, and that the initial amount of unearned funds due from the student is \$1,125. Since the \$1,125 is composed entirely of grant funds, after applying the 50% grant protection, the Amount for the student to return is a grant overpayment of \$125.00.

Before Legolas withdrew, the Title IV funds on his account totaled \$2,000, and \$500 of that \$2,000 was used to cover the existing charges. There were no charges due the school, and the Title IV credit balance was \$1,500. After the school returned the \$375 it is required to return, the new total of Title IV funds on the student's account was \$1,625 ( $\$2,000 - \$375$ ), and the new Title IV credit balance was \$1,125.

Then, the school applies its institutional refund policy. Under NMCC's refund policy, a first-time student who withdraws before the 50% point in the semester is entitled to an 80% refund of institutional charges. Since Legolas withdrew at the 25% point of the semester, he is entitled to a refund of 80% of the amount he was charged or \$400 ( $\$500 \times .80$ ). So, the new institutional charges on the student's account are \$100, and the new (final) Title IV credit balance is \$1,525 ( $\$1,625 - \$100$ ). Note that this new credit balance is larger than the credit balance that existed before the student withdrew.

Because Legolas has a Title IV credit balance on his account, NMCC has 14 days from October 20 (the date they performed the Return calculation) to return the student's grant overpayment (it can use its own funds or Title IV funds) from the student. After the school returns the \$125.00 grant overpayment, the Title IV credit balance of the student's account is \$1,400 ( $\$1,525.00 - \$125.00$ ). The school must pay those funds to the student within 14 days of October 20.

*Note: With a never before achieved "perfect score," Legolas won a gold medal in the Olympic archery competition.*

## PRINCIPLES WITH UNIQUE APPLICATIONS IN THE RETURN OF TITLE IV AID

### *Institutions required to take attendance*

#### **Verifying an agency's position**

Unless an outside entity has determined that an institution is required to take attendance, the institution would be considered to be one that is not required to take attendance. If a school is unsure whether an outside entity requires a school to take attendance, the school should inquire of the outside entity, and document the agency's response.

#### **Example of taking attendance**

For example, ten students at Peabody University receive assistance from the state. The state requires the school to take attendance for the recipients of the state's education benefits. Peabody University is not required by any other outside entity to take attendance for any of its other students. Seven of the ten students who receive state benefits are also Title IV program recipients. If any of those seven students withdraw from the school, the school must use the state required attendance records for them to determine the withdrawal date as required for institutions required to take attendance. For all other Title IV program recipients at Peabody University who withdraw, the school must determine the withdrawal date in accordance with the requirements for students who withdraw from a school that is not required to take attendance.

Only a school that is required to take attendance by an outside entity is considered a school that is required to take attendance for purposes of calculating the amount of Title IV program assistance earned when a student withdraws.

A school that elects to take attendance, including a school that voluntarily complies with an optional attendance requirement of an outside entity, is not considered a school that is required to take attendance.

If an outside entity determines that an institution is required to take continuous attendance for a limited period, including for census purposes, then the institution is considered to be one that is required to take attendance for that period of time only. However, if an outside entity requires attendance taking only for a single day of census activity, ED would not consider the institution to meet the definition of an institution required to take attendance for that one day.

Institutions that are required to take attendance for a limited period must document a student's attendance through that period. If an institution determines that a student was not in attendance at the end of that period, the student's withdrawal date would be determined according to the institution's attendance records.

If the institution demonstrates that the student attended past the end of the limited period, the student's withdrawal date is determined in accordance with the requirements for an institution that is not required to take attendance.

If a school is required by an outside entity (for example, a state Workforce Development Agency), to take attendance for only some students, the school is required to use those attendance records for only the cohort of students under the outside agency's jurisdiction to determine the student's withdrawal date (the last date of academic attendance). The school would not be required to take attendance for any of its other students, or to use attendance records to determine any of its other students' withdrawal dates, unless the school is required to take attendance for those students by another outside entity.

### Date of the institution's determination that the student withdrew

The date of the institution's determination that the student withdrew varies depending on the type of withdrawal. For example, if a student begins the official withdrawal process or provides official notification to the school of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date the student began the official withdrawal process, or the date of the student's notification, whichever is later. If a student did not begin the official withdrawal process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the student ceased attendance. The types of withdrawal and the corresponding definition of the date of the institution's determination that the student withdrew are listed in the chart on Withdrawal Dates at the end of this chapter.

For a student who withdraws from a school that is not required to take attendance without providing notification, the school must determine the withdrawal date **no later than 30 days after the end of the earlier of** (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

### Date of determination at institutions that are required to take attendance

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days after the student's last date of attendance as determined by the institution from its attendance records. The institution is **NOT** required to administratively withdraw a student who has been absent for 14 days. However, after 14 days, it is expected to have determined whether the student intends to return to classes or to withdraw. In addition, if the students eventually determined to be a withdrawal, the end of the 14-day period begins the timeframe for completing a Return calculation.

This requirement does not affect a student's withdrawal date. At an institution that is required to take attendance, a student's withdrawal date is always the last date of attendance as determined by the institution from its attendance records.

### Date of determination that a student has withdrawn

34 CFR 668.22(l)(3)

### Date of determination at an institution required to take attendance

34 CFR 668.22(b)(1)

DCL GEN 04-03, February 2004

DCL GEN 04-12, November 2004

#### Example of making a determination at a school required to take attendance

Consider a school that makes a determination on September 10 that a student has not been in attendance since September 1. The school contacts the student who tells the school he or she's been ill but plans on coming back during the next week (and this falls within the time period for excused absences and absences allowed by state, accrediting agency, and other applicable policies). For the moment, the school may delay taking any action. However, if the student does not return, the school must complete a Return calculation using September 1 as the student's last day of attendance, and September 15 as the date of the institution's determination that the student withdrew. The school must return any unearned funds by October 30.

A student who ceases attendance during a payment period or period of enrollment is a withdrawal for Title IV purposes unless the student is on an approved LOA. Therefore, for a student who has ceased attendance, the institution must either –

- place the student on an approved LOA (provided that the conditions for an approved LOA are met); or
- withdraw the student and, if the student returns, treat the student as a reentry if permitted under the regulations.

If an institution has a policy that states the maximum number of excused absences that can occur after which a student will be administratively withdrawn, it may delay contacting the student until that date. However if the student eventually is determined to be withdrawn, the date of determination of the student's withdrawal remains 14 days from the student's last day of attendance. If the number of days in the school's policy is less than 14 days, then the 45-day timeframe for completing a Return calculation and returning Title IV funds starts on the date the school's policy indicates that the student will be administratively withdrawn. An institution must return the amount of Title IV funds for which it is responsible as soon as possible, but no later than 45 days after it determines or should have determined that the student withdrew. In addition, if a student is due a Post-withdrawal disbursement, then the date of the school's determination must allow for the school to meet the 30-day PWD notification requirement.

As noted above, the date of the institution's determination that the student withdrew is not necessarily the same as a student's withdrawal date. A student's withdrawal date is used to determine the percentage of the payment period or period of enrollment completed and, therefore, the amount of aid a student has earned. The date of the institution's determination that the student withdrew is used in the following circumstances:

- A school must offer any amount of a Post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of determination.
- If the student or parent submits a timely response that instructs the school to make all or a portion of the Post-withdrawal disbursement, the school must normally disburse the funds within 180 days of the date of determination.
- A school must document a student's withdrawal date and maintain the documentation as of the date of determination.
- Within 30 days of the date of determination, a school must notify a student if a grant overpayment is due.

- A school that is collecting an overpayment must require repayment of the full amount of the overpayment within two years of the date of determination.
- The school must return the amount of Title IV funds for which it is responsible no later than 45 days after the date of determination.
- The amount of aid disbursed as of the date of determination is used to determine the amount of unearned aid that must be returned.

### **Use of payment period or period of enrollment**

The worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or a period of enrollment. For students who withdraw from semester, trimester, or quarter programs, a school must perform the Return calculation on a payment period basis. For students who withdraw from a nonstandard term-based or nonterm-based educational program, the school has the choice of performing the Return calculation on either basis. The institution must use the same basis (payment period or period of enrollment) in its calculations for all students within a program who cease attendance.

An exception is allowed for students who transfer to or reenter a school that offers nonterm-based or nonstandard term-based educational programs. For students who transfer to or reenter a nonterm-based or nonstandard term-based educational program a school may make a separate selection of payment period or period of enrollment to use in calculating their Return of Title IV funds for everyone within the group that transfers or reenters.

**The periods used for transfer and reentry students do not have to be the same.** A school may choose to use payment period for transfer students and period of enrollment for reentry students.

### **Payment period**

The definition of a payment period is the same definition used for other Title IV program purposes. This definition is found in 34 CFR 668.4 (see *Volume 3 – Calculating Awards and Packaging*). Schools that use payment periods as the basis for their Return calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period.

### **Period of enrollment**

A period of enrollment is the academic period established by the school for which institutional charges are generally assessed (i.e., the length of the student's program or the academic year, but consistent with the period for which loans generally are certified.

### **Date by which funds must be returned**

34 CFR 668.22(j)

### **Changing the basis of the calculation**

A school may change the basis for its Return calculations for new students as they begin classes. However, for continuing students, since the institution's Return policy must be included in the published materials the school provides to students as part of the consumer information requirement, the school would have to change its catalogue, its written policies and procedures, and its enrollment agreements (if any), and allow sufficient time for those continuing students who would be governed by the new policy to receive and review the materials.

### **Period of enrollment**

34 CFR 668.22(l)(2)

## Applicability

The use of payment period or period of enrollment is important for many aspects of the Return calculation. For example, if a school is determining the treatment of Title IV funds on a payment period basis, the student's Title IV program assistance to be used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period. Also, the institutional charges used in the calculation generally have to reflect the charges for the payment period.

Generally, the higher the institutional charges, the greater the amount of unearned aid that is to be returned by the school (see Step 4). In some cases this mitigates against a school using the period of enrollment as the basis for the Return to Title IV funds calculation. An institution must prorate the charges for the period of enrollment to correspond to a payment period if the institution has elected to use the payment period rather than period of enrollment basis for the Return calculations.

If, for a nonterm or nonstandard term program, a school chooses to calculate Returns on a payment period basis, but the school charges for a period longer than a payment period (e.g., period of enrollment), total institutional charges for the period will be the greater of the –

- prorated institutional charges for the period, or
- the amount of Title IV assistance retained for institutional charges as of the student's date of withdrawal.

## Rounding

Enter dollars and cents using standard rounding rules to round to the nearest penny. Final repayment amounts that the school and student are each responsible for returning may be rounded to the nearest dollar.

Percentages are calculated to four decimal places, and rounded to three decimal places. The third decimal place is rounded up if the fourth decimal place is 5 or above. For example, .4486 would be rounded to .449, or 44.9%.

The **one exception** to the rounding rule occurs in determining the percentage of Title IV program assistance earned. Students who withdraw at any point **after the 60% point** in the payment period or period of enrollment have earned 100% of their Title IV funds. If the standard rounding rules were used in this situation, a quotient of .6001 through .6004, which is greater than 60%, would be rounded down to .600 (60%), and the student would not have earned 100% of his or her Federal Student Aid. Therefore, for the purpose of determining whether a student has earned 100% of the Title IV funds for the term, in order to recognize that students completing more than 60% of the period (by any amount) earn 100% of their Federal Student Aid, **amounts of .6001 through .6004 are not rounded.**

### Funds to include in a Return calculation

The calculation of earned Title IV funds includes certain Title IV grant and loan funds if they were disbursed or could have been disbursed to a student for the period of time for which the calculation is being performed (payment period or period of enrollment).

The regulations have been revised to reflect the more limited applicability of the Return of Title IV Funds rules as provided in the Higher Education Reconciliation Act of 2005 (HERA). For students whose withdrawal date is on or after July 1, 2006, schools should only include funds from the following programs in their Return calculations:

- Pell Grant,
- Iraq Afghanistan Service Grant,
- ACG,
- National SMART Grant,
- TEACH Grant,
- FSEOG,
- FFEL,
- Direct Loan, and
- Perkins Loan.

The Return of Title IV Funds requirements no longer apply to funds from the GEAR UP, SSS, or LEAP programs.

Also, Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds continue to be excluded under certain circumstances. As in the past, Federal Work-Study (FWS) funds and Byrd Scholarship program funds are **not** included in the calculation.

### FSEOG Program funds

The nonfederal share of FSEOG Program funds is excluded when a school meets its FSEOG matching share by either the individual recipient method or the aggregate method. If a school meets its matching share requirement through the use of a fund-specific match, 100% of the FSEOG award (both the federal and nonfederal shares) must be included in the Return calculation. Otherwise, the nonfederal share of FSEOG awards is excluded from the calculation. For more information on types of FSEOG matching funds see *Volume 6 – Campus-Based Programs*.

### Funds to include in a Return calculation

34 CFR 668.22(a)(2)

#### Funds to include when a student enrolled in a crossover period withdraws before the higher Pell is disbursed

If for a student enrolled in a crossover period, a school had a second SAR/ISIR with an official EFC, (reflecting eligibility for more Pell funds) before the student lost eligibility, but the school had failed to disburse the additional funds before the student withdrew, the school **must** include the additional funds in the Return calculation as ***Aid that Could Have Been Disbursed***.

The school must do the following:

1. Enter the Pell funds that were disbursed while the student was in school in STEP 1, line 1, column A as, ***Aid that was disbursed***.
2. Enter the increase (the difference between student's higher Pell eligibility and the Pell that was disbursed) in STEP 1, line 1, column C as, ***Aid that Could Have Been Disbursed***, together with any Pell funds from the original award that were not disbursed.
3. Enter any other Title IV aid as it stood when the student withdrew, and perform the Return calculation as directed

**Reentry within 180 days**

34 CFR 668.4(e)

**Consistent with leave of absence**

This arrangement is similar to an LOA, and the 180-day timeframe is consistent with the maximum 180 days allowed for an approved LOA in the Return regulations. The difference, of course, is that with an unauthorized LOA the institution would not know that the student would be returning and would have treated the student as a withdrawal. Based upon that withdrawal, the institution would have completed the Return calculation, which may have required both the institution and the student to return funds to the Title IV programs.

If the student returns within 180 days to his or her original program, while an official leave was not granted, and the provisions of the Return regulations were applied, upon the student's return, the student can be treated as though he or she had been on an approved LOA.

**Costs upon reentry**

The cost of attendance would be the costs associated with the original period before the student withdrew. Once the student has withdrawn and then returned to the same program within a 180-day period, the regulation states that the student remains in the same payment period. The cost of attendance for such a student returning to the same program within 180 days must reflect the original educational costs associated with the payment period from which the student withdrew.

**Deferment status for loan funds**

If a student re-enrolls in school on at least a half-time basis before his or her initial grace period expires, the student regains his or her in-school status and is entitled to have his or her grace period made whole again. The student will have a full initial grace period when he or she ceases half-time enrollment.

**SPECIAL TREATMENT OF STUDENTS WHO WITHDRAW AND THEN TRANSFER OR REENTER A CREDIT-HOUR NONTERM-BASED PROGRAM OR A PROGRAM THAT MEASURES PROGRESS IN CLOCK HOURS**

***Reentry within 180 days***

A student who reenters within 180 days is treated as if he or she did not cease attendance for purposes of determining the student's aid awards for the period.

For credit-hour nonterm-based programs or programs that measure progress in clock hours, a student who withdraws and then reenters the same program at the same school within 180 days is considered to be in the same payment period he or she was in at the time of the withdrawal. The student retains his or her original eligibility for that payment period, and is treated as though he or she did not cease attendance.

A student who reenters a credit-hour nonterm-based program or a program that measures progress in clock hours within 180 days of his or her withdrawal is immediately eligible to receive all Title IV funds that were returned when the student ceased attendance. Thus, upon the student's return, the school must restore the types and amount of aid that the student was eligible for before the student ceased attendance, and schedule the appropriate disbursements. Actions to be taken by the school would include:

- re-disbursing aid that had been disbursed and then returned under the Return of Title IV Aid provisions;
- disbursing aid the student was otherwise eligible for that had not yet been disbursed at the time the student withdrew; and
- canceling any overpayments assessed the student as a result of the prior withdrawal that were disbursed upon reentry.

Once the student completes the payment period for which he or she has been paid, he or she becomes eligible for subsequent Title IV student aid payments.

**New Minimum Loan Period**

34 CFR 682.603(f)(1) and  
34 CFR 685.301(a)(9)

There are limitations on redispersing and making second disbursements of FFEL and Direct Loan funds when a student reenters. If the date of a student's return is outside of the period for which the loan was certified/originated, the school and lender (FFEL only) must agree to extend the loan period. (The school may certify/originate a new loan as explained later.) Likewise, if the date scheduled for a second disbursement is outside of the period for which the loan was certified, the school and lender (FFEL) must extend the loan period and the date(s) for the second and any subsequent disbursement. For more information on this topic please see the chart Loan Principles Applicable to Transfer and Reentry at Non-term Schools later in this chapter.

**Note:** For a student who completed more than 60% of his or her training before ceasing attendance, the school would not have returned any Title IV aid. If that student were to reenter training within 180 days, because the student had received 100% of his or her aid for the period, the student would not be eligible to receive additional Title IV aid until he or she has completed the weeks of instructional time and hours or credits (as applicable) in the academic year.

For a treatment of the readmission requirements for members of the uniformed services, see Volume 2.

### What to do when a student whose overpayment has been referred to Borrower Services reenters within 180 days

If a student whose overpayment has previously been referred to Borrower Services returns to school within 180 days, the school must send Borrower Services a fax identifying the student overpayment, and stating that it should be made void. This will allow the Department to properly update its records in both the Borrower Services system and NSLDS.

This fax number is for **school use only** and only for this purpose:

**Fax Number: (319) 665-7646**

Note: This process cannot be performed via email.

#### When a student reenters within 180 days

The return regulations require a school to return unearned funds for which it is responsible as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. If a student returns to the institution before the Title IV funds are returned, the institution is not required to return the funds.

#### An institution may not delay its Return of Title IV funds

An institution is expected to begin the Return of funds process immediately upon its determination that a student has withdrawn. The institution may not delay returning Title IV funds because it believes a student might return.

### Change in maximum loan period

On November 1, 2007, (effective July 1, 2008, unless a school elects to implement the changes earlier) the Department published regulations that eliminated the maximum 12-month loan period for loans in the FFEL and Direct Loan programs. (FR Vol. 72, No. 211, Part III). The regulations now also allow schools to certify a loan for students in nonterm and nonstandard term programs that are less than an academic year in length, and give schools greater flexibility in rescheduling disbursements to students who cease attendance and then return to school.

Subsequently, for a student who withdraws and returns within 180 days, a school may extend the original loan period and schedule new disbursement dates for second or subsequent disbursements. Note that this does not mean an increase in the loan amount the student may receive for the period. Cites: 34 CFR 682.603(g)(2)(i); 682.603(f)(1)(i); 685.301(a)(10)(ii)(A); and 685.301((a)(9)(i).

### Reentry within 180 days, example

Consider a student who began attendance in a clock-hour program that was 1,500 hours in length with a defined academic year of 900 hours. For the first 450 hour payment period the student was awarded and disbursed \$1500 in Pell Grant funds, \$500 in FSEOG funds, and \$500 in Title IV loan funds, for a total of \$2500 in Title IV aid.

Assume that this student withdrew from school after completing 200 of the 225 hours he or she was scheduled to complete by that point in the payment period (50%), and the school uses payment periods to calculate the Return of Title IV Aid. Under the Return regulations, the school used scheduled hours (225) to determine that the student earned 50% of his or her Title IV aid. The school returned \$500 to the loan program. The \$750 the student was initially scheduled to return (Step "S.") was eliminated by the application of grant protection in Step "U."

If the student returns to the same program at the same school within 180 days of the withdrawal, the student would be considered to be in the same payment period, and the student's eligibility for Title IV aid should be the same as if the student had not left. If the student is returning within the original loan period, the school should request that the lender redisburse the \$500 the school had returned. If the date of a student's return is outside of the period for which the loan was certified/originated, the funds the school and lender (FFEL) must extend the loan period and set new dates for any second disbursement or additional disbursements. In addition, the institution would schedule additional Title IV disbursements for the day after the student is expected to complete the remainder of the payment period.

If the student withdraws again before completing the payment period, the institution would apply the provisions of the Return regulations using the total number of hours the student was scheduled to complete in the numerator, the full 450 hours in the payment period in the denominator, and then applying that fraction to the total Title IV aid disbursed for the period.

In the fax, the school must include the –

- award year of the overpayment;
- student's social security number;
- student's last name, first name, and middle initial;
- student's date of birth;
- type of overpayment — Federal Pell Grant, TEACH Grant, Iraq Afghanistan Service Grant, ACG or SMART Grant, or FSEOG;
- the disbursement date the institution used to create the overpayment record in NSLDS;
- a letter that includes the following:

***This student has returned to school. The regulations (34 CFR 668.4(e)) require that the overpayment referenced herein be voided.***

### When a student reenters in a new award year

A student who was originally enrolled in a payment period that began, and was scheduled to end in one award year could return after the end of that award year (June 30). However, the intent of the new regulations is that such a student is to be considered, upon his or her return, to be in the same period. Therefore, any Title IV program funds that will be disbursed to the student should be paid from the original award year regardless of whether the resumption of the payment period is in a new award year.

Consider a student who received Pell Grant funds and ceased attendance in one award year who then reenters training within 180 days, but in a new award year. If the school returned funds after a Return calculation, the student might be due Pell funds from an award year that is over.

In order to request these funds, the school will have to go to the COD Website at:

<https://cod.ed.gov/cod>

log in under the School tab using the school's user name and password (available from the school's system administrator), select "**Post Deadline System Processing**" on the left side, and request administrative relief with "**Reentry within 180 days**" as the reason.

For the campus-based programs, if funds are not available from the year in which the awards were originally made, the school may award funds from the current year. Note that doing this does not increase the annual maximum awards that may be made to an individual student.

### ***Reentry after 180 days, transfer into a new program at the same institution, or transfer to a new institution***

If a student withdraws from a credit-hour nonterm program or a clock-hour program without completing the period and –

- reenters the same program at the same institution more than 180 days after withdrawal, receiving credit for hours previously earned; or
- transfers into another credit-hour nonterm or clock-hour program at any time (either at the same institution or at a new institution) and the institution accepts all or some of the hours earned in the prior program; then

the student starts a new payment period when he or she reenters or transfers.

In calculating awards for a student who reenters the same program after 180 days, reenters in a new program, or transfers to a new institution, the institution treats the hours remaining in the program as if they are the student's entire program. The number of payment periods and length of each payment period are determined by applying the rules in the appropriate part of the definition of a payment period to the hours remaining in the program upon transfer or reentry.

On November 1, 2007, the Department published regulations that modified the treatment of students who change programs at credit-hour nonterm and clock-hour programs (FR Vol. 72, No. 211, Part III). A school may consider a student who transfers into another program at the same institution to remain in the same payment period if five conditions are met:

1. the student is continuously enrolled at the institution;
2. the coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program;
3. the payment periods are substantially equal in length in weeks of instructional time and credit hours or clock hours, as applicable;
4. there are little or no changes to the institutional charges to the student for the period; and
5. the credits from the payment period the student is transferring out of are accepted toward the new program.

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#### **Reentry after 180 days**

34 CFR 668.4(f)

## LOAN PRINCIPLES APPLICABLE TO TRANSFER AND REENTRY AT NONTERM SCHOOLS

1. For nonterm programs, a Borrower–Based Academic Year (BBAY) must be used to monitor annual loan limits. For a student who transfers or reenters a program, the loan period certified must be the lesser of the —
  - academic year,
  - program, or
  - remaining balance of a program of study.
2. A school may certify or originate a loan for a period that exceeds 12 months.
3. When we say balance, we mean the borrower’s annual loan limit, less any amount previously borrowed for the same academic year, plus any amount returned per 34 CFR 668.22.

For a transfer student, when an overlap exists between the borrower’s original loan period and the borrower’s new period of attendance, or the academic years of the two schools, the borrower is eligible to receive a loan for an amount that does not exceed the remaining balance of the student’s annual loan limit. The new school may certify or originate the loan for the remaining portion of the program or academic year. **The borrower is not eligible for a new loan until the original loan period and original academic year have ended.**

Note that if the original academic year is unknown, a school must assume the previous school had an academic year of 30 weeks.

A receiving school that accepts fewer credits or clock hours than the student successfully completed at his or her prior school may, if it can document that the student successfully completed additional credits or clock hours, count those hours as completed hours in the student’s loan period.

Note that when we say *successfully completes*, we mean that the student earns a passing grade or otherwise receives credit for the course.

If there is no overlap, the borrower is immediately eligible for a new annual loan limit. The receiving school can certify the borrower for a loan period that corresponds to its academic year, or the entire balance of the program. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.

5. When certifying a loan for returning student for a new BBAY, the Cost of Education may include only those costs associated with the period for which the loan is certified. It may not include any costs used in certifying the previous loan unless those costs represent charges for which funds were returned to ED or refunded to the student, subsequent to the previous withdrawal.

**Loan Principles, continued**

6. When a student reenters the same program within 180 days and before the end of the student's initial loan period, a school can ask the lender/GA to establish a new end date for the loan period and reschedule any second or subsequent disbursements. Similarly, a Direct Loan school could change the original loan period end date and reschedule the second disbursement. In this case the student is held to the same disbursement requirements that applied initially (e.g., for one additional disbursement, they must successfully complete one-half the coursework and one-half the weeks of instructional in the loan period before they can receive the second disbursement).
7. When a student reenters the same program within 180 days and before the end of the student's initial loan period, if the lender or GA declines to adjust the loan period and reschedule the second disbursement, the school can ask the GA to approve a loan with a new loan period that begins on the date the borrower returns to school and extends to either the balance of the original loan period or balance of the program, whichever is shorter. The student is eligible to receive only the balance of the loan, and it must be made in multiple disbursements.

**The borrower is not eligible for a new loan until the original loan period and original academic year have ended.** If some portion of the program remains after the completion of the new loan period, the school could certify a new loan for that portion of the program. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.

8. If a student reenters a program after the end date of the initial loan period or BBAY, a school may certify a new loan for either the balance of the program, an academic year, whichever is shorter. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.

## Transfer Students

### Example 1

Consider an academic program that consists of 1,500 clock hours that students are expected to complete over 50 weeks of instructional time. The program has a defined academic year of 900 hours and 30 weeks of instructional time. For students who enter at the beginning of the program, initially there would be four payment periods as follows:

1. the first 450 hours of the first academic year and 15 weeks of instructional time;
2. the next 450 hours of the first academic year and 15 weeks additional weeks of instructional time;
3. the first 300 hours of the 600 hours remaining in the program and 10 weeks of instructional time; and
4. the final 300 hours of the 600 hours remaining in the program and 10 weeks of instructional time;

If the school accepts a transfer student and grants the student 300 hours of credit toward the completion of its 1,500 hour program, the school would subtract the 300 hours and 10 weeks of instructional time from the 1,500 hours and 50 weeks of instructional time in the student's program, and determine that the student needs to complete 1,200 hours and 40 weeks of instructional time at the new institution in order to complete the program.

Then, consistent with the regulations in 34 CFR 668.4(b), the school determines the payment periods in the 1,200 hours that constitute the student's program. Since the number of remaining hours and weeks in the program is greater than an academic year, the payment periods for the rest of the program are:

1. the first 450 hours after the student transfers, and 15 weeks of instructional time;
2. the next 450 hours in the academic year following the student's transfer; and 15 weeks additional weeks of instructional time;
3. the 300 hours remaining in the program and 10 weeks of instructional time (since this balance is less than one-half of an academic year). However, the school must make two disbursements of any FSA loan awarded for this period – the second when the student has completed 150 hours and 5 weeks of instructional time.

The institution would then award and disburse Title IV aid based upon the length of the payment period(s) consistent with the awarding rules under each of the Title IV programs and the Cash Management rules contained in Subpart K of Part 668 of the regulations.

**Transfer Student, Example 2**

On August 1, 2008, David Allen enrolled at Penny's Hair Academy (PHA). After completing 400 of the 900 clock hours in his program, David had to relocate, and he withdrew from school.

On February 1, 2009, having settled into his new home, David enrolled at Marion's Esthetics Institute (MEI) as a transfer student. David was awarded 400 clock hours of transfer credit in MEI's 1000 clock-hour program (the program definition of an academic year is 900 clock hours and 30 weeks of instructional time). David's program is 600 clock hours and 20 weeks of instructional time.

When the financial aid officer (FAO) at MEI examined David's 2008-2009 ISIR, he found the following entry:

%Sch. Used: 50.0    As Of: 01/28/2004    Pell Verification    EFC: 0

The FAO subtracted the 50% used previously from 100% and found that the percentage of David's scheduled award that remained unused was 50%. Therefore, David was eligible to receive 50% of his scheduled Pell award of \$4731 during the balance of the award year. In addition, the FAO used the 600 hours and 20 weeks of instructional time remaining in David's program to establish the appropriate two payment periods (per 34 CFR 668.4(b)) each of 300 clock hours and 10 weeks of instructional time.

The aid officer performed the required multiplication and determined that David could receive as much as \$2,365 ( $.50 \times \$4,731 = \$2,365$ ) if he remained enrolled at MEI for the balance of the year.

During the first payment period, David received \$1577 ( $\$4,731 \times 300 \text{ hours in the period} \div 900 \text{ hours in the academic year} = \$1,577$  in Pell funds).

However, in the second payment period, David could only receive funds until his total Pell at EIA reached \$2365 (his total for the year reached \$4731). Therefore, for the second payment period at MEI, David could only receive \$788 ( $\$2,365 - \$1,577 = \$788$ ).

On February 5, 2009, David came to the FAO at MEI and inquired about a loan like the one he had at PHA. The FAO examined David's ISIR and his record in NSLDS and determined that David had received \$1750 in loan funds (from his first-year loan of \$3500) while attending PHA.

The FAO tells David that because there is an overlap of the two school's academic years, David is only eligible to receive a loan for the balance of his eligibility as a first-year student — \$1750. In addition, the FAO tells David that the one-half of his loan will be disbursed within a few days, and the balance when David has successfully completed 300 clock hours (half of the hours in the remainder of his program) and half the weeks of instructional time in the loan period.

This change was made to address situations where a student's transfer to a new program at the same institution results in very little change to the student's academic circumstance, e.g., a change that is really nothing more than a change in majors. The Department believes that when this occurs it is appropriate to spare the school the burden of withdrawing a student, performing a Return calculation, and returning Title IV grant or loan funds, and only to award them again for the new payment period(s).

If a school treats the student as one who is not withdrawing from the institution, no Return calculation is performed, and the student continues in the same payment period he started in with his original program.

If a student for whom this approach is taken later withdraws from the institution, the start and end dates used in Step 2 of the Return calculation will be the start of the first program and the end of the second. The charges used in Step 5 will be the total charged the student for the two programs.

### Eligibility of transfer students for additional Title IV funds

Generally, at a clock-hour or nonterm credit-hour school, a student can be paid again for clock hours or credit hours that he or she has already completed at that school only if he or she has completed a program and re-enrolls to take that program again or to take another program. In addition, when a student reenters a clock-hour or credit-hour nonterm-based program after 180 days, the student may be paid for repeated courses.

For example, a student who withdraws after completing 302 clock hours of a 900 clock-hour program has 148 hours remaining in the 450-hour payment period. The student reenrolls after 180 days in the same program and receives credit for 100 hours. The program length for purposes of determining the new payment periods is 800 clock hours (the remainder of the student's program), so the new payment periods are 400 hours and 400 hours (the 302 hours completed and the 148 hours that remained do not apply). Any reduction in the payment would be based on whether the student's scheduled award or annual loan limits are exceeded. (If the student in this example received no credit for previously completed hours, the student's program length for purposes of determining the payment periods would be 900 clock hours.)

However, a transfer student's eligibility for additional Title IV funds may be subject to a variety of limitations associated with the aid the student received during the student's most recent period of attendance. For example, in the Pell Grant Program, a student may never receive more than his or her Pell scheduled award for an award year. In the Federal Family Education Loan Program and the Federal Direct Loan program, application of the annual loan limits imposes additional limitations on a borrower's eligibility for FFEL funds when the borrower transfers (see chart).

#### Requesting Administrative Relief by email

A school can also request administrative relief by sending an email directly to:

**fsa.administrative.relief@ed.gov**

The request must include the

- reason (reentry within 180 days);
- school's Pell ID number;
- name of the person to contact;
- the contact's phone number; and
- the contact's email address.

#### Limits on requesting administrative relief

Generally, a school may request administrative relief for a student who reenters training during the award year following the award year in which the funds were originally awarded.

## BREAKS IN ATTENDANCE FOR STUDENTS ENROLLED IN PROGRAMS MEASURED IN CREDIT HOURS WITHOUT ACADEMIC TERMS

In order to receive Title IV aid, a student must be enrolled in an eligible program. That program has required courses, some of which must be taken in sequence. If no specific academic plan exists for a particular student, we consider the program requirements to be the student's academic plan.

### Clarification

A student who completes a course is expected to begin attending the next available course in the program, until the student completes the credits for which he or she has received Title IV aid. **If before a student completes the credits for which he or she has received Title IV aid, the student fails to enroll in the next (appropriate in sequence) course in the program, the student must be put on an approved LOA or considered withdrawn.**

A student who has completed the credits for which aid was awarded does not have to be considered a withdrawal or placed on LOA if he or she takes a break before enrolling in additional courses.

## CHANGING OR CORRECTING A RETURN CALCULATION

Changes that aren't corrections are allowed only if the change can be made in time for the institution to meet any applicable Return of Title IV Funds deadline.

A change is not a correction occurs if a calculation (return/Post-withdrawal disbursement) was correct at the time it was processed. For example, a school that used the midpoint as the withdrawal date may want to go back and revise an already processed Return of Title IV Funds calculation to use a last date of attendance at an academically related activity past the midpoint. Such a change is not a correction, because the use of the midpoint was not a mistake – as would be, using the wrong amount of a Pell Grant disbursement. Similarly, the signing of a promissory note after a calculation is processed is not a correction because failing to sign a promissory note is not a mistake.

An institution is never required to do a recalculation of a change that is not a correction.

### *Applicable deadlines*

Two main deadlines impact most Return of Title IV Funds calculations – the 45-day timeframe for the Return of Funds (also see the discussion under Timeframe for the return of Title IV funds later in this chapter); or the 30-day required notification of the need for authorization to make a Post-withdrawal disbursement of Title IV loan funds (also see the discussion under Post-withdrawal disbursement of Title IV Loan funds later in this chapter). Any action taken after a deadline, even a correction, is a violation of the deadline requirement. So, when an institution corrects a Return of Title IV Funds calculation and, as a result, returns funds after the 45-day deadline, it is a late return. When the school makes a correction and notifies the student or parent later than 30 days of the date of the institution’s determination that the student withdrew of the need for authorization to make any loan Post-withdrawal disbursement of Title IV loan funds, the school has violated that deadline.

*In the next section, we will discuss the data elements in the order in which they occur on the worksheets. The discussion that follows is not a set of instructions. It is an explanation of the criteria a school must consider as it enters data in the steps of the calculation.*

## STEP 1: STUDENT'S TITLE IV AID INFORMATION

### *Title IV aid disbursed*

A school must calculate the amount of earned Title IV funds by applying a percentage to the total amount of Title IV program assistance that was disbursed and that could have been disbursed. Under Step 1 of the worksheet, a school fills in the amount of each type of Title IV aid that was disbursed and that could have been disbursed. When entering the amount of loan funds, a school should enter the net amount disbursed and that could have been disbursed.

Generally, a student's Title IV funds are disbursed when a school credits a student's account with the funds or pays a student or parent directly with:

- Title IV funds received from the Department, or
- FFEL funds received from a lender, or institutional funds used in advance of receiving Title IV program funds.

There are a couple of exceptions to this definition. For a complete discussion of the definition of disbursed Title IV funds, see *Volume 4 – Processing Aid and Managing Federal Student Aid Funds*.

**A student's aid is counted as aid disbursed in the calculation if it is disbursed as of the date of the institution's determination that the student withdrew** (see the discussion under Date of the institution's determination that the student withdrew). Inadvertent overpayments are an exception to this general rule, and they are discussed later in this chapter.

A school may not alter the amounts of Title IV grant and loan funds that were disbursed prior to the school's determination that the student withdrew. For example, a school may not replace a withdrawn student's loan funds with grant funds that the student was otherwise eligible to receive before performing the Return calculation.

### *Title IV aid that could have been disbursed*

In addition to aid disbursed, aid that could have been disbursed is also used in the calculation. There are two principles that govern the treatment of disbursements of Title IV funds in Return calculations. The first principle provides that, for purposes of determining earned Title IV aid, generally, so long as the conditions for late disbursements in 34 CFR 668.164(g)(2) (described below) **were met prior to the date the student became ineligible**, any undisbursed Title IV aid for the period for which the return calculation is performed is counted as aid that could have been disbursed (regardless of whether the institution was prohibited from making the disbursement on or before the day the student withdrew because of the limitations in 34 CFR 668.164(g)(4) or elsewhere).

#### **PLUS loan denied**

If a PLUS loan is included in a Return calculation and later the loan is denied by the lender, the school should revise its Return calculation. If there has been a change in the amount the student or school must return, the school must make the appropriate adjustments to its records and the COD systems. If the denied PLUS loan was the only Title IV assistance for which the student was eligible, no Return calculation would have been required.

**Conditions for late disbursement**

34 CFR 668.164(g)(2)

**Limitations on making a late disbursement**

34 CFR 668.164(g)(4)

**Official EFC**

An "official EFC" is an EFC calculated by the Department and provided on a SAR or ISIR. It may or may not be a valid EFC (defined as an EFC based on information that is correct and complete).

Any undisbursed Title IV aid for the period that the school uses as the basis for the Return calculation is counted as aid that could have been disbursed as long as the following conditions were met before the date the student became ineligible –

1. for all programs except PLUS, the Department processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student (except in the case of a PLUS loan);
2. for a FSEOG award, the institution made the award to the student;
3. for an FFEL loan or a Direct Loan, the institution certified or originated the loan, as applicable;
4. for a Federal Perkins Loan, the institution made the award to the student; and
5. for ACG and National SMART Grants, the student was enrolled full time.

As described in DCL GEN-05-16, and effective with its publication on October 27, 2005, a promissory note must be signed for a loan to be included as Aid that could have been disbursed in a Return calculation. The signature may be obtained after the student withdraws. However in order for the loan to be included as aid that could have been disbursed the promissory note must be signed before the school performs the Return calculation.

Similarly, both the ACG and National SMART Grant programs require that students fulfill academic year and GPA requirements in order to continue receiving these grants (See *Volume 1 – Student Eligibility*). A student who had completed the required number of credits for the previous academic year, but for whom no GPA had been calculated at the beginning of the first semester of the subsequent year is eligible to receive an ACG or National SMART grant if the required GPA becomes available during the semester. In order for an ACG or National SMART grant to be included as aid that could have been disbursed, the eligible GPA must be available before the school performs the Return calculation. If a school has made an interim disbursement of an ACG or National SMART Grant and the grades, when they become available indicate that the student does not have the required GPA, the disbursement becomes an overpayment, must be returned by the school, and is not included in the Return calculation.

Of course, a school can only include aid (e.g., the loan funds) for the period for which the institution does the Return calculation. If the calculation is performed on a payment period basis, the loan funds counted are those for the payment period; if the calculation is performed on the period of enrollment basis (e.g., the academic year basis), the loan funds counted are those for the entire period of enrollment.

The second principle provides that a student can never receive as a Post-withdrawal disbursement any funds from a disbursement that the institution was prohibited from making on or before the date the student withdrew. Therefore, although the following potential disbursements can be counted as *Aid that could have been disbursed* (if intended for the period for which the Return calculation is being performed) an institution is prohibited from disbursing –

1. for nonstandard term credit-hour programs where the terms are not substantially equal in length, credit-hour nonterm programs, and clock-hour programs, a second disbursement of FFEL or Direct Loan funds where the student has not reached the later of the calendar midpoint of the loan period, or the date that the student completes half of the academic coursework or clock hours (as applicable) in the loan period (34 CFR 682.604(c)(7) or (8), or 34 CFR 685.301(b)(5), or (6));
2. a second or subsequent disbursement of FFEL or Direct Loan funds unless the student has graduated or successfully completed the loan period (34 CFR 668.164(g)(4)(ii));
3. a disbursement of FFEL, Direct, or Perkins loan funds for which the borrower has not signed a promissory note;
4. for clock-hour or credit-hour nonterm programs, a disbursement of a Federal Pell Grant, Iraq Afghanistan Service Grant, TEACH Grant, ACG, or National SMART Grant for a subsequent payment period when the student has not completed the earlier payment period for which the student has already been paid (34 CFR 690.75(a)(3) and 34 CFR 691.75(a)(3)&(4));
5. a disbursement of an FFEL or Direct Loan to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study (34 CFR 668.164(g)(4)(iii)) (except when this delay does not apply because of low default rates); and
6. a disbursement of a Federal Pell Grant, Iraq Afghanistan Service Grant, TEACH Grant, ACG or National SMART Grant to a student for whom the institution did not have a valid SAR/ISIR by the deadline established by ED (34 CFR 668.164(g)(4)(iv)) annually in the public deadline notice.

Some schools can use the 50% point as the withdrawal date for a student who unofficially withdraws in determining earned Title IV aid. However, in order to determine whether the funds can be disbursed as a Post-withdrawal disbursement, the school must make a separate determination of the date the student lost eligibility.

### When a student drops below half time before withdrawing

If a student who is otherwise eligible for a late first disbursement drops below half-time enrollment and then withdraws, the institution would include any undisbursed Stafford loan funds in the Return calculation as "aid that could have been disbursed." However, an institution may never make a Post-withdrawal disbursement of Stafford funds a student could not have received if he or she had remained in school.

### Making a separate determination of eligibility for a Post-withdrawal disbursement

Consider a student enrolled at a school that is not required to take attendance by an outside entity. The student registers for, and on September 1, begins attendance in 12 credits. On September 15 the student drops classes worth 7 credits and his enrollment status changes to less than half time. On December 1, the school receives \$2,000 in Stafford loan funds for the student.

In reviewing its records the school determines that the student is an unofficial withdrawal. Though the school can use the 50% point (November 1) as the withdrawal date, it must make a separate determination of the student's eligibility for a Post-withdrawal disbursement. In this case, because the student lost eligibility for Stafford funds on September 15 (the day the student ceased to be enrolled at least half time), the student may not receive a Post-withdrawal disbursement of Stafford loan funds

**Important**

## Treatment of inadvertent overpayments

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### Discussion of inadvertent overpayments

Federal Register Volume 64, Number 151, August 6, 1999, Proposed Rules, page 43026

Federal Register Volume 64, Number 210, November 1, 1999, Rules and Regulations, page 59018

DCL GEN 04-03, February 2004

An inadvertent overpayment occurs when an institution disburses funds to a student who is no longer in attendance, for example, when an institution makes a scheduled disbursement on Monday to a student who dropped out on the previous Friday. Inadvertent overpayments are included in Return calculations as *Aid that could have been disbursed rather than Aid that was disbursed*.

A school is allowed to hold an inadvertent overpayment while determining if the student is owed a Post-withdrawal disbursement. However, this is not intended to affect the amount of aid a student would receive under a Return calculation. Rather, it is permitted only to avoid a school having to return funds only to have to later request and disburse them if a student is eligible for a Post-withdrawal disbursement.

An inadvertent overpayment does not create a separate basis for permitting funds to be paid to a student's account. So, if an inadvertent overpayment does not meet the criteria for a late disbursement, the second principle above under Title IV aid that could have been disbursed applies, and neither the institution nor the student may retain any portion of the overpayment. However, the funds are included as Aid that could have been disbursed and may result in a student being able to retain more grant funds.

In order to be consistent with the aforementioned second principle, an institution must now treat inadvertent overpayments as aid that could have been disbursed, rather than aid that was disbursed. If the inadvertent overpayment could not have been made as a late disbursement under the regulations, the institution must return the entire amount of the overpayment. If the overpayment could have been made as a late disbursement, the institution must return only the unearned portion of the inadvertent overpayment.

An institution is not required to return the inadvertent overpayment immediately, but must return it within 45 days of the date of the institution's determination that the student withdrew (the timeframe for an institution's return of Title IV funds under 34 CFR 668.22(j)(1)). An institution must return an inadvertent overpayment in accordance with the applicable regulations for returning overpayments.

For example, if a late disbursement would have been prohibited because the student had withdrawn and the disbursement would have been a late second or subsequent disbursement of an FFEL or Direct Loan, the inadvertent overpayment must be returned because the student had not successfully completed the period of enrollment for which the loan was intended (34 CFR 668.164(g)(4)(ii)).

Institutions are expected to have the administrative capability to prevent inadvertent overpayments on a routine basis. Specifically, an institution is expected to have in place a mechanism for making the necessary eligibility determinations prior to the disbursement of any Title IV, HEA program funds — for example, a process by which withdrawals are reported immediately to those individuals at the institution who are responsible for making Title IV, HEA program disbursements. During a program review we would question a pattern or practice of making these inadvertent overpayments.

**Important**

## Examples of second or subsequent FFEL/DL disbursements and an example of a second payment period Pell disbursement

### Example 1

Consider a student who withdrew after completing 400 clock hours in a 900 clock-hour program and before passing the midpoint in calendar time of the loan period. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The Return calculation is done on a period of enrollment basis. Half of the FFEL or Direct Stafford loan and half of a Federal Pell Grant were disbursed at the beginning of the first payment period and the student was scheduled to receive the other half in the second payment period. Because the student had not completed half of the clock hours and, for the loan, half of the time in the loan period, the student was not eligible to receive the second installment of the loan and the Federal Pell Grant. Therefore, the second disbursements were not made before the student withdrew.

Under current guidance, the second disbursements of both the Pell Grant and the loan are included as *Aid that could have been disbursed* in the calculation of earned Title IV aid so that the amount of Title IV aid used in the calculation (and earned by the student) will be larger.

*Please note, however, the institution still may not make a Post-withdrawal disbursement from the second scheduled disbursements of the FFEL or Pell funds because of the prohibition on making these disbursements.*

### Example 2

Consider a student who completed 500 clock hours in a 900 clock-hour program and passed the midpoint in calendar time of the loan period at an institution that uses the period of enrollment as the basis for its Return calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. Half of the Stafford loan was disbursed at the beginning of the first payment period and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and passed the midpoint in calendar time of the loan period, and was otherwise eligible to receive the second installment of the loan, the second disbursement of the loan was not disbursed before the student withdrew. Because the Department had processed a SAR/ISIR, and the institution previously had certified or originated the loan before the student lost eligibility, the second disbursement of the loan is included as aid that could have been disbursed in the calculation of earned Title IV aid.

However, the late disbursement regulations prohibit an institution from making a second or subsequent disbursement of a FFEL or Direct Stafford Loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The Return requirements, including the Post-withdrawal disbursement requirements, do not supersede this provision. **Therefore, although in this case, a second or subsequent FFEL or Direct Loan disbursement is counted as aid that could have been disbursed for purposes of determining earned Title IV aid, the funds may not be disbursed as part of a Post-withdrawal disbursement.**

**Example 3**

Consider a student who withdraws after completing 350 clock hours in a 900 clock-hour program at an institution that uses the period of enrollment as the basis for its Return calculations. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The institution chooses to disburse the loan in four disbursements. The first quarter of the Stafford loan for the first quarter (225 hours) of the period of enrollment has been disbursed. The student is scheduled to receive the second quarter of the loan in the second half of the first 450-hour payment period. The student withdraws during the first payment period after receiving only the first disbursement of the loan. The second, third, and fourth scheduled disbursements of the loan are included in the calculation as Aid That Could Have Been Disbursed, because the school has chosen to perform the Return calculation on the period of enrollment basis for all students in this program. However, the institution may not make a Post-withdrawal disbursement from the second (or subsequent) scheduled disbursement of the loan because of the prohibition on making second or subsequent disbursements of FFEL or Direct Stafford loans when a student has not completed the period for which the loan was intended.

**Late arriving aid**

If a school is determining the treatment of Title IV funds on a payment period basis, the student's Title IV program assistance used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period during which the student withdrew. (Also, the institutional charges used in the calculation generally have to reflect the charges for the payment period.)

If aid that could have been disbursed during a previous payment period (completed by the student) is received in a subsequent period during which the student withdrew, the aid is not considered *Aid Disbursed* or *Aid That Could Have Been Disbursed* in the period during which the student withdrew. This late-arriving assistance, while it can be disbursed in the current term, is disbursed for attendance in the previous term. Therefore, it is not included in the Return calculation for the period in which the student withdrew.

**For a student who has withdrawn, a school cannot disburse aid received for a previous semester unless the student qualifies for a late disbursement.**

## STEP 2: PERCENTAGE OF TITLE IV AID EARNED

The percentage of Title IV aid earned is determined differently for credit-hour program withdrawals and clock-hour program withdrawals. The requirements for determining a student's withdrawal date, however, differ based on whether a school is required to take attendance or not. The withdrawal date is used to determine the point in time that the student is considered to have withdrawn so the percentage of the payment period or period of enrollment completed by the student can be determined. The percentage of Title IV aid earned is equal to the percentage of the payment period or period of enrollment completed.

If the day the student withdrew occurs when or before the student completed 60% of the payment period or period of enrollment, the percentage earned is equal to the percentage of the payment period or period of enrollment that was completed. If the day the student withdrew occurs after the student has completed more than 60% of the payment period or period of enrollment, the percentage earned is 100%.

### Part 1 — *Withdrawal date*

The definition of a *withdrawal date* as outlined here is required for Title IV program purposes only—including the withdrawal date that a school must report to a lender if FFEL Program funds were received or to the Department if Direct Loan Program funds were received. A school may, but is not required to, use these withdrawal dates for its own institutional refund policies.

The definition of a withdrawal date is used in determining the amount of aid a student has earned. Do not confuse it with the *date of the institution's determination that the student withdrew*, discussed previously and used for other purposes in the Return of funds process.

### Withdrawal date for a student who withdraws from a school that is required to take attendance

The goal of the Return provisions is to identify the date that most accurately reflects the point when a student ceases academic attendance, not the date that will maximize Federal Student Aid to the institution or to the student. Generally, the most precise determination of a student's withdrawal date is one that is made from institutional attendance records.

If a school is **required** to take attendance, a student's withdrawal date is **always** the last date of academic attendance as determined by the school from its attendance records. This date is used for all students who cease attendance, including those who do not return from an approved LOA, those who take an unapproved LOA, and those who officially withdraw.

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#### Withdrawal date at schools required to take attendance

34 CFR 668.22(b)

## Documentation

A school must document a student's withdrawal date and maintain that documentation as of the date of the institution's determination that the student withdrew. If a school is required to take attendance, it is up to the school to ensure that accurate attendance records are kept for purposes of identifying a student's last date of academic attendance. A school must also determine the attendance records that most accurately support its determination of a student's withdrawal date and the school's use of one date over another if the school has conflicting information.

### *Determining a student's withdrawal date at a school that is not required to take attendance*

If a school is not required to take attendance, the determination of a withdrawal date varies with the type of withdrawal. The chart on Withdrawal Dates at the end of this chapter lists the withdrawal date for the various types of withdrawals, as well as the date of the institution's determination that the student withdrew for each type of withdrawal.

#### *Official notification*

A student may provide official notification of his or her intent to withdraw by following the school's withdrawal process. In this case, the withdrawal date is the date the student begins the school's withdrawal process. A student may also provide official notification in other ways. If a student otherwise provides official notification (as explained below), the withdrawal date is the date notification was provided.

These withdrawal dates apply even if a student begins the school's withdrawal process or otherwise notifies the school of his or her intent to withdraw and projects a future last date of attendance. However, **a school that is not required to take attendance may always use a last date of attendance at an academically related activity as a student's withdrawal date** (this is discussed in detail below). Therefore, a school could use a later last documented date of attendance at an academically related activity if this date more accurately reflects the student's withdrawal date than the date the student begins the school's withdrawal process or notifies the school of his or her intent to withdraw.

#### **Documenting a student's withdrawal date**

34 CFR 668.22(b)(2)  
34 CFR 668.22(c)(4)

#### **Determining a student's withdrawal date at a school that is not required to take attendance**

34 CFR 668.22(c)

#### **Official notification**

34 CFR 668.22(c)(1)(i) and (ii)

#### **Official notification defined**

A notice of intent to withdraw that a student provides to an office designated by the institution.

34 CFR 668.22(c)(5)(i)

#### **Notification example**

For example, if on May 5, a student provided notification of his or her intent to cease attending the school beginning on May 10, the withdrawal date is May 5. However, the school may use May 10 as the student's withdrawal date if the institution documents May 10 as the student's last date of attendance at an academically related activity.

### Consumer Information on Withdrawing

A school is expected to identify the beginning of its process as a part of the school's consumer information regarding withdrawal (see *Volume 2 – School Eligibility and Operations*). A school should be able to demonstrate consistent application of its withdrawal process, including its determination of the beginning of that process.

### Otherwise provides official notification

34 CFR 668.22(c)(5)

### Informal contact with a school employee

If the student provides notification to an employee of a designated office while that person is not acting in his or her official capacity (for example, the student runs into her financial aid officer at the grocery store) we would expect the employee to inform the student of the appropriate means for providing official notification of his or her intent to withdraw.

### *School's withdrawal process*

The beginning of the school's withdrawal process must be defined. The individual definition is left up to the school. Schools are required to make available to students a statement specifying the requirements for officially withdrawing from the school.

While the institution's officially defined withdrawal process might include a number of required steps, and though the institution might not recognize the student's withdrawal (for purposes of determining an institutional refund) until the student has completed all the required steps, for the purpose of calculating the Return of Title IV funds, the date the student began the institution's withdrawal process is the withdrawal date for Title IV purposes.

### *Otherwise provides official notification*

Official notification to the school occurs when a student notifies an office designated by the school of his or her intent to withdraw. In its written description of its withdrawal procedures a school must designate at least one office for this purpose. For example, a school could designate a dean's, registrar's, or financial aid office. If a student provides notification to an employee of that office while that person is acting in his or her official capacity, the student has provided official notification.

Official notification from the student is any official notification that is provided in writing or orally to a designated campus official acting in his or her official capacity in the withdrawal process. Acceptable official notification includes notification by a student via telephone, through a designated Website, or orally in person. The responsibility for documenting oral notifications is the school's; however, the school may request, but not require, the student to confirm his or her oral notification in writing. **If a student provides official notification of withdrawal to the institution by sending a letter to the designated office stating his or her intent to withdraw, the withdrawal date is the date that the institution receives the letter.** Notification is not provided to an institution until the institution receives the notification. Note that an institution always has the option of using the date of a student's last participation in an academically related activity as long as that participation is documented by a campus official.

Intent to withdraw means that the student indicates he or she has either ceased to attend the school and does not plan to resume academic attendance, or believes at the time he or she provides notification that he or she will cease to attend the school. A student who contacts a school and only requests information on aspects of the withdrawal process, such as the potential consequences of withdrawal, would not be considered a student who is indicating that he or she plans to withdraw. However, if the student indicates that he or she is requesting the information because he or she plans to cease attendance, the student would be considered to have provided official notification of his or her intent to withdraw.

### **When a student triggers both dates**

A student might both begin the school's withdrawal process and otherwise provide official notification to the school of his or her intent to withdraw. For example, on November 1, a student calls the school's designated office and states his or her intent to withdraw. Later, on December 1, the student begins the school's withdrawal process by submitting a withdrawal form. **If both dates are triggered, the earlier date, November 1 in this case, is the student's withdrawal date.**

Remember that a school that is not required to take attendance is always permitted to use *the last date of an academically related activity that the student participated in* as the student's withdrawal date. So, if a student continues to attend class past the date the student provides notification, and the school chooses to do so, the school may document and use the student's last day of attendance at an academically related activity as the student's withdrawal date in the Return calculation.

### **Official notification not provided by the student**

A student who leaves a school does not always notify the school of his or her withdrawal. There are two categories of these unofficial withdrawals for purposes of this calculation. First, if the school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the withdrawal date is the date the school determines that the student ceased attendance because of the aforementioned applicable event.

The second category of unofficial withdrawals encompasses all other withdrawals where official notification is not provided to the school. This rule applies only to schools that are not required to take attendance. For these withdrawals, commonly known as dropouts, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable, or the last date of an academically related activity that the student participated in.

### **When a student triggers both dates**

34 CFR 668.22(c)(2)(ii)

#### **Attendance Records**

Only an institution that is required to take attendance by an outside entity is required to use its attendance records to determine a student's withdrawal date. However, an institution that is not required to take attendance by an outside entity but does take attendance **may**, in order to use the most accurate date of last attendance, use its attendance records to determine a student's withdrawal date.

**Withdrawal due to circumstances beyond the student’s control**

34 CFR 668.22(c)(1)(iv)

**Withdrawal date for administrative withdrawals**

A school may not artificially create a withdrawal date for a student that is beyond the “trigger point” that causes the school to administratively withdraw the student.

If for example, a school can document that it has a uniform policy of withdrawing of students after a specified (and reasonable) number of absences that applies throughout the payment period/period of enrollment, then the date that a student exceeded that number of absences would be the date that the school would normally use as the withdrawal date.

In a slightly different scenario, if a school administratively withdraws a student because all of the student’s instructors report that the student has ceased attendance as of a certain date (e.g. a census date) then the last possible date of the withdrawal for that student is that (census) date.

If a school administratively withdraws a student for some reason other than excessive absences, it similarly will have to determine the date of the event that caused the school to make that decision to withdraw the student.

If a school can show that a student participated in an academically related activity after the date of the event that caused the school to terminate his/her enrollment (but still before the school withdrew the student), the school could use the date of the academically related activity as the last date of attendance.

**Withdrawal without student notification due to circumstances beyond the student’s control**

There are two circumstances in which a special rule applies that defines a withdrawal date for a student who withdraws due to circumstances beyond the student’s control. They apply when (1) a student who would have provided official notification to the school was prevented from doing so due to those circumstances; and (2) a student withdrew due to circumstances beyond the student’s control and a second party provided notification of the student’s withdrawal on the student’s behalf.

A school may determine the withdrawal date that most accurately reflects when the student ceased academic attendance due to the circumstances beyond the student’s control. This date would not necessarily have to be the date of the occurrence of the circumstance. For example, if a student is assaulted, he or she may continue to attend school, but ultimately not be able to complete the period because of the trauma experienced. Because the student’s withdrawal was the result of the assault, the withdrawal date would be the date the student actually left the school, not the date of the assault. A school should document that the student left at the later date because of issues related to the assault.

If a school administratively withdraws a student (e.g., expels, suspends, or cancels the student’s registration) who has not notified the school of his or her intent to withdraw, the last possible date of withdrawal for the student is the date the school terminates the student’s enrollment. However, an institution may not artificially create a withdrawal date for such a student that is beyond the midpoint of the period by simply choosing to withdraw the student after the midpoint. Of course, if the school can document that the student continued his or her attendance past the midpoint, the school may use a later date.

**All other withdrawals without student notification**

For all other withdrawals without notification, the withdrawal date is the midpoint of the payment period or the period of enrollment, as applicable at an institution not required to take attendance by an outside entity.

**Timeframe for the determination**

34 CFR 668.22(j)(2)

**All other withdrawals**

34 CFR 668.22(c)(1)(iii)

### ***Timeframe for the determination of a withdrawal date for an unofficial withdrawal***

A school may not know that a student has dropped out (unofficially withdrawn) until the school checks its records at the end of an academic period. However, to ensure that Title IV funds are returned within a reasonable period of time, a school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program.

A school must develop a mechanism for determining whether a student who began attendance and received or could have received an initial disbursement of Title IV funds unofficially withdrew (ceased attendance without providing official notification or expressed intent to withdraw) during a payment period or period of enrollment, as applicable. Section 34 CFR 668.22(j)(2) requires that a school have a mechanism in place for identifying and resolving instances where a student's attendance through the end of the period cannot be confirmed. That is, institutions are expected to have procedures for determining when a student's absence is a withdrawal. The school must make that determination as soon as possible, but no later than 30 days after the end of the earlier of –

1. the payment period or period of enrollment, as applicable;
2. the academic year; or
3. the program.

### **When students fail to earn a passing grade in any of their classes**

An institution must have a procedure for determining whether a Title IV recipient who began attendance during a period completed the period or should be treated as a withdrawal. We do not require that an institution use a specific procedure for making this determination.

If a student earns a passing grade in one or more of his or her classes offered over an entire period, for that class, an institution may presume that the student completed the course and thus completed the period. If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

#### **When a student fails to earn a passing grade**

DCL GEN-04-03, February 2004

#### **Testing the use of a grading policy**

If a school uses its grading policy to determine whether students with failing grades have unofficially withdrawn, during compliance audits and program reviews student records might be examined to determine whether the grades assigned accurately represent the students' attendance.

In some cases, a school may use its policy for awarding or reporting final grades to determine whether a student who failed to earn a passing grade in any of his or her classes completed the period. For example, a school might have an official grading policy that provides instructors with the ability to differentiate between those students who complete the course but failed to achieve the course objectives, and those students who did not complete the course. If so, the institution may use its academic policy for awarding final grades to determine that a student who did not receive at least one passing grade nevertheless completed the period. Another school might require instructors to report, for all students awarded a non-passing grade, the student's last day of attendance (LDA). The school may use this information to determine whether a student who received all "F" grades withdrew. If one instructor reports that the student attended through the end of the period, then the student is not a withdrawal.

### **Example of a grading policy that could be used to determine whether a student unofficially withdrew**

**F** (Failing) Awarded to students who complete the course but fail to achieve the course objectives.

**U** (Unauthorized Incomplete) Awarded to students who did not officially withdraw from the course, but who failed to participate in course activities through the end of the period. It is used when, in the opinion of the instructor, completed assignments or course activities or both were insufficient to make normal evaluation of academic performance possible.

To serve as documentation that a student who received all "F" grades had not withdrawn, such a grading policy would have to require instructors to award the "F" (or equivalent grade) only to students who completed the course (but who failed to achieve the course objectives). In addition, the policy would have to require that instructors award an alternative grade, such as the "U" grade (in the example above), to students who failed to complete the course. If the system allows an instructor to indicate the date the student last participated in course activities, this date would be helpful if an institution chose to use attendance at an academically related activity as a student's withdrawal date.

At a school using such a grading policy, if a student received at least one grade of "F" the student would be considered to have completed the course and, like a student who received at least one passing grade, would not be treated as a withdrawal. A student who did not officially withdraw and did not receive either a passing grade or an "F" in at least one course must be considered to have unofficially withdrawn. As noted above, when a student unofficially withdraws from an institution that is not required to take attendance, the institution may use either the student's last date of attendance at an academically related activity or the midpoint of the period as the student's withdrawal date.

## Last date of attendance at an academically related activity

A school that is not required to take attendance may always use a student's last date of attendance at an academically related activity, as documented by the school, as the student's withdrawal date, in lieu of the withdrawal dates listed above. So, if a student begins the school's withdrawal process or otherwise provides official notification of his or her intent to withdraw and then attends an academically related activity after that date, the school would have the option of using that last actual attendance date as the student's withdrawal date, provided the school documents the student's attendance at the activity. Similarly, a school could choose to use an earlier date if it believes the last documented date of attendance at an academically related activity more accurately reflects the student's withdrawal date than the date the student began the school's withdrawal process or otherwise provided official notification of his or her intent to withdraw.

### The school (not the student) must document –

- that the activity is academically related, and
- the student's attendance at the activity.

Please note that a school is not required to take class attendance in order to demonstrate academic attendance for this purpose.

### Examples of academically related activities are –

1. examinations or quizzes,
2. tutorials,
3. computer-assisted instruction,
4. academic advising or counseling,
5. academic conferences,
6. completing an academic assignment, paper, or project, and
7. attending a study group required by the institution where attendance is taken.

The determination of a student's withdrawal date is the responsibility of the school. Therefore, if a school is using a last date of attendance at an academically related activity as the withdrawal date, (see the discussion under *When students fail to earn a passing grade in any of their classes*) the school, not the student, must document the student's attendance. A student's certification of attendance that is not supported by school documentation would not be acceptable documentation of the student's last date of attendance at an academically related activity.

In the absence of evidence of a last day of attendance at an academically related activity, a school must consider a student who failed to earn a passing grade to be an unofficial withdrawal.

## Last date of attendance at an academically related activity

34 CFR 668.22(c)(3)

### Documentation

Documentation of a student's attendance at an academically related activity must always be provided by an official of the institution. A student's self-certification of attendance at an academically related activity is never sufficient documentation. However a school is not required to take class attendance in order to demonstrate academic attendance for this purpose.

### Activities that are not academically related

Examples of activities that are not academically related include living in institutional housing and participating in the school's meal plan.

### Clarification

#### Counting excused absences as days in attendance

A school may only count as days in attendance excused absences that are followed by some class attendance. That is, a school may not include as days attended any excused absences that occur after a student's last day of actual attendance.

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**Withdrawals after rescission of official notification**

34 CFR 668.22(c)(2)(i)

**Withdrawals after rescission of official notification**

A student may provide official notification to the school of the intent to withdraw and then change his or her mind. To allow a student to rescind his or her intent to withdraw for purposes of this calculation, the school must obtain a written statement from the student stating his or her intent to remain in academic attendance through the end of the payment period or period of enrollment. If the student subsequently withdraws after rescinding an intent to withdraw, the withdrawal date is the date the student first provided notification to the school or began the school's withdrawal process, unless the school chooses to document a last date of attendance at an academically related activity.

For example, Dave notifies his school of his intent to withdraw on January 5. On January 6, Dave notifies the school that he has changed his mind and has decided to continue to attend the school, and provides the required written statement to that effect. On February 15, Dave notifies the school that he is withdrawing and actually does. The school has a record of an exam that Dave took on February 9. The school may use February 9 as Dave's withdrawal date.

If the school could not or did not choose to document a last date of attendance at an academically related activity for Dave (in this case, the record of the exam), his withdrawal date would be January 5, the date of Dave's original notification of his intent to withdraw, not February 15.

**Withdrawals from standard term-based programs using modules**

When a student withdraws from a standard term-based program comprised of a series of modules, the school must determine whether a Return of Title IV Funds calculation is required and if so, the length of the period of enrollment or payment period, as applicable. Among the variables a school must consider are whether the student has completed at least one course and if not, whether the student intends to return for another module within the term. The principles for determining the appropriate values to use in a Return of Title IV Funds calculation are applicable only when the courses and modules have the following characteristics:

- Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. (The modules may overlap.)
- The institution has chosen to have two or more modules make up the standard term (semester, trimester, or quarter). For example, in each 15-week semester, courses are offered in three 5-week modules.

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**Withdrawal from program offered in modules**

DCL-GEN-00-24

- Students can begin attending at the beginning of any one of the modules in a term. For example, a student enrolling in a three module per semester program can start in module two or three as well as in module one.
- Students may skip one or more modules within the term. For example, a student enrolling in a three module per semester program can attend module one, skip module two, and return for module three.
- Students enroll up front for courses in all of the modules they plan to attend for the entire term; however, some students may subsequently add or drop a course in a later module.

Regarding those determinations, the following principles apply to the application of the Return provisions:

1. If a student withdraws from an institution after completing at least one course in one module within the term, the student is not considered to have withdrawn and the requirements of 34 CFR 668.22 for the Return of Title IV aid do not apply. Note, however, other regulatory provisions concerning recalculation may apply (e.g., 34 CFR 690.80, 682.604, and 685.303).
2. If a student withdraws from the institution before completing at least one course in one module, the student is considered to have withdrawn and the requirements for the Return of Title IV aid apply unless the institution has obtained a confirmation from the student that the student intends to continue in the program by attending a module later in the term.

For confirmation, a school may not rely upon the student's previous registration. Rather, the confirmation from the student **must be obtained at the time of or after the student's withdrawal**. If a student indicates an intention to continue in a subsequent module in the term but does not return for that module, the student would be considered to have withdrawn and withdrawal date would be the withdrawal date that would have applied if the student had not indicated an intention to attend a module later in the term.

3. When a student withdraws without completing at least one course in one module, the number of completed days used in the *numerator* in Step 2 of the Return calculation **begins on the first day of the first module the student attended in the term, ends on the last day the student was in attendance, and includes only the period during which the student was in attendance**. The payment period (the denominator in Step 2 of the Return calculation) includes all of the modules the student was scheduled to attend in the term.

### Recalculation required

If a student withdraws after completing one module the student is not considered to have withdrawn. However, because the student failed to begin attendance in the number of credit hours for which the Federal Pell Grant was awarded, **the institution must recalculate the student's eligibility for Pell and Campus-based funds based on a revised cost of education and enrollment status** (34 CFR 690.80(b)(2)(ii)).

For such a student, a change in enrollment status to less than half time as a result of the failure to begin attendance in all subsequent modules would not affect a student's eligibility for any federal education loan funds previously received because at the time the previous disbursements were made, the student was still scheduled to attend on at least a half-time basis. (Of course, a student may not receive as a late disbursement any second or subsequent disbursement of the loan.)

If a student withdraws without completing at least one module, the student is considered to have withdrawn. Because the student failed to begin attendance in the number of credit hours for which the Federal Pell Grant was awarded, before performing the required Return calculation, the institution must recalculate the student's eligibility for Pell and Campus-based funds based on a revised cost of education and enrollment status. The institution then performs a Return calculation using the student's revised award.

An institution may not disburse the proceeds of an FFEL or Direct Loan to an ineligible borrower. Therefore, **if a student who was enrolled in a series of modules withdraws before beginning attendance as a half-time student, and the student had not received the first disbursement of an education loan before withdrawing, the institution may not make the first disbursement because the institution knows the student was never enrolled on at least a half-time basis**.

34 CFR 668.164(g)(3)(iii), which permits an institution to make a late disbursement of an FFEL or Direct Loan for costs incurred to a student who did not withdraw, but ceased to be enrolled as at least a half-time student, does not apply because the student never really was a half-time student.

4. A student who has not completed at least one course in the payment period does not have to be considered to have withdrawn if the institution has obtained a confirmation from the student that the student intends to continue in the program and attend a module later in the term.

For further treatment of withdrawals from standard term-based programs using modules, please see DCL-GEN-00-24, December 2000.

### Withdrawal date when a student dies

If an institution that is not required to take attendance is informed that a student has died, it must determine the withdrawal date for the student under 34 CFR 668.22(c)(1)(iv). This section provides that, if the institution determines that a student did not begin its withdrawal process or otherwise provide official notification of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the withdrawal date is the date that the institution determines is related to that circumstance.

The withdrawal date can be no later than the date of the student's death. For an institution that is required to take attendance, the withdrawal date for a student who has died is the last date of attendance as determined from the institution's attendance records. In all cases, the **institution should maintain the documentation it received that the student has died** and determine an appropriate withdrawal date. (For more information on how the death of a student affects the Return process, see the discussion under *Death of a student* later in this chapter.)

## Part 2 – Percentage of Aid Earned

### Percentage of payment period or period of enrollment completed

Once a student's withdrawal date is determined, a school needs to calculate the percentage of the payment period or period of enrollment completed. The percentage of the payment period or period of enrollment completed represents the percentage of aid earned by the student. This percentage is determined differently for students who withdraw from credit-hour programs and students who withdraw from clock-hour programs.

#### *Scheduled breaks*

Institutionally scheduled breaks of five or more consecutive days are excluded from the Return calculation as periods of nonattendance and therefore do not affect the calculation of the amount of Federal Student Aid earned. This provides for more equitable treatment of students who officially withdraw near either end of a scheduled break. In those instances, at institutions not required to take attendance, a student who withdrew after the break would not be given credit for earning an additional week of funds during the scheduled break, but would instead earn funds only for the day or two of training the student completed after the break. If a scheduled break occurs prior to a student's withdrawal, all days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed. If a student officially withdraws while on a scheduled break of less than five days, the actual date of the student's notification to the institution is the student's withdrawal date. (Note that if the withdrawal occurs prior to a scheduled break, the days in the break are excluded only from the denominator.)

Please note that the beginning date of a scheduled break is defined by the school's calendar for the student's program. In a program where classes only meet on Saturday and/or Sunday, if a scheduled break starts on Monday and ends on Friday, the five weekdays between the weekend classes do not count as a scheduled break because the break does not include any days on which classes are scheduled. Therefore, the five days would not be excluded from the numerator or denominator in Step 2 of a Return calculation.

#### *Unscheduled breaks due to circumstances beyond the control of a school*

If, due to a natural disaster or other circumstances beyond the control of a school, a school is unable to operate normally for five or more consecutive days, but then resumes normal operations and will complete the interrupted academic period, the school must adjust

### Percentage of payment period or period of enrollment completed

34 CFR (f)

#### Scheduled breaks

34 CFR 668.22(f)(2)(i)

#### Determining the length of a scheduled break

1. Determine the last day that class is held before a scheduled break – the next day is the first day of the scheduled break.
2. The last day of the scheduled break is the day before the next class is held.

Where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (four days) and the five weekdays would be excluded from the Return calculation. (The first Saturday, the day after the last class, is the first day of the break. The following Sunday, the day before classes resume, is the last day of the break.) If classes were taught on either weekend for the programs that were subject to the scheduled break, those days would be included rather than excluded.

#### Weekend classes and scheduled breaks

If a community college offers regular classes on Saturday and Sunday and its academic calendar says that a scheduled break starts on a Monday and resumes with classes the following Monday, that break is seven days long.

Return calculations for any student who returns after the school resumes operations, but subsequently withdraws during that payment period/period of enrollment.

The school must exclude the days it was non-operational from both the numerator and denominator of the Return calculation. In addition, if because of the aforementioned circumstances, the school extends the length of the academic period, the school should use the new ending date in any required Return calculation, and treat the days it was not operating (five or more) as a scheduled break.

### **Example of Withdrawal Date When a Student Withdraws During a Scheduled Break of Five or More Days**

If a student officially withdraws while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance prior to the start of the scheduled break. For example, the institution's last date of scheduled class attendance prior to spring break is Friday, March 7. Spring break at the institution runs from Saturday, March 8 to Sunday, March 16. If the student contacts the institution's designated office on Wednesday, March 12 to inform the institution that he will not be returning from the institution's Spring break, the student's withdrawal date is Friday, March 7, which was the institution's last day of scheduled class attendance.

However, the date of the institution's determination that the student withdrew is March 12, the date the student actually informed the institution that he would not be returning. The date of the institution's determination that the student withdrew is used as the starting date for institutional action, such as the requirement that an institution Return Title IV funds for which it is responsible no later than 45 days after this date.

### ***Credit-hour programs***

For a credit-hour program, the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment, as of the day the student withdrew, by the total number of calendar days in the same period.

The number of calendar days in the numerator or denominator includes all days within the period, **except for institutionally scheduled breaks of five or more consecutive days**. Days in which the student was on an approved leave of absence would also be excluded. The day the student withdrew is counted as a completed day.

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#### **Credit-hour programs**

34 CFR 668.22(f)(1)(i)

### *Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program*

The regulations provide that the percentage of Title IV aid earned by a student is equal to the percentage of the period completed by the student (except if that percentage is more than 60%, the student is considered to have earned 100% of the Title IV aid). For any credit-hour program, term-based or nonterm-based, the percentage of the period completed is calculated as follows:

$$\frac{\text{number of calendar days completed in the period}}{\text{total number of calendar days in the period}}$$

Scheduled breaks of at least five consecutive days and days in which the student was on an approved LOA are excluded from this calculation (34 CFR 668.22(f)(1)(i) and (2)).

In a credit-hour nonterm program, the ending date for a period and, therefore, the total number of calendar days in the period, may be dependent on the pace at which an individual student progresses through the program. Therefore, for a student who withdraws from a credit-hour nonterm program in which the completion date of the period is dependent on an individual student's progress, an institution must project the completion date based on the student's progress as of his or her withdrawal date to determine the total number of calendar days in the period. (See the example that follows.)

If a student withdraws from a self-paced nonterm credit-hour program before earning any credits, the institution must have a reasonable procedure for projecting the completion date of the period. To the extent that any measure of progress is available, the institution should base its determination on that progress (see examples 2 and 3).

For a school that offers credit-hour nonterm programs in which the student does not earn credits or complete lessons as he or she progresses through the program, the institution must have a reasonable procedure for projecting the completion date of the period based on the student's progress before withdrawal. If the total number of calendar days in the period is not dependent on the pace at which a student progresses through a program (the completion date is the same for all students) and the student has not failed any courses for which he or she was paid in the payment period, the total number of calendar days in the period will be the same for all students.

### **Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program**

DCL GEN-04-03, February 2004

## **Reminders**

Institutionally scheduled breaks of at least five consecutive days between courses/modules in the same payment period or period of enrollment are excluded from a Return calculation.

If a student takes an "unscheduled break in attendance" thereby deviating from the student's original attendance plan, the school either must treat the student as a withdrawal or place the student on an "approved leave of absence" as described earlier under Breaks in attendance for students enrolled in programs measured in credit hours without academic terms.

The length of a payment period can never be less than the original scheduled length. If a student is progressing more rapidly than originally planned and the required projection calculation results in an end date that creates a shorter payment period, the school must use the original "end date" in the Return calculation.

Consider a nonterm credit-hour program offered in modules where some or all courses are offered sequentially and all students begin and end the modules at the same time. For a student who successfully completed all modules attempted up to the time the student withdrew, the completion date (and the corresponding number of days in the Return calculation) will be the number of days between the start of the first module and the originally scheduled end of the last module.

However, an institution must take into consideration any credits that a student has attempted, but not successfully completed before withdrawing. (Those credits must be successfully completed before the student is considered to have completed the period.) To do this, the school must modify the denominator used in the Return calculation. The school must add to the number of days between the start of the first module and the scheduled end of the last module, the number of days the student spent in the failed courses/module(s) the student did not successfully complete.

## Calculating a completion date for a student who withdraws from a credit-hour nonterm program

### Example 1, lessons completed

David enrolled in a program offered in a credit-hour nonterm format and withdrew before earning any credits, but has completed two lessons. The institution uses David's completed assignments as an interim measure of his progress and compares it to information from its records about other students who have completed the same program to determine an end date.

Looking at the records of students who have completed the same program, the institution identifies other students who complete the two lessons in approximately the same amount of time as David. The school determines the number of days it took those students to complete the period. The institution uses the same number of days in the denominator of the Return calculation for David.

### Example 2, nothing completed

Danny enrolls in a program offered in a credit-hour nonterm format. Danny withdraws before earning any credits, completing any lessons, or providing any other measure of progress toward the course or program goals at the time he withdrew. The institution uses its records to identify the student who took the longest to complete the period to determine the number of days it took that student to complete the period. The institution uses the same number of days in the denominator of the Return calculation for Danny.

*Continued on next page*

## Calculating a completion date for a student who withdraws from a credit-hour nonterm program

### Example 3, percentage completed

Barbara is enrolled in a 24 credit-hour nonterm program at an institution that calculates Returns on a payment period basis. Students in the program are expected to complete 12 credit hours each payment period, in 15 weeks (105 days).

When Barbara began classes she received a Federal Pell Grant and a Stafford Loan. She completed the 12 credit hours in the first payment period (the first half of the program) in 120 days (past the calendar midpoint of the original program length of 210 days). When Barbara completed the first half of her program she became eligible for the second disbursements of both her Federal Pell Grant and Stafford Loan.

Barbara withdrew from school on day 53 of the second payment period. At the time she withdrew Barbara had completed only one-third of the work (4 credits) in the payment period. If Barbara had continued to progress at her current pace of 4 credits earned every 53 days, Barbara would not complete the additional 8 credit hours for another 106 days. She would not complete the 12 credit hours in the second payment period until day 159.

For this student, therefore, the total number of days in the payment period (and the number used in the denominator of the Return calculation) is 159. The percentage of the payment period Barbara completed before withdrawing is 33.3% (53 days completed divided by 159 total days in the payment period).

In general, to calculate the number of days in the period do the following:

Determine the percentage of credits earned

$$\frac{\text{Number of credits completed (4)}}{\text{Number of credits in payment period (12)}} = \text{Percentage of credits earned (.333)}$$

Determine the number of days in the period

$$\frac{\text{Number of days attended (53)}}{\text{Percentage of credits earned (.333)}} = \text{Number of days in the period (159)}$$

The school enters “159” as the number of “Total Days” in STEP 2, Box H of the Return calculation.

### Example 4, projecting a completion date for a withdrawal from a self-paced nonterm program

Pixie is enrolled in a self-paced 30 credit-hour nonterm program in pet grooming offered over 30 weeks at an institution that calculates Returns on a payment period basis. Students in the program are expected to complete 3 modules of 5 credits hours each over the 15 weeks (105 days) in a payment period. (A student is expected to complete each 5 credit module in five weeks (35 days) time.)

It takes Pixie 7 weeks (49 days) to complete 100% of the lessons in the first module and she did not earn a passing grade (the lack of opposable thumbs was a disadvantage she could not overcome). Pixie decides to withdraw from school in order to accept a position as a cohost of the annual AKC show at Madison Square Garden.

Because Pixie did not satisfactorily complete at least one module, the school must perform a Return calculation. In addition, because Pixie was progressing more slowly than the rate expected, the school must project a new an end date and a new number of "Total days" to be used in the Return calculation.

Important: Because Pixie was progressing at a slower rate (it took her 49 days (instead of 35) to complete 100% of the lessons in the first module, the school can not simply add the length of a scheduled (make up) module (35 days) to arrive at the projected number of days in the payment period. The school must project the number of says in the period as follows.

Project the time it would have taken Pixie to complete the first module by dividing the number of days attended (28) by the percentage of the lessons completed

$$\frac{\text{Number of days attended (49)}}{\text{Percentage of payment period completed (1.00)}} = \text{Number of days required for one module (49)}$$

Project the number of days in the payment period by multiplying the number of days required for one module (49) by the number of modules in the payment period (3) and adding a module (1) for the student to make up the module failed.

$$\text{Number of days it takes a student to complete a module (49)} \times \{\text{Number of modules in payment period (3) + a makeup module (1)}\} = 4 = \text{Number of projected days in payment period (196)}$$

The school enters "196" as the number of "Total Days" in STEP 2, Box H of the Return calculation.

### *Clock-hour programs*

Under HERA, only scheduled hours are now used to determine the percentage of the period completed by a student withdrawing from a clock-hour program.

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#### **Clock-hour programs**

34 CFR. 668.22(f)(ii)

For a clock-hour program, the percentage of the period completed is determined by dividing the number of hours the student was scheduled to complete in the payment period or period of enrollment, as of the day the student withdrew, by the total number of clock hours in the same period as follows:

$$\frac{\text{number of clock hours the student was scheduled to complete in the period}}{\text{total number of clock hours in the period}}$$

A student withdrawing from a clock-hour program earns 100 percent of his or her aid if the student's withdrawal date occurs after the point that he or she was scheduled to complete 60 percent of the scheduled hours in the payment period or period of enrollment.

The scheduled clock hours used for a student must be those established by the school prior to the student's beginning class date for the payment period or period of enrollment, and must have been established in accordance with any requirements of the state or the institution's accrediting agency. These hours must be consistent with the published materials describing the institution's programs. However, if an institution modified the scheduled hours in a student's program prior to and unrelated to his or her withdrawal in accordance with any State or accrediting agency requirements, the new scheduled hours may be used.

### *When a school disburses Title IV aid to a student using different payment periods*

Nonstandard term credit-hour programs with terms that are not substantially equal in length have two defined payment periods: one for Title IV grant and Perkins Loan funds, and one for FFEL and Direct Loan funds. Because only one payment period may be used in determining earned Title IV grant and loan funds for a student who withdraws and was disbursed or could have been disbursed aid under both payment definitions, the regulations now specify the payment period a school must use in the Return calculation, that is, the payment period that ends later.

Any aid disbursed for payment periods that overlap the payment period used in the calculation must be attributed to the payment period that ends later.

#### **No attribution necessary**

If a student who withdraws from a nonstandard term credit-hour program with terms that are not substantially equal in length is disbursed aid or could have been disbursed aid using only one of the two payment period definitions, that is the payment period that is used for the calculation of earned aid, and no attribution of funds is necessary.

### **Example of performing a Return calculation for a student receiving aid under two payment period definitions**

The Ted Animal Institute (TAI) offers programs in nonstandard credit-hour terms that are not substantially equal in length.

Pixie Marley enrolls for TAI's varmit retrieval program offered over 30 weeks in three terms of 10 weeks, 6 weeks, and 14 weeks respectively. After attending classes for 50 days, Pixie decides that she could make a greater contribution if she studied home health care. Subsequently she withdraws from TAI.

TAI's Academic Year = 24 credits hours over 30 weeks of instructional time comprising the academic year. Term 1 = 8 credits over 10 weeks. Term 2 = 5 credits over 6 weeks. Term 3 = 11 credits over 14 weeks.

Each scheduled payment period for Pixie's Stafford loans was one-half of the program's academic year or 12 credits and 15 weeks.

Pixie was scheduled to receive three disbursements (one in each payment period) of her Pell Grant as follows:

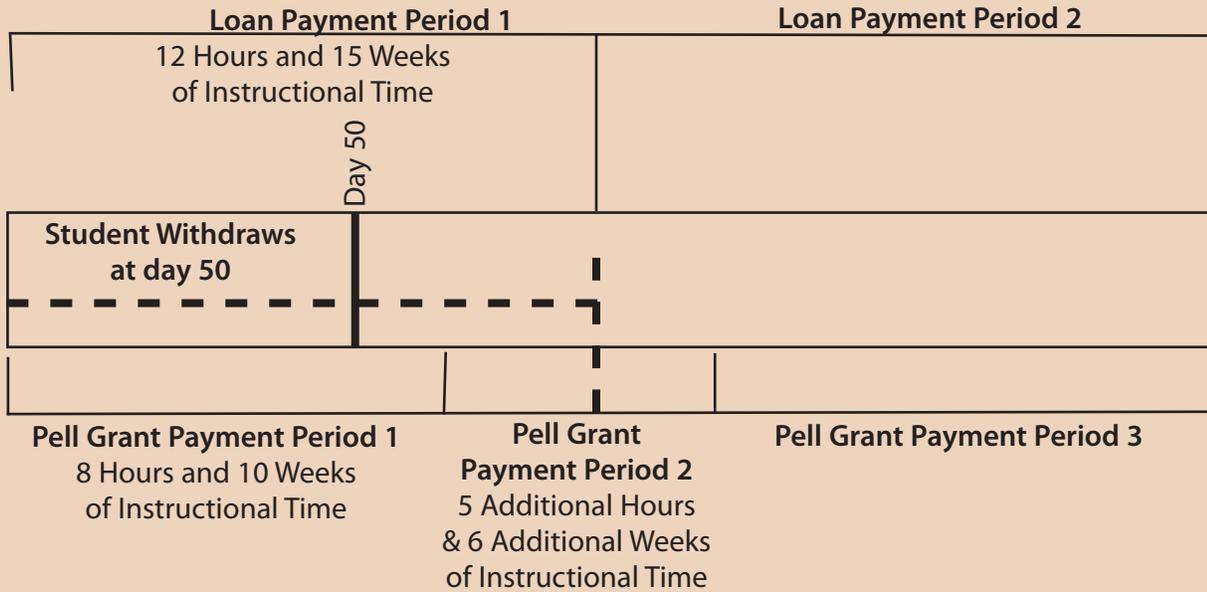
PP1 at day 1

PP2 at the completion of 8 hours and 10 weeks of instructional time

PP3 at the completion of 13 hours and 16 weeks of instructional time

The scheduled disbursements and withdrawal date are shown in the graphic that follows.

**Performing a Return calculation for a student receiving aid under multiple payment period definitions, continued**



Pixie withdrew on the 50th day after the start of classes. Her FFEL/Direct Loan funds were disbursed for the loan payment period 1 (the first half of the academic year). Her Pell Grant funds were disbursed for the Pell Grant payment period 1 (the first term, which is 10 weeks in length).

Loan Payment Period 1 (the FFEL/Direct Loan payment period) is the payment period during which the student withdrew that ends later, so that is the payment period the school is required to use for the Return of Title IV Funds calculation.

As shown by the horizontal dashed line, the first two Pell Grant payment periods overlap with the Loan payment period 1, so aid that was disbursed or could have been disbursed for the two Pell Grant payment periods are attributed to the Loan payment period 1.

All of Pell Grant Payment Period 1 falls within Loan payment period 1, so all of the Pell Grant funds that were disbursed for Pell Grant Payment Period 1 are included in the calculation. Pell Grant Payment Period 2 of six weeks overlaps with Loan Payment Period 1 for five of those weeks. (The loan period is 15 weeks; Pell Grant Payment Period 1 is 10 weeks and five additional weeks from Pell Grant Payment Period 2 bring the Pell Grant Payment Period used in the calculation up to 15 weeks.)

To determine the amount of Pell Grant funds that could have been disbursed that are attributable to the five additional weeks, the school would take the full amount of Pell Grant funds that could have been disbursed for Pell Grant payment period 2, and multiply it by five-sixths.

## STEP 3: AMOUNT OF TITLE IV AID EARNED BY THE STUDENT

The amount of Title IV aid earned by the student is determined by multiplying the percentage of Title IV aid earned (Box H on the worksheet) by the total of Title IV program aid disbursed plus the Title IV aid that could have been disbursed to the student or on the student's behalf (Box G. on the worksheet).

### Amount of Title IV aid earned by the student

34 CFR 668.22(e)(1)

## STEP 4: TOTAL TITLE IV AID TO BE DISBURSED OR RETURNED

If the student receives less Federal Student Aid than the amount earned, the school must offer a disbursement of the earned aid that was not received. This is called a Post-withdrawal disbursement. If the student receives more Federal Student Aid than the amount earned, the school, the student, or both, must return the unearned funds in a specified order.

### Title IV aid to be disbursed or returned

34 CFR 668.22(a)(2) or (3)

### Part 1 – Post-withdrawal disbursements

If a Post-withdrawal disbursement is due, a school stops at Step 4, Box J on the worksheet. A school may use the *Post-Withdrawal Disbursement Tracking Sheet* to track the handling of the Post-withdrawal disbursement, or it may use a form developed by someone other than ED. A school must maintain written records of its Post-withdrawal disbursements.

### Post-withdrawal disbursements

34 CFR 668.22(a)(3) & (4)

The requirements for a Post-withdrawal disbursement are similar in many areas to the requirements under Subpart K – Cash Management of the Student Assistance General Provisions regulations. However, in some cases, the Post-withdrawal disbursement requirements differ from the cash management requirements.

Any Post-withdrawal disbursement due must meet the current required conditions for late disbursements. For example, ED must have processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) prior to the student's loss of eligibility. These conditions are listed in a chart on Late Disbursements in *Volume 4 – Processing Aid and Managing Federal Student Aid Funds*. **A school is required to make (or offer as appropriate) Post-withdrawal disbursements.** A Post-withdrawal disbursement must be made within 180 days of the date the institution determines that the student withdrew. The amount of a Post-withdrawal disbursement is determined by following the requirements for calculating earned Title IV Aid, and has no relationship to incurred educational costs.

### Return calculation required

For a student who withdraws after the 60% point-in-time, even though a return is not required, a school may have to complete a Return calculation in order to determine whether the student is eligible for a Post-withdrawal disbursement.

**Reminder**

**Disburse grant before loan**

34 CFR 668.22(5)(i)

**Disburse grant before loan example**

If a student is due a Post-withdrawal disbursement of \$500, and the student has received \$400 of \$1,000 in Federal Pell Grant funds that could have been disbursed, and \$1,200 of the \$2,000 in Federal Stafford Loan funds that could have been disbursed, the available undisbursed funds are \$600 in Federal Pell Grant funds, and \$800 in Federal Stafford loan funds.

Any portion of the \$500 Post-withdrawal disbursement that the school makes must be from the \$600 in available Federal Pell Grant funds.

**Disburse grant before loan**

A Post-withdrawal disbursement, whether credited to the student's account or disbursed to the student or parent directly, must be made from available grant funds before available loan funds. Available grant or loan funds refers to Title IV program assistance that could have been disbursed to the student but was not disbursed as of the date of the institution's determination that the student withdrew.

The regulations do not address how a school should ensure that Title IV funds are disbursed to the proper individual. However, a school may not require a student who has withdrawn from a school (or a parent of such a student, for PLUS loan funds) to pick up a Post-withdrawal disbursement in person. Because the student is no longer attending the school, he or she may have moved out of the area and may be unable to return to the school to pick up a Post-withdrawal disbursement.

**Summary of actions a school must take before making a Post-withdrawal disbursement**

The actions a school must take before it may disburse funds from a Post-withdrawal disbursement vary depending on the source of the funds.

**A school must obtain confirmation from a student, or parent for a parent PLUS loan, before making any disbursement of loan funds from a Post-withdrawal disbursement.**

Without obtaining a student's permission, Title IV grant funds from a Post-withdrawal disbursement are credited to a student's account to pay for tuition, fees, and room and board (if the student contracts with the school) or disbursed directly to a student. An institution must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges.

**Post-withdrawal disbursement of Title IV grant funds**

A school is permitted to credit a student's account with the Post-withdrawal disbursement of Title IV grant funds without the student's permission for current charges for tuition, fees, and room and board (if the student contracts with the school) up to the amount of outstanding charges. A school must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges.

A school is permitted to use a student's or parent's authorization for crediting the student's account for educationally related expenses that the school obtained prior to the student's withdrawal date so long as that authorization meets the cash management requirements for student or

parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges or for educationally related activities. (See *Volume 4 – Processing Aid and Managing Federal Student Aid Funds* for more information on student and parent authorizations.)

A school must credit the student's account with the postwithdrawal disbursement for current charges within 180 days of the date of determination.

A school must disburse any amount of a Post-withdrawal disbursement of grant funds that is not credited to the student's account. Moreover, the school must make the disbursement as soon as possible, but **no later than 45 days after the date of the school's determination that the student withdrew.**

### Post-withdrawal disbursement of Title IV Loan funds

A school must notify a student, or parent for a parent PLUS loan, in writing prior to making any Post-withdrawal disbursement of loan funds, whether those loan funds are to be credited to the student's account or disbursed directly to the student (or parent). The information provided in this notification must include the information necessary for the student, or parent for a parent PLUS loan, to make an informed decision as to whether the student or parent would like to accept any disbursement of loan funds and must be provided within 30 days of the date of a school's determination that a student has withdrawn. In addition, the notice must request confirmation of any Post-withdrawal disbursement that the student or parent, as applicable, wishes the school to make.

The notice must identify the type and amount of the loan funds it wishes to credit to the student's account or disburse directly to the student or parent, explain that a student, or parent for a parent PLUS loan, may accept or decline all or a portion of the funds. The notice must also explain to the student, or parent for a parent PLUS loan, the obligation to repay the loan funds whether they are disbursed to the student's account or directly to the borrower.

The notice must also make clear that a student, or parent for a parent PLUS loan, may not receive as a direct disbursement loan funds that the institution wishes to credit to the student's account unless the institution agrees to do so. If the student, or parent for a parent PLUS loan, does not wish to accept some or all of the loan funds that the institution wishes to credit to the student's account, the institution must not disburse those funds.

### Timeframe for Post-withdrawal disbursement of grant funds

34 CFR 668.22(a)(5)(ii)(B)(1)

### Timeframe for notification of eligibility for Post-withdrawal disbursement of loan funds

34 CFR 668.22(a)(5)(iii)(A)

### School activity between performing a Return calculation and making a PWD

An institution **may not delay its disbursement processes** in order to ascertain whether a student wishes to receive the grant funds the student is entitled to. However, while the institution is processing the disbursement or notifying the student about his or her eligibility for a Post-withdrawal disbursement of loan funds the school may, at its discretion, notify the student that it may be beneficial to turn down all or a portion of the grant funds to preserve his or her grant eligibility for attendance at another institution.

Of course, if a student should independently contact the institution and state that he or she does not wish to receive a grant disbursement, the institution is not required to make the disbursement.

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**Cash management requirements  
for student and parent  
authorizations**

34 CFR 668.165(b)

In the information a school provides to a student when the school informs the student that he or she is due a Post-withdrawal disbursement of loan funds, the school should include information about the advantages of keeping loan debt to a minimum. If a Post-withdrawal disbursement includes loan proceeds, unless the recipient needs the funds to pay educational costs, the school might want to suggest that the student cancel the loan. With a student's permission, Title IV grant funds due a student in a Post-withdrawal disbursement can be used to pay down a Title IV loan thereby reducing any Post-withdrawal disbursement made directly to the student.

The school must document the result of the notification process and the final determination made concerning the disbursement, and maintain that documentation in the student's file.

If a school has completed Post-withdrawal loan notification (described previously) and confirmed a student's desire for any loan funds included in the Post-withdrawal disbursement, the school is permitted to credit a student's account with the Post-withdrawal disbursement without additional permission from the student (or parent, in the case of a PLUS loan) for current charges as described above.

A school may combine providing loan counseling, obtaining authorization to credit loan funds to a student's account for outstanding charges, and authorization to make a direct disbursement to the student.

Once a school has received confirmation from a student, or parent in case of a PLUS loan, that he or she wants to receive the Post-withdrawal disbursement of loan funds, a school must make the Post-withdrawal disbursement of Title IV loan proceeds as soon as possible, but no later than 180 days after the date of the school's determination that the student withdrew.

***Separate authorization required for educationally related expenses***

A school is permitted to use a student's or parent's authorization for crediting the student's account for educationally related expenses that the school obtained prior to the student's withdrawal date so long as that authorization meets the cash management requirements for student or parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before the school could credit the student's account for other current charges for educationally related activities. (See *Volume 4 – Processing Aid and Managing Federal Student Aid Funds* for more information on student and parent authorizations.)

### *Crediting a student's account*

An institution should not request Title IV funds for a Post-withdrawal disbursement unless and until it has determined that it can disburse any Post-withdrawal disbursement within three business days of receiving the funds.

The requirements for the treatment of Title IV funds when a student withdraws reflect the cash management requirements for disbursing Title IV funds. An institution must obtain a student's authorization to credit a student's account with Title IV funds for charges other than current charges for tuition, fees, room and board (if the student contracts with the school) (see *Volume 4 – Processing Aid and Managing Federal Student Aid Funds* and chart on “Institutional and Financial Assistance Information for Students” in *Volume 2 – School Eligibility and Operations* for more information).

Outstanding charges on a student's account are charges for which the institution will hold the student liable after the application of any applicable refund policy. These are the institutional charges, after any adjustment, that reflect what the student will owe for the current term after his or her withdrawal, any other current charges, plus any permitted minor prior year charges.

A school may credit a student's account for **minor prior award year charges** in accordance with the cash management requirements (see *Volume 4 – Processing Aid and Managing Federal Student Aid Funds*). Schools should make every effort to explain to a student that all or a portion of his or her Post-withdrawal disbursement has been used to satisfy any charges from prior award years.

#### **Outstanding charges example**

Consider a student who is due a Post-withdrawal disbursement of \$800. The institutional charges that the student was originally assessed by the institution totaled \$2,300. However, under the institution's refund policy, the institution may only keep \$600 of those institutional charges. No funds had been paid toward the institutional charges at the time the student withdrew. In addition, the student owes \$150 for a bus pass. The outstanding charges on the student's account that would be entered in Box 2 of the Post-Withdrawal Disbursement Tracking Sheet are \$750 (the \$600 in institutional charges plus the \$150 owed for the bus pass).

A portion of the \$800 the institution must disburse under the Post-withdrawal disbursement provisions may (with authorization if they are loan funds) be used to satisfy the outstanding balance. If the student has provided written authorization to credit Title IV funds to his account and use them for non-educational charges, the school may credit \$750 to institutional charges and offer \$50 to the student. If the student has not provided (and does not provide) written authorization to use the funds for non-educational charges, the school may only credit \$600 to institutional charges, and must offer \$200 to the student.

## Notice to a student offering a Post-withdrawal disbursement

### Flexibility in notifying students

In order to avoid having to contact a student a multiple times, a school may use one contact to –

- notify a borrower about his or her loan repayment obligations;
- obtain permission to credit loan funds to a student's account to cover unpaid institutional charges;
- obtain permission to make a Post-withdrawal disbursement of grant or loan funds for other than institutional charges; and
- obtain permission to make a Post-withdrawal disbursement of loan funds directly to a student.

A school must send the notification as soon as possible, but **no later than 30 calendar days after the date that the school determines the student withdrew.**

In the notification, the school must advise the student or parent an institution may set a deadline of 14 days or more. Any deadline must apply to both confirmation of loan disbursements to the student's account and direct disbursements of a Post-withdrawal disbursement. The notification must make it clear that if the student or parent does not respond to the notification within the timeframe, the school is not required to make the Post-withdrawal disbursement. However, a school may choose to make a Post-withdrawal disbursement based on an acceptance received from a student or parent received after school's deadline.

A school that chooses to honor a late response must disburse all the funds accepted by the student or parent as applicable. The school cannot credit the student's account in accordance with the student's request, but decline to disburse Post-withdrawal funds accepted as a direct disbursement. If a response is not received from the student or parent within the permitted timeframe, or the student declines the funds, the school would return any earned funds that the school was holding to the Title IV programs.

Effective July 1, 2007 or earlier as permitted the current prior year charges are increased from \$100 to \$200. However, the provision that permitted the payment of prior year charges that exceeded the maximum threshold as long as there were funds sufficient to pay the current period has been dropped.

### Student's Response to an Offer of a PWD

A student's or parent's response to an offer of a direct disbursement of Title IV loan funds from Post-withdrawal disbursement does not have to be in writing. However, a school must document the response.

### Deadline for responding to an offer of a Post-withdrawal disbursement of loan funds

34 CFR 668.22(a)(5)(ii)(A)(5)

If a student or parent submits a timely response accepting all or a portion of a Post-withdrawal disbursement, per the student's or parent's instructions, the school must disburse the loan funds within 180 days of the date of the institution's determination that the student withdrew. (For additional information, see the discussion under *Date of the institution's determination that the student withdrew* earlier in this chapter.) Note that the date of the institution's determination that the student withdrew is the same date that triggers the 30-day period that the school has for notifying the student or parent of any Post-withdrawal disbursement available for direct disbursement. Consequently, the sooner a school sends the notification to a student or parent, the more time the school has to make any accepted Post-withdrawal disbursement.

If authorization from a student (or parent for a PLUS loan) is received after the deadline and the school chooses not to make a Post-withdrawal disbursement of loan funds, the school must notify the student (or parent) that the Post-withdrawal disbursement will not be made and why. This notification must be made in writing. If an authorization from the student (or parent for a PLUS loan) is never received, or if the school chooses to make a Post-withdrawal disbursement of loan funds per the recipient's instructions on an authorization received after the deadline, the school does not need to notify the student.

### Example of the Post-withdrawal Disbursement Requirements

Michael drops out of school on November 5. On November 10, the school becomes aware that Michael has ceased attending. The school determines that because Michael has earned \$900 in Title IV Program assistance that he has not received, he is due a Post-withdrawal disbursement of \$900. When Michael withdrew, only \$600 of the \$1,000 in Federal Pell Grant funds that could have been disbursed had been disbursed. Of the \$500 in Federal Stafford Loan funds that could have been disbursed, none had been disbursed. The school determines that Michael has \$50 in outstanding tuition charges and \$100 in outstanding parking fines for the payment period. The school obtained permission from Michael at the beginning of the term (prior to his withdrawal) to credit his account for educationally related charges other than tuition, fees, and room and board. Because available grant funds must be used before available loan funds to make a Post-withdrawal disbursement, the school credits Michael's account with \$150 of Michael's Federal Pell Grant funds. On November 12, (the last date school could have sent the funds was December 24th – 45 days after the date of the school's determination that the student withdrew) the school sends the remaining \$250 in Pell Grant funds to Michael. On the same day (the last date the school could have sent the notification was December 9th – 30 days after the school's determination that the student withdrew) the school sends a notification to Michael stating that:

1. He is due a Post-withdrawal disbursement of \$500 in Federal Stafford Loan funds to be disbursed directly to him.
2. Michael may accept all, a portion, or none of the \$500 in Federal Stafford Loan funds.
3. Any loan funds that Michael accepts will have to be repaid.
4. The school is obligated to make a Post-withdrawal disbursement of loan funds only if Michael accepts the funds by November 25, 14 days after the school sent the notification. Note that a school may allow more than 14 days for a response.

Michael's responds on November 19 and informs the school that he is accepting \$250 of the \$500 in Federal Stafford Loan Funds. The school has until June 9 (180 days after November 10 – the date the school determined that the student withdrew) to make the disbursement (34 CFR 668.22(a)(5)(iii)(C)). The school must document the notification and the final determination pursuant to it (whether the student accepts a partial- or full-disbursement or declines the entire disbursement (34 CFR 668.22(a)(5)(iv)).

## Death of a student

A school may not make a Post-withdrawal disbursement of Title IV funds to the account or estate of a student who has died.

If an institution is informed that a student has died during a period, it must perform a Return calculation. If the Return calculation indicates that an institution is required to return Title IV funds, the institution must return the Title IV funds for which it is responsible.

The student's estate is not required to return any Title IV funds. Therefore, an institution should neither report a grant overpayment for a deceased student to NSLDS, nor refer a grant overpayment for a deceased student to Borrower Services. If an institution had previously reported a grant overpayment for a student who is deceased to Borrower Services, it should inform Borrower Services that it has received notification that the student is deceased.

The regulations governing the FFEL, Direct, and Federal Perkins loan programs provide for a discharge of a borrower's obligation to repay an FFEL, Federal Direct, or Federal Perkins loan if the borrower dies (including a PLUS loan borrower's obligation to repay an FFEL or Direct PLUS loan if the student on whose behalf the parent borrowed dies). If a school is aware that a student who has died has any outstanding Title IV loan debt, the school should contact the student's estate and inform it of the actions it can take to have the student's Title IV loan debt cancelled.

If a Title IV credit balance created from **funds disbursed before the death of the student** exists after the completion of the Return calculation and the institutional refund calculations, the institution must resolve the Title IV credit balance as follows:

1. in accordance with the cash management regulations, paying authorized charges at the institution (including previously paid charges that are now unpaid due to the Return of Title IV funds by the institution);
2. returning any Title IV grant overpayments owed by the student for **previous withdrawals** from the present school (the institution may deposit the funds in its Federal Funds Account and make the appropriate entry in G5);

If the institution has previously referred the grant overpayment to Borrower Services, the institution should provide Borrower Services with documentation that the student has died so that Borrower Services can delete the overpayment from its records.

3. returning any remaining credit balance to the Title IV programs.

**Title IV aid to be returned**

34 CFR 668.22(a)(2)

**Step 5: Amount of unearned Title IV aid due from the school**

34 CFR 668.22(g)

**Disbursement Prohibited**

A school may not disburse the proceeds of a Title IV loan when it knows that the repayment of the loan will devolve or pass to the Department. Therefore, a school may not disburse the proceeds of a PLUS loan taken out by a parent who has died, even though the student for whose benefit the loan was intended remains alive and otherwise eligible.

If a school receives the proceeds of a PLUS loan made to a parent who has died, it must return the funds to the lender together with a letter explaining the reason it is returning the funds.

**A school's policy and the Return requirements**

Title IV funds are provided under the assumption that they are used to pay institutional charges ahead of all other aid.

**Part 2 – Title IV aid to be returned**

If the student receives more Federal Student Aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order. The amount of Federal Student Aid to be returned is determined by subtracting the amount of earned Title IV aid (Box I) from the amount of Title IV aid that was actually disbursed to the student, Box E.).

**Step 5: Amount of unearned Title IV aid due from the school**

When a Return of Title IV funds is due, the school and the student may both have a responsibility for returning funds. Funds that are not the responsibility of the school to return, must be returned by the student. Although these requirements talk in terms of returning funds, a school is not required to actually return its share before the student. Rather, it is the Return calculation of the amount of assistance the school is responsible for returning to the Title IV accounts that must be calculated first. Thus, the student's repayment obligation is determined after the school's share is calculated.

The school must return the lesser of –

- the amount of Title IV funds that the student does not earn; or
- the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned.

The percentage **not** earned (Box M) is determined by subtracting the percentage of Title IV aid earned (Box H) from 100%.

**Aid disbursed to the student before institutional charges are paid**

Consider a case in which, in order to assist a student with living expenses, a school elects to disburse an anticipated credit balance to a student rather than pay itself for institutional charges from the first Title IV funds the school receives. Then, the student withdraws before the school receives anticipated aid from all the Title IV programs. The Return calculations indicate the school must return funds, but the school had passed through all funds to the student. **The school still must return the funds it is responsible for returning as a result of the Return calculation.**

## Institutional charges

Institutional charges are used to determine the portion of unearned Federal Student Aid that the school is responsible for returning. Schools must ensure the inclusion of all appropriate fees as well as applicable charges for books, supplies, materials, and equipment in Step 5, Part L of the Return calculation. (See *Institutional versus noninstitutional charges* earlier in this chapter.) Institutional charges do not affect the amount of Federal Student Aid that a student earns when he or she withdraws.

If an institution enters into a contract with a third party to provide institutional housing, the institution must include the cost of housing as an institutional charge in a Return calculation if a student living in the third-party housing withdraws.

### Use of institutional charges in determining the school's responsibility for return

The institutional charges used in the calculation are always the charges that were assessed the student for the entire payment period or period of enrollment, as applicable, prior to the student's withdrawal. Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (e.g., for dropping or adding a class or changing enrollment status). If after a student withdraws the institution changes the amount of institutional charges it assessed a student, or decides to eliminate all institutional charges, those changes affect neither the charges nor aid earned in the calculation. (Please see *Step 3 — Amount of Title IV Aid Earned by the Student*, for a further discussion of aid earned and institutional charges.)

**Institutional charges may not be reduced even if other sources of aid are used to pay those charges.** For example, a school may not reduce institutional charges when an outside agency supplying aid requires that aid to be used for tuition. The Return regulations presume Title IV program funds are used to pay institutional charges ahead of all other sources of aid.

When an institution that offers courses in a nonterm, credit-hour format calculates the aid for which the student is eligible, it does so using costs associated with the number of courses it expects the student to complete in the period for which aid is awarded. If the student later withdraws, **the charges entered in Step 5 of the Return calculation must include the charges for all the courses the student was initially expected to complete.**

### Institutional charges

34 CFR 668.22(g)(1)(ii)  
34 CFR 668.22(g)(2)  
DCL-GEN-00-24

### Determining charges

34 CFR 668.22(a),  
34 CFR 668.22(g)(2)(ii), and  
DCL-GEN-00-24

### Treatment of Work-Study funds

Federal Work-Study funds are not included in the calculation of earned Title IV funds when a student withdraws. This remains the case even if a student has granted permission for a percentage of the student's Federal Work-Study earnings to be credited to his or her account to pay educational charges.

### Fees as noninstitutional charges

Application fees are excluded from institutional charges because they are not an educational cost. (Federal Register, Vol. 59, No. 82, April 29, 1994, page 22356).

### Effect of other assistance

*Federal Register*/Volume 64, No. 210,  
11/1/99, page 59032

### Administrative fees

The \$100 or 5% administrative fee (whichever is less) that was excludable under the former Refund and Repayment regulations is not excluded in Return of Title IV Funds calculations.

### Effects of a Post-withdrawal reduction in charges

If a student withdraws and as a result of applying an institutional refund policy the school reverses, reduces, or cancels a student's charges, the Return requirements still apply. The statute mandates that an otherwise eligible student who begins attendance at a school and is disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal earns a portion of those Title IV funds. If as a result of the withdrawal, an institution adjusts or eliminates a student's institutional charges, or changes a student's enrollment status, the changes made by the institution have no bearing on the applicability of the requirements in 34 CFR 668.22. Moreover, the charges used in the Return calculation are always the charges on the student's account prior to withdrawal. However, if a student's enrollment status changed prior to and unrelated to the withdrawal, the effect of that change on institutional charges appropriately should be reflected in any Return calculation.

#### Prorated charges example

Institutional charges are \$8,000 for a nonterm-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of Title IV funds on a payment period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is \$4,000. However, because of the \$1,000 in fees charged at the beginning of the period, the school has retained \$5,000 of the Title IV funds for institutional charges for the payment period. Therefore, the institutional charges for the payment period are \$5,000 — the greater of the two elements from the proration calculation.

#### When to prorate charges

As stated previously, for students who withdraw from a nonterm-based educational program, the school has the choice of performing the Return calculation on either a payment period basis or a period of enrollment basis. If a school with a nonterm program chooses to base the Return calculation on a payment period, but the school charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. In this situation, the student's institutional charges for the payment period are the prorated amount of institutional charges for the longer period. However, if a school has retained Title IV funds in excess of the institutional charges prorated amount, including allocating costs for equipment and supplies to the beginning of the program, the funds retained by the school are attributed to that payment period because they are a better measure of the student's institutional charges for that period.

## Reminder

#### Waiver Example

An institution charges state residents \$900 per semester. Out-of-state students are charged an additional \$2,000 for a total of \$2,900. However, the institution grants waivers of the out-of-state charges to out-of-state athletes. The waiver is considered a payment to those charges and the full \$2,900 would need to be included in any Return calculation.

#### Effects of waivers on institutional charges

If your school treats a waiver as a payment of tuition and fees that have actually been charged to a student, then the waiver is considered a financial aid resource, and the full amount of the tuition and fees must be included in Step 5, Part L of the Return calculation. On the other hand, if the student is never assessed the full charges, the waiver is not considered to be financial aid, and only the actual charges would be included in the Return calculation. (See DCL GEN 00-24, January 2000 for a further discussion of waivers and the Return calculation.)

## STEP 6: RETURN OF FUNDS BY THE SCHOOL

### *Order of return of Title IV funds*

A school must return Title IV funds to the programs from which the student received aid during the payment period or period of enrollment as applicable, in the following order, up to the net amount disbursed from each source:

1. Unsubsidized Federal Stafford loans.
2. Subsidized Federal Stafford loans.
3. Unsubsidized Direct Stafford loans (other than PLUS loans).
4. Subsidized Direct Stafford loans.
5. Federal Perkins loans.
6. Federal PLUS loans.
7. Direct PLUS loans.
8. Federal Pell Grants for which a return of funds is required.
9. Academic Competitiveness Grants for which a return of funds is required.
10. National Smart Grants for which a return of funds is required.
11. Federal Supplemental Educational Opportunity Grants (FSEOG) for which a return of funds is required.
12. Federal Teach Grants for which a Return is required.
13. Iraq Afghanistan Service Grant for which a return is required.

### *Timeframe for the return of Title IV funds*

A school must return unearned funds for which it is responsible as soon as possible, but no later than 45 days from the determination of a student's withdrawal.

A school will be considered to have returned funds timely if the school does one of the following as soon as possible, but no later than 45 days after the date it determines that the student withdrew:

- deposits or transfers the funds into the school's federal funds bank account;
- initiates an electronic funds transfer (EFT) to an account belonging to the student;
- initiates an electronic transaction that informs the FFEL or ED, in the case of a Direct Loan, to adjust the borrower's loan account for the amount returned; or
- issues a check.

### **Order of return of Title IV funds**

34 CFR 668.22(i)

### **Timeframe for return of Title IV funds**

34 CFR 668.22(j)(1)

#### **If a school has not drawn federal funds**

If a school has not drawn down federal funds or has made disbursements that exceed the amount the school has drawn the school does not need to be deposit funds in its federal account. Of course, the school's accounting records must show that institutional funds were used to credit the student's account.

#### **Return of Title IV funds when a school does not maintain a separate federal bank account**

The Department considers a school that maintains Title IV funds and general operating funds in the same bank account (commingles) to satisfy the requirement that it return unearned funds on a timely basis if:

- the school maintains subsidiary ledgers for each type of funds commingled in that account that clearly show how and when those funds were used and reconciled to its general ledger,
- the subsidiary ledger for each Title IV program provides a detailed audit trail on a student-by-student basis that reconciles to the amount of Title IV program funds received and disbursed by the school, and
- the school updates the relevant subsidiary ledger accounts in its general ledger no later than 30 days after it determines that the student withdrew.

More specifically, the return of an unearned funds transaction should be recorded as a debit to a Title IV program fund subsidiary ledger account and a credit to the school's operating fund subsidiary ledger account. The date of the return is the date this transaction is posted to the school's general ledger.

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**Simultaneous notification of student**

34 CFR 682.607(a)(2)

**Reminder**

The school is considered to have issued a check timely if the institution's records show that the check was issued no more than 45 days after the date the school determined that the student withdrew, and the date on the cancelled check shows that the bank endorsed that check no more than 60 days after the date the school determined that the student withdrew.

If as a result of a Return calculation a school returns Stafford funds to a lender, the school must notify the student that the funds have been returned on his or her behalf.

### **STEP 7: INITIAL AMOUNT OF UNEARNED TITLE IV AID DUE FROM THE STUDENT**

The statute specifies that a student is responsible for all unearned Title IV program assistance that the school is not required to return. The initial amount of unearned Federal Student Aid due from the student (or parent, for PLUS loan funds) (Box Q) is determined by subtracting the amount returned by the school (Box O) from the total amount of unearned Title IV funds to be returned (Box K.). This is called the initial amount due from the student because a student does not have to return the full amount of any grant repayment due. Therefore, the student may not have to return the full initial amount due.

### **STEP 8: REPAYMENT OF STUDENT LOANS**

The student loans that remain outstanding (Box R) consist of the loans disbursed to the student (Box B.) minus any loans the school repaid in STEP 6, Block P. These outstanding loans are repaid by the student according to the terms of the student's promissory notes.

### **STEP 9: GRANT FUNDS TO BE RETURNED BY A STUDENT**

For withdrawals occurring on or after July 1, 2006, the regulations limit the amount a student must repay to the amount by which the original overpayment amount exceeds 50 percent of the total grant funds **disbursed or could have been disbursed** by the student for the payment period or period of enrollment.

The initial amount of unearned Title IV grant aid due from the student (Box S.) is found by subtracting the loans to be repaid by the student (Box R) from the initial amount of unearned aid due from the student (Box Q).

The amount of grant overpayment due from a student is limited to the amount by which the original grant overpayment (Box S.) exceeds half of the total Title IV grant funds disbursed and could have been disbursed to the student (Box F).

### **Student overpayments of \$50 or less**

A student does not have to repay an **original** grant overpayment of \$50 or less for grant overpayments resulting from the student's withdrawal. As a result, an **original** grant overpayment of \$50 or less will not make the student ineligible to receive Title IV, HEA program assistance should the student return to school. A school is not required to attempt recovery of that overpayment, report it to the Department's National Student Loan Data System (NSLDS), or refer it to Federal Student Aid's Debt Resolution Services.

Amounts of \$50 or less are considered *de minimus*. These *de minimus* amounts are program specific. That is, if a Return calculation resulted in a student having to return \$150 in Pell funds and \$40 in FSEOG funds, the student would have to return the Pell funds, but the FSEOG funds would be considered *de minimis* and treated as described above.

## **STEP 10: RETURN OF GRANT FUNDS BY THE STUDENT**

The student is obligated to return any Title IV overpayment in the same order that is required for schools.

Grant overpayments may be resolved through –

1. full and immediate repayment to the institution;
2. repayment arrangements satisfactory to the school; or
3. overpayment collection procedures negotiated with Borrower Services.

*A school has responsibilities that continue beyond completing the Return calculation and returning the funds for which it is responsible. Here we discuss the institution's participation in the return of funds by the student.*

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### **Initial amount due from student**

34 CFR 668.22(h)

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### **Return of funds by the student**

34 CFR 668.22(h)(3)(i) and (ii)

## A SCHOOL'S RESPONSIBILITIES IN THE RETURN OF FUNDS BY THE STUDENT

### Grant Overpayments

#### Grant overpayments

34 CFR 668.22(h)(4)

The applicable regulations limit the amount of grant funds a student must repay to one-half of the grant funds the student received or could have received during the applicable period. Moreover, repayment terms for students who owe Title IV grant overpayments were established to ensure that students who could not immediately repay their debt in full had the opportunity to continue their eligibility for Title IV funds. Students who owe overpayments as a result of withdrawals initially will retain their eligibility for Title IV funds for a maximum of 45 days from the earlier of the –

- date the school sends the student notice of the overpayment, or
- date the school was required to notify the student of the overpayment.

Within 30 days of determining that a student who withdrew must repay all or part of a Title IV grant, a school must notify the student that he or she must repay the overpayment or make satisfactory arrangements to repay it. In its notification a school must inform the student that:

1. The student owes an overpayment of Title IV funds.
2. The student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date the school sent or was required to send notification to the student.
3. There are three positive actions a student can take to extend his or her eligibility for Title IV funds beyond 45 days:
  - a. The student may repay the overpayment in full to the school.
  - b. The student may sign a repayment agreement with the school.

**Note:** Two years is the maximum time a school may allow for repayment.

- c. The student may sign a repayment agreement with the Department.

If the student takes no positive action during the 45-day period, the school should report the overpayment to NSLDS immediately after the 45-day period has elapsed. (Because making this change in the NSLDS system is a simple process, we expect an institution will complete making the change within a few days of the end of the 45-day period.)

**Reminder**

4. If the student fails to take one of the positive actions during the 45-day period, the student's overpayment immediately must be reported to the NSLDS and referred to the Debt Resolution Services for collection.
5. The student should contact the school to discuss his or her options.

### ***When a student receives additional funds during the 45-day period of extended eligibility***

Students who owe overpayments as a result of withdrawals generally will retain their eligibility for Title IV funds for a maximum of 45 days from the earlier of (a) the date the school sends the student notice of the overpayment, or (b) the date the school was required to notify the student of the overpayment.

A student who receives Title IV funds within that period of extended eligibility and then fails to return the overpayment or make repayment arrangements becomes ineligible for additional Title IV program funds on the day following the 45-day period. However, any Title IV program funds received by the student during the 45-day period were received while the student was eligible. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who loses his or her eligibility for Title IV funds at the expiration of the 45-day period will remain ineligible for additional Title IV funds until the student enters into a repayment agreement with the Department.

**If at any time a student who previously negotiated a repayment arrangement fails to comply with the terms of his or her agreement to repay, that student immediately becomes ineligible for additional Title IV funds.** Any Title IV program funds received by the student between the time the student negotiated the repayment arrangement and the time the student violated the agreement were received while the student was eligible. Therefore, those Title IV funds do not have to be returned (unless the student withdraws a second time). A student who violates the terms of a repayment agreement and loses eligibility remains ineligible for Title IV funds until the student has made satisfactory repayment arrangements with the Department.

If, in either of the two aforementioned cases, the student withdraws a second time, any unearned funds from the disbursements that were made while the student was still eligible would have to be returned in accordance with the Return requirements.

#### **45-Day period example**

On October 30th during the fall semester a student withdraws and owes a grant overpayment. On November 29th the institution notifies the student of the overpayment. The student has 45 days (until January 13) to repay the overpayment in full or to make arrangements with the institution or the Department to repay the overpayment.

The spring semester begins on January 7, before the 45-day period ends, and the student receives Title IV aid for the spring semester on January 10. The student then fails to repay the overpayment in full or sign a repayment agreement by the end of the 45-day period – January 13. The student is not required to return the Title IV funds received on January 10. However, the student becomes ineligible for additional Title IV funds on January 14 and remains ineligible until he or she enters into a repayment agreement with the Department.

**Reminder**

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**Student overpayments less than \$50**

34 CFR 668.22(h)(3)(ii)---

**Student overpayments of \$50 or less**

A student does not have to repay a grant overpayment of \$50 or less for grant overpayments resulting from the student's withdrawal. As a result, a grant overpayment of \$50 or less will not make the student ineligible to receive Title IV, HEA program assistance should the student return to school. A school is not required to attempt recovery of that overpayment, report it to the Department's National Student Loan Data System (NSLDS), or refer it to Debt Resolution Services

These *de minimus* amounts are program specific. That is, if a Return calculation resulted in a student having to return \$150 in Pell funds and \$40 in FSEOG funds, the student would have to return the Pell funds, but the FSEOG funds would be considered *de minimis* and treated as described above.

**Reminder**

If a school is currently holding an overpayment resulting from a withdrawal for which the **original amount** (after the grant protection was applied) was less than \$50, the school should delete the overpayment in NSLDS by following these steps:

1. from the Overpayment History Page, select the overpayment to be deleted by clicking on the blue number icon;
2. on the Overpayment Display page, verify that this is the overpayment you want to delete, and then click the Delete button;
3. on the Overpayments Delete Confirmation page, click the Confirm Button.

This new standard does not apply to remaining grant overpayment balances. That is, a student must repay a grant overpayment that has been reduced to \$50 or less because of payments made. An overpayment for which the original amount was more than \$50 that has a current balance of less than \$50 may not be written off.

Note: Debt Resolution Services will not accept referrals for which the original amount was less than \$25.

**Reminder**

This provision does not apply to funds that a school is required to return. A school must return the full amount owed to any Title IV program that the school is responsible for returning. However, a school does not have to return amounts of less than \$1.00.

### **Examples of the relationship between the date of notification and the expiration of the 45-day period**

#### **Example 1 – A school sends notification to a student within the 30 days allowed.**

If a school sends notification to a student within the 30 days allowed, the 45-day period begins on the day after the school sends the notification to the student. If a school determines on August 20 that a student withdrew and owes a repayment and the school sends notification to the student on September 1 (within the 30 days allowed), then the first day of the 45-day period is September 2. Unless the student takes positive action to resolve the overpayment before the end of the 45-day period, the student loses his or her eligibility on the 45th day. Thus, in this case the last day of the student's eligibility for Title IV funds is October 16.

#### **Example 2 – A school fails to notify the student or notifies the student after the 30 days allowed.**

If the school fails to notify the student or notifies the student after the 30 days allowed, the 45-day period begins on the day after the end of the 30-day period (the date by which the school should have sent the notification to the student). Consider a school that determines on August 1 that a student withdrew on June 15. The school should have sent the student a letter by July 15. Because it failed to do so, the first day of the 45-day period is the day after the end of the 30-day period (July 16). Unless the student takes action to resolve the overpayment, the last day of the student's eligibility for Title IV funds is August 29, the end of the 45-day period that began on July 16.

**If a student agrees to a repayment arrangement and then fails to meet the terms of that arrangement, the student's eligibility ends as of the date the student fails to comply with the terms of the repayment arrangement.**

### ***Payments on a student's behalf***

The grant protection always applies to the repayment of grant funds for which the student is responsible, regardless of who actually returns the funds. If an institution chooses to return all or a portion of a grant overpayment that otherwise would be the responsibility of the student to return, the grant protection still applies. If an institution returns a grant overpayment for a student, the student would no longer be considered to have a Title IV grant overpayment and as such no reporting to NSLDS is required and no referral to Debt Resolution Services for collection is allowed. This would be true whether the institution simply returned the overpayment for the student or returned the overpayment and created a debit on the student's school account.

## Recording student payments and reductions in the Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, and TEACH Grant Programs

For reductions and payments to awards in award years after 2005-2006, schools should record reductions and payments by entering a replacement value.

If through its Return calculation a school determines that a student has received an overpayment of Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART Grant, or TEACH Grant funds, the school should reduce the student's award/disbursements and return the funds.

### Reminder

#### Returning funds to the Department

**Using the electronic refund function in G5 is the preferred method whenever a school must return Pell, IAS Grant, ACG, National SMART, or FSEOG funds.**

Only in exceptional circumstances (and **never for a current Pell, IAS Grant, ACG, National SMART, or FSEOG award**) should a school return funds from a Return calculation by sending a check instead of using the electronic refund function in G5.

Contact the G5 Hotline at:  
**888-336-8930**  
(M-F 8 a.m. to 6 p.m. ET) for assistance

If because of extraordinary circumstances you must send a check,

The G5 lockbox address for Pell, IAS Grant, ACG, National SMART, TEACH Grant and campus-based funds is:

**U.S. Department of Education  
P.O. Box 979053  
St. Louis, Missouri 63197-9000**

The school must note the student's name, SSN, the school's DUNS number, and the complete 11-digit Document/Program Award Number and award year on the check. A school must use a separate check for each award year.

First, reduce the student's award/disbursements by entering a replacement value in the COD system. The replacement value will be the original values less only the amount the school has returned (the sum of: (a) that amount the school is responsible for returning + (b) any portion of the grant overpayment, that otherwise would be the responsibility of the student, but which the school has chosen to return for the student + (c) any portion of the grant overpayment the school has collected from the student.). Do not reduce the award/disbursement by the amount the student must return (unless the student has made a payment).

If a school receives a payment for a current-year overpayment that has not been referred to Debt Resolution Services, the school should NOT send the payment to Debt Resolution Services. Instead, after you have reduced the student's disbursement in COD, return the unearned funds as follows:

- If your school has made repayment arrangements with a student and received a payment on a current-year overpayment, the school should deposit the funds in its Pell, Iraq Afghanistan Service Grant, ACG, National SMART, or TEACH Grant account and make the appropriate entry in the COD system.
- If a student makes a payment on any previous year's Pell Grant, Iraq Afghanistan Service Grant, ACG, National SMART, or TEACH Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

If through its Return calculation a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its *Federal Funds Account*, and award the funds to other needy students. If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the Electronic Refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

For information on handling student payments after you have referred an overpayment to Borrower Services, see the discussion under Accepting payments on referred overpayments later in this chapter.

### **Recording student payments and reductions in the Direct Loan Program**

If through its Return calculation a school determines that a student has received an overpayment of Direct Loan funds, the school should reduce the student's award/disbursements by making a downward adjustment in COD.

The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds/returns.

**Only in exceptional circumstances** should a school return funds by sending a check instead of using the electronic refund function in G5.

If a school has to return funds by check, **the school must** –

1. use a separate check for each award year;
2. make the check payable to the US Department of Education;
3. note the school's DUNS number, Direct Loan school code (or OPE ID), and award year on each check; and
4. include a completed Direct Loans Return of Cash form (available at the end of this chapter).

Note: A separate check and transmittal sheet must be used for each award year.

The address for returning Direct Loan funds by check is:

U.S. Department of Education  
 COD School Relations Center  
 Attention Refunds of Cash  
 P.O. Box 9001  
 Niagara Falls, New York 14302

## Important

### Reporting reductions

Schools can report current year adjustments for awards/disbursements either through their loan processing software or by using the COD Website at:

<https://cod.ed.gov>

If you are returning funds by check, together with your check for the funds you are returning, you must include, **on school letterhead**, the following information:

1. The borrower's name,
2. The borrower's social security number,
3. The loan's unique CommonLine ID,
4. The type of loan (subsidized, unsubsidized, PLUS, etc.),
5. The period for which the loan was certified,
6. The scheduled & actual date of the disbursement,
7. The amount of the disbursement,
8. The amount being returned for each student,
9. The reason the funds are being returned (cancellation, overpayment, withdrawal, or failed to begin class),
10. The school OPEID, and
11. The name and phone number of the school official returning the funds.
12. **You must also include a completed Direct Loan Refund of Cash form (available at the end of Chapter 2).**

## Notifying the Department

### NSLDS

DCL-GEN-98-14 July 1998

You must use the NSLDS FAP Website to report overpayments. To do so, your school must have Internet access, and your Primary Destination Point Administrator (DPA) must have signed up at least one user for Overpayment updates for NSLDS online services at <https://fsawebenroll.ed.gov>. (

DCL GEN-04-08 gives the most recent technical specifications.)

A school is never required to enter into a repayment agreement with a student; rather a school may refer an overpayment to the Department at any time **after** the student has had the opportunity to pay off the overpayment in full to the school or indicate his or her intent to negotiate repayment arrangements with Debt Resolution Services. However, if a school reports a student overpayment (for which a student has not negotiated repayment arrangements) to NSLDS before the 45-day period has elapsed, the student will appear to be ineligible for Title IV aid. Since students retain their eligibility for 45 days, schools should provide students with every opportunity to repay their debt or negotiate repayment arrangements before reporting it to NSLDS and referring it to Debt Resolution Services.

**Important:** Debt Resolution Services is unable to respond to a student-initiated request to negotiate a repayment arrangement until a school has referred the student's account for collection. In addition, Debt Resolution Services uses the information about the student in the NSLDS while conversing with a student.

In order to ensure a student overpayment has been reported and referred to ED, when the school is communicating with a student about making repayment arrangements with ED, the school should make it clear that **the student should contact the school before contacting the Department**. Repayment agreements with the Department will include terms that permit students to repay overpayments while maintaining their eligibility for Title IV funds. Schools are encouraged to negotiate similar repayment agreements with students. However, schools' repayment arrangements with students must provide for complete repayment of the overpayments **within two years of the date** of the institutions' determination that the students withdrew.

### Reporting overpayments to NSLDS

DCL GEN-98-14, July 1998

All new Perkins, Pell Grant, IAS Grant, ACG, National SMART Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which a data element has changed must be reported.

Perkins and other data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available at:

**[ifap.ed.gov/ifap/byYear.jsp?type=nslds materials&set=archive](http://ifap.ed.gov/ifap/byYear.jsp?type=nslds materials&set=archive)**

The email address for NSLDS Customer Service is:

**NSLDS@ed.gov**

The phone number for  
**SCHOOL USE ONLY**  
**800-999-8219**

There are exceptions to the recommendation that a school wait the full 45 days before reporting a student overpayment through NSLDS. If during the 45-day period a student indicates that he or she cannot repay his or her debt in full and wishes to negotiate a repayment agreement with the Department, the school should immediately report the overpayment to NSLDS and refer the overpayment to Debt Resolution Services. Likewise, if a student contacts a school that will not be offering institutional repayment agreements and indicates that he or she cannot pay the overpayment within the 45 days, the school should immediately report the overpayment to NSLDS and refer the overpayment to Debt Resolution Services. Debt Resolution Services will need time to receive and record an overpayment before it can respond to a student inquiry. Schools should advise students to wait at least 10 days before contacting Debt Resolution Services.

After a school has reported and referred a student's overpayment, the school should provide the student with the phone number and postal address for Borrower Services. A student can contact Debt Resolution Services by calling 800-621-3115 or by writing **Debt Resolution Services** at the following address:

U.S. Department of Education  
Debt Resolution Services  
P.O. Box 5609  
Greenville, Texas 75403

### ***Reporting and referring overpayments***

Referring overpayments for collection is a separate process from reporting overpayments to NSLDS. Reporting is the process of creating within NSLDS a record of a student's overpayment. Referring is the process of turning over a student's debt to Debt Resolution Services. Students who pay their debts in full during the 45-day period should neither be reported to NSLDS nor referred for collection.

A school reports overpayments to the NSLDS via the NSLDS Website. A school sends referrals to Debt Resolution Services through the U.S. Mail to the –

Student Loan Processing Center – Overpayments  
P.O. Box 4157  
Greenville, Texas 75403

If a student who owes a repayment of a Title IV grant calls Debt Resolution Services before Debt Resolution Services has received and recorded the student's overpayment, Debt Resolution Services will examine the student's record in the NSLDS. If a school has reported the overpayment to NSLDS correctly, Debt Resolution Services will inform the student that the overpayment is being processed and that the student should call back in ten days for further information. If a student calls Debt Resolution Services before a school has reported the student's overpayment to the NSLDS, Debt Resolution Services will find no record of the overpayment and will tell the student to contact the school to resolve the discrepancy.

A student who does not take positive action during the 45-day period becomes ineligible for Title IV funds on the 46th day from the earlier of (1) the date the school sends a notification to the student of the overpayment; or (2) the date the school was required to notify the student of the overpayment. The student will remain ineligible until the student enters into a satisfactory repayment agreement with the Department. An overpayment resulting from a student's withdrawal remains an overpayment until it is repaid in full. Though a student may regain Title IV eligibility by negotiating and satisfying the requirements of a satisfactory repayment arrangement, the information on the student's NSLDS account will continue to reflect the status of the overpayment until the debt is repaid in full.

If a school enters into a repayment arrangement with a student who owes an overpayment, the school should immediately report the repayment arrangement using the online NSLDS screens. The school should report the status (Indicator field) of an overpayment for which it has entered a repayment agreement as "SATISFACTORY ARRANGEMENT MADE." After the information is reported to the NSLDS, any future output from the CPS (SARs and ISIRs) will show that the student owes a repayment of a Title IV grant and that the student has negotiated a satisfactory repayment arrangement with the school.

As long as the student fulfills his or her commitment repayment under the repayment arrangement, the NSLDS overpayment status of "SATISFACTORY ARRANGEMENT MADE" will indicate that, though the student owes an overpayment, the student remains eligible for Title IV funds. **If at any time a student fails to comply with the terms of the student's agreement to repay, or if the student fails to complete repayment in the two years allowed, the school must immediately update the student's overpayment status (Indicator field) to "OVERPAYMENT."** From that point on the NSLDS will inform schools that the student is not eligible for Title IV funds.



**Reminder**

## Required referrals

A school must refer to the Department/Debt Resolution Services a student who:

1. does not satisfy the requirements of a repayment agreement with the school;
2. fails to contact the school during the 45-day period;
3. fails, during the 45-day period, to pay his or her overpayment in full or enter into a repayment arrangement; or
4. fails to complete repayment in the two years allowed.

If a school is referring to Debt Resolution Services a student overpayment previously reported to NSLDS, the school must also update the information previously reported to NSLDS by changing the Source field from “SCHOOL” to “TRANSFER.” If a school is referring a student who has failed to satisfy the terms of his or her repayment agreement, the school should also change the status code (Indicator field) from “SATISFACTORY ARRANGEMENT MADE” to “OVERPAYMENT.” If a school is referring for collection a student not previously reported to NSLDS, the school must report the account to NSLDS as a referred overpayment, enter “TRF-Transfer” as the initial source in the Source field and “OVERPAYMENT” as the overpayment status (Indicator field).

To refer student overpayments for collection, schools should use a format similar to the one found at the end of this chapter and send the form to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.

In order to avoid creating a double record for a single overpayment, the school must populate its Overpayment Referral Form, Dates of Disbursements, with the exact same dates the school used when it created the NSLDS record. In addition, a school must ensure that it enters for award year, the year the disbursement was made.

Once Debt Resolution Services has accepted a referred student overpayment, Debt Resolution Services will transmit the information to NSLDS and “EDR Region” will replace “TRANSFER” as the appropriate contact source for information about the overpayment. During the 2010-2011 award year, on its Overpayment Referral, schools must continue to provide their School’s Pell Identification Number. During the 2010-2011 award year, schools should **not** enter their Routing Identifier.

### If your school does not have a Pell ID

If you are referring a TEACH Grant to Borrower Services for collection and your school does not have a Pell ID, on the “Overpayment Referral Form,” under “School Information,” you must provide your OPEID.

### REMINDER

All referrals to Borrower Services must be made on institutional letterhead.



Remember to include your school’s Reporting Pell Identification number on the referral.

### Important



## Summary

- If during the 45-day period a student repays his or her debt in full to the institution, the institution should neither report the overpayment in NSLDS nor refer the student to Debt Resolution Services.
- If during the 45-day period a student signs a repayment agreement with the institution, the institution should immediately (within a few days) make the appropriate entries in NSLDS.
- If during the 45-day period a student indicates that he or she will not or cannot repay the overpayment and wishes to negotiate a repayment agreement with the Department, the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to Debt Resolution Services.
- If the institution will not be offering institutional repayment arrangements to students and during the 45-day period a student indicates that he or she cannot repay the debt in full, the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to Debt Resolution Services .
- If a student fails to take any positive action during the 45-day period, upon the expiration of that period the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to Debt Resolution Services .
- If a student signs a repayment agreement with an institution and at any time then fails to fulfill the terms of that agreement, the institution should immediately (within a few days) report the overpayment in NSLDS and refer the overpayment to Borrower Services.

### *Accepting payments on referred overpayments*

A school may continue to accept payment on a Title IV grant overpayment after the overpayment has been referred to the Department. (Before accepting the funds, the school should verify the Department has accepted the debt by examining the “Source” field in NSLDS.) A school that accepts a check made out to the Department on an overpayment that has been referred to Debt Resolution Services must –

1. note the student’s name and SSN on the check;
2. indicate that the payment is for an overpayment of a Title IV grant; and

3. forward the payment to Debt Resolution Services' National Payment Center at –

**National Payment Center**  
**P.O. Box 105028**  
**Atlanta, Georgia 30348-5028**

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to Debt Resolution Services, the school should write its own check to the Department and attach a letter indicating that the check is for a Title IV grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student's name, social security number, and amount paid.

If a school receives a payment for an overpayment previously referred to Debt Resolution Services and if –

- the overpayment was made in the current award year, and
- the payment will retire the student's debt in full,

the institution must:

1. deposit the payment in its appropriate institutionally maintained federal funds account;
2. make the appropriate entry in the COD system (the replacement value); and
3. send a letter or fax to Debt Resolution Services identifying the student and indicating that the student's overpayment has been completely repaid. This will allow the Department to properly update its records in both the Debt Resolution Services system and NSLDS.

**The fax number for this purpose and school use only is –**

**(903) 454-5398**

**Note:** This process cannot be performed via email.

### Payment in full

Anytime a school receives a payment (including the application of a Title IV credit balance) that will repay an overpayment in full, the school must also update its original submission to NSLDS by changing the entry on the "Overpayment Update Screen" for the Indicator Field to "Repaid."

In the fax or letter, a school must include the:

1. award year of the overpayment (current award year only);
2. student's social security number;
3. student's last name, first name, and middle initial;
4. student's date of birth;
5. type of overpayment — Federal Pell Grant, Iraq Afghanistan Service Grant, SEOG, ACG, National SMART Grant, or TEACH Grant; and
6. the disbursement date the institution used to create the overpayment record in NSLDS.

**The phone number for  
Debt Resolution Services  
800-601-3115**

### ***Corrections or recalls of referred overpayments***

If you determine that a student who you have referred to Debt Resolution Services does not owe an overpayment or that the amount you referred was incorrect, you should fax or mail a letter explaining the situation to Debt Resolution Services at:

(903) 454-5398

**Important:** You should not send a revised referral form when making changes or corrections.

The letter must include the –

1. student's last name, first name, and middle initial;
2. student's social security number;
3. award year of the overpayment;
4. disbursement date the institution used to create the overpayment record in NSLDS;
5. amount originally referred; and
6. description of the issue, and the requested action.

Debt Resolution Services will cease collection efforts and change the record in NSLDS so that the overpayment will be shown as "Satisfied."

### ***When a student loses eligibility at a former school while receiving aid at a second school***

If a student who owes a Title IV overpayment due to a withdrawal from one school receives additional Title IV aid at another school (based upon the student's having entered into an agreement with either Borrower Services or the first school) and then fails to meet the requirements of the agreement, Debt Resolution Services or the school, as appropriate, will update NSLDS to show that the student is no longer eligible due to his or her violation of the agreement. The NSLDS postscreening process will then cause a new ISIR record to be created and sent to all schools listed in the CPS record.

As noted above under *When a student receives additional funds during the 45-day period of extended eligibility*, the student loses eligibility as soon as he or she fails to meet the terms of the repayment agreement. The second school is not liable for any aid it disbursed after the student became ineligible but prior to being notified of the ineligibility via the NSLDS postscreening process.

As provided for in previous guidance (GEN-96-13, Q&A 13 and 15), once the school receives a record from NSLDS showing that a student is not eligible, it may no longer disburse Title IV aid to the student and must assist the Department in requiring the student to repay any funds he or she was not eligible to receive.

If a student who is receiving Title IV aid at an institution with which he or she has entered into a repayment agreement for a previous overpayment resulting from a withdrawal violates the terms of that agreement, the institution must immediately cease disbursing Title IV aid to the student. The school must immediately update the NSLDS record and refer the overpayment to Debt Resolution Services.

<b>Withdrawal Dates for a School That Is Not Required to Take Attendance</b>			
<b>Withdrawal Type</b>	<b>Circumstance</b>	<b>Student's Withdrawal Date <sup>1</sup></b>	<b>Date of the Institution's Determination that the Student has Withdrawn</b>
<b>Official Notification</b>	<p>The student begins the school's withdrawal process, or</p> <p>The student otherwise provides official notification to the school of intent to withdraw.</p>	<p>The date the student begins the school's withdrawal process, or</p> <p>The date that the student otherwise provides the notification.</p> <p>(If both circumstances occur, use the <b>earlier</b> withdrawal date.)</p>	<p>The student's withdrawal date, or the date of notification, whichever is <b>later</b>.</p>
<b>Official Notification Not Provided</b>	<p>Official notification not provided by the student because of circumstances beyond the student's control.</p> <p>All other instances where student withdraws without providing official notification.</p>	<p>The date that the school determines is related to the circumstance beyond the student's control.</p> <p>The midpoint of the payment period or period of enrollment, as applicable.</p>	<p>The date that the school becomes aware that the student has ceased attendance. <sup>2</sup></p>
<b>Leave of Absence Related</b>	<p>The student does not return from an approved leave of absence, or</p> <p>The student takes an unapproved leave of absence.</p>	<p>The date that the student began the leave of absence.</p>	<p>The earlier of the dates of the end of the leave of absence or the date the student notifies the school he or she will not be returning to that school.</p> <p>(In the case of an unapproved absence, the date that the student began the leave of absence.)</p>
<b>Withdrawal After Rescission of Official Notification</b>	<p>The student withdraws after rescinding a previous official notification of withdrawal.</p>	<p>The student's original withdrawal date from the previous official notification.</p>	<p>The date the school becomes aware that the student did not, or will not, complete the payment period or period of enrollment.</p>

1. In place of the dates listed, a school may always use as a student's withdrawal date the student's last date of attendance at an academically related activity if the school documents that the activity is academically related and that the student attended the activity.

2. For a student who withdraws without providing notification to the school, the school must determine the withdrawal date no later than 30 days after the end of the earliest of the (1) payment period or period of enrollment (as appropriate), (2) academic year, or (3) educational program.

## SAMPLE SUMMARY OF THE REQUIREMENTS OF 34 CFR 668.22 (TO PROVIDE TO STUDENTS AS PART OF CONSUMER INFORMATION)

### Treatment of Title IV Aid When a Student Withdraws

The law specifies how your school must determine the amount of Title IV program assistance that you earn if you withdraw from school. The Title IV programs that are covered by this law are: Federal Pell Grants, Iraq Afghanistan Service Grants, Academic Competitiveness Grants, National SMART grants, TEACH Grants, Stafford Loans, PLUS Loans, Federal Supplemental Educational Opportunity Grants (FSEOGs), and Federal Perkins Loans.

When you withdraw during your payment period or period of enrollment (your school can define these for you and tell you which one applies) the amount of Title IV program assistance that you have earned up to that point is determined by a specific formula. If you received (or your school or parent received on your behalf) less assistance than the amount that you earned, you may be able to receive those additional funds. If you received more assistance than you earned, the excess funds must be returned by the school and/or you.

The amount of assistance that you have earned is determined on a prorata basis. For example, if you completed 30% of your payment period or period of enrollment, you earn 30% of the assistance you were originally scheduled to receive. Once you have completed more than 60% of the payment period or period of enrollment, you earn all the assistance that you were scheduled to receive for that period.

If you did not receive all of the funds that you earned, you may be due a Post-withdrawal disbursement. If your Post-withdrawal disbursement includes loan funds, your school must get your permission before it can disburse them. You may choose to decline some or all of the loan funds so that you don't incur additional debt. Your school may automatically use all or a portion of your Post-withdrawal disbursement of grant funds for tuition, fees, and room and board charges (as contracted with the school). The school needs your permission to use the Post-withdrawal grant disbursement for all other school charges. If you do not give your permission (some schools ask for this when you enroll), you will be offered the funds. However, it may be in your best interest to allow the school to keep the funds to reduce your debt at the school.

There are some Title IV funds that you were scheduled to receive that cannot be disbursed to you once you withdraw because of other eligibility requirements. For example, if you are a first-time, first-year undergraduate student and you have not completed the first 30 days of your program before you withdraw, you will not receive any FFEL or Direct Loan funds that you would have received had you remained enrolled past the 30th day.

If you receive (or your school or parent receive on your behalf) excess Title IV program funds that must be returned, your school must return a portion of the excess equal to the lesser of:

1. your institutional charges multiplied by the unearned percentage of your funds, or
2. the entire amount of excess funds.

The school must return this amount even if it didn't keep this amount of your Title IV program funds.

If your school is not required to return all of the excess funds, you must return the remaining amount. Any loan funds that you must return, you (or your parent for a PLUS Loan) repay in accordance with the terms of the promissory note. That is, you make scheduled payments to the holder of the loan over a period of time.

Any amount of unearned grant funds that you must return is called an overpayment. The maximum amount of a grant overpayment that you must repay is half of the grant funds you received or were scheduled to receive. You do not have to repay a grant overpayment if the original amount of the overpayment is \$50 or less. You must make arrangements with your school or the Department of Education to return the unearned grant funds.

The requirements for Title IV program funds when you withdraw are separate from any refund policy that your school may have. Therefore, you may still owe funds to the school to cover unpaid institutional charges. Your school may also charge you for any Title IV program funds that the school was required to return. If you don't already know what your school's refund policy is, you can ask your school for a copy. Your school can also provide you with the requirements and procedures for officially withdrawing from school.

If you have questions about your Title IV program funds, you can call the Federal Student Aid Information Center at 1-800-4-FEDAID (1-800-433-3243). TTY users may call 1-800-730-8913. Information is also available on Student Aid on the Web at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).

Return of Title IV Funds Requirements and Deadlines		
Party Responsible	Requirement	Deadline
School	<b>Determining withdrawal date</b> for student who withdraws without providing notification.	30 days after the end of the earlier of: <ul style="list-style-type: none"> <li>• Payment or enrollment period.</li> <li>• Academic year in which student withdrew.</li> <li>• Educational program from which student withdrew.</li> </ul>
School	<b>Return of unearned Title IV funds.</b>	As soon as possible, but no later than 45 days after date school determined student withdrew.
School	<b>Post-withdrawal disbursement to student's account for:</b> Outstanding current (allowable) charges (tuition and fees, room and board, etc.). Minor (e.g., under \$200) prior year charges that the school has authorization to retain.	As soon as possible, but no later than 180 days of date school determined student withdrew, in accordance with requirements for disbursing Title IV funds 34 CFR 668.164.
School	<b>Written notification providing the student (or parent) the opportunity to accept all or part of a Post-withdrawal disbursement of Title IV loan funds,</b> (Perkins, FFEL, Direct Loan, or PLUS) to the student's account.	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(5)(iii)(A).
School	<b>Written notification of student's eligibility for a direct Post-withdrawal disbursement of Title IV loan funds in excess of outstanding current (educationally related) charges.</b>	Within 30 days of the school's determination that the student withdrew, 34 CFR 668.22(a)(5)(iii)(A).
School	<b>Post-withdrawal disbursement to student</b> for earned Title IV funds in excess of outstanding current (educationally related) charges.	From the date school determined student withdrew (1) Loans as soon as possible, but no later than 180 days (2) Grants as soon as possible, but no later than 45 days.
School	<b>Notification to student (or parent) of outcome of late request for a Post-withdrawal disbursement to student</b> (request received by school after the specified period and school chooses not to make disbursement).	Not specified, but as soon as possible.
School	<b>Notification to student of grant overpayment.</b>	Within 30 days of date school determined student withdrew.
School	<b>Referral of student to Collections,</b> if student does not pay overpayment in full, does not enter into repayment agreement, or fails to meet terms of repayment agreement.	Not specified, but as soon as possible.
Student (or parent)	<b>Submit response instructing school to make Post-withdrawal disbursement.</b>	Within specified number of days school allows for response.
Student	<b>Return of unearned Title IV funds.</b>	Loans – according to terms of the loan Grants – within 45 days of earlier of date school sent, or was required to send notice.

<b>Return of Title IV Funds Requirements for Notification</b>		
<b>Party Responsible</b>	<b>Notification</b>	<b>Requirements</b>
School	<b>Report of student to NSLDS</b> if student does not pay overpayment in full, does not enter into repayment agreement, or fails to meet terms of repayment agreement.	No later than 45 days from the date student is notified of overpayment.
School	<b>Consumer Information.</b>	<ul style="list-style-type: none"> <li>• School's withdrawal policy.</li> <li>• School's refund policy.</li> <li>• Office(s) designated to receive official notifications of intent to withdraw.</li> <li>• Requirements regarding return of Title IV funds.</li> </ul>
School	Written notification of student's eligibility for a direct Post-withdrawal disbursement of Title IV loan funds in excess of outstanding current (educationally related) charges.	<ul style="list-style-type: none"> <li>• Identify type and amount of the Title IV loan funds that will make up the Post-withdrawal disbursement not credited to student's account.</li> <li>• Explain that student or parent may accept all or part of the disbursement.</li> <li>• Advise student or parent that no Post-withdrawal disbursement of Title IV loan funds will be made unless school receives response within the time-frame established by the school.</li> </ul>
School	<b>Response (written or electronic) to late request for Post-withdrawal disbursement (that school chooses not to make).</b>	Outcome of request.
School	<b>Repayment Agreement.</b>	<ul style="list-style-type: none"> <li>• Terms permitting student to repay overpayment while maintaining eligibility for Title IV funds.</li> <li>• Repayment in full within 2 years of date school determined student withdrew.</li> </ul>

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name <input style="width: 80%;" type="text"/>	Social Security Number <input style="width: 80%;" type="text"/>
Date form completed <input style="width: 20%;" type="text"/> / <input style="width: 20%;" type="text"/> / <input style="width: 20%;" type="text"/>	Date of school's determination that student withdrew <input style="width: 20%;" type="text"/> / <input style="width: 20%;" type="text"/> / <input style="width: 20%;" type="text"/>
Period used for calculation (check one) <input type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment	

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	A. <input style="width: 80%;" type="text"/>
2. Academic Competitiveness Grant			+ B. <input style="width: 80%;" type="text"/>
3. National SMART Grant			= E. \$ <input style="width: 80%;" type="text"/>
4. FSEOG			
5. TEACH Grant			
6. Iraq Afghanistan Service Grant			
<b>A.</b> <input style="width: 80%;" type="text"/> Subtotal			
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	F. Total Title IV grant aid disbursed and that could have been disbursed for the period.
7. Unsubsidized FFEL/Direct Stafford Loan	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	A. <input style="width: 80%;" type="text"/>
8. Subsidized FFEL/Direct Stafford Loan			+ B. <input style="width: 80%;" type="text"/>
9. Perkins Loan			= F. \$ <input style="width: 80%;" type="text"/>
10. FFEL/Direct PLUS (Graduate Student)			
11. FFEL/Direct PLUS (Parent)			
<b>B.</b> <input style="width: 80%;" type="text"/> Subtotal			
			+ C. <input style="width: 80%;" type="text"/>
			= G. \$ <input style="width: 80%;" type="text"/>

## STEP 2: Percentage of Title IV Aid Earned

<input style="width: 40%;" type="text"/> / <input style="width: 40%;" type="text"/> / <input style="width: 40%;" type="text"/>	<input style="width: 40%;" type="text"/> / <input style="width: 40%;" type="text"/> / <input style="width: 40%;" type="text"/>	<input style="width: 40%;" type="text"/> / <input style="width: 40%;" type="text"/> / <input style="width: 40%;" type="text"/>
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

### H. Percentage of payment period or period of enrollment completed

Divide the calendar days completed in the period by the total calendar days in the period (excluding scheduled breaks of five days or more AND days that the student was on an approved leave of absence).

<input style="width: 40%;" type="text"/>	÷	<input style="width: 40%;" type="text"/>	=	<input style="width: 40%;" type="text"/>	%
Completed days		Total days			

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
  - ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.
- H.**  %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

<input style="width: 40%;" type="text"/>	%	X	<input style="width: 40%;" type="text"/>	=	<b>I.</b> \$ <input style="width: 40%;" type="text"/>
Box H			Box G		

## 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.

<input style="width: 40%;" type="text"/>	-	<input style="width: 40%;" type="text"/>	=	<b>J.</b> \$ <input style="width: 40%;" type="text"/>
Box I		Box E		

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

*Step 4 continued ▶*

Student's Name

Social Security Number

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

**K. Title IV aid to be returned**  
 From the Total Title IV aid disbursed for the period (Box E) subtract the amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

-  = **K.\$**  .

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the period**

Tuition	<input type="text"/>
Room	<input type="text"/>
Board	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>

**Total Institutional Charges** = **L.\$**  .  
 (Add all the charges together)

**M. Percentage of unearned Title IV aid**

100% -  % = **M.**  . %

Box H

**N. Amount of unearned charges**  
 Multiply institutional charges for the period (Box L) by the percentage of unearned Title IV aid (Box M).

X  % = **N.\$**  .

Box L                      Box M

**O. Amount for school to return**  
 Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$**  .

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	<input type="text"/>
2. Subsidized FFEL/Direct Stafford Loan	<input type="text"/>
3. Perkins Loan	<input type="text"/>
4. FFEL/Direct PLUS (Graduate Student)	<input type="text"/>
5. FFEL/Direct PLUS (Parent)	<input type="text"/>
<b>Total loans the school must return = P.\$</b> <input type="text"/> .	
6. Pell Grant	<input type="text"/>
7. Academic Competitiveness Grant	<input type="text"/>
8. National SMART Grant	<input type="text"/>
9. FSEOG	<input type="text"/>
10. TEACH Grant	<input type="text"/>
11. Iraq Afghanistan Service Grant	<input type="text"/>

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

-  = **Q.\$**  .

Box K                      Box O

▶ If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

-  = **R.\$**  .

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**.  
 The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**  
 From the initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

-  = **S.\$**  .

Box Q                      Box R

**T. Amount of Title IV grant protection**  
 Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box S) by 50%.

X **50%** = **T.\$**  .

Box S

**U. Title IV grant funds for student to return**  
 From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

-  = **U.\$**  .

Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	<input type="text"/>
2. Academic Competitiveness Grant	<input type="text"/>
3. National SMART Grant	<input type="text"/>
4. FSEOG	<input type="text"/>
5. TEACH Grant	<input type="text"/>
6. Iraq Afghanistan Service Grant	<input type="text"/>

## POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET

Student's Name	<input style="width: 90%;" type="text"/>	Social Security Number	<input style="width: 90%;" type="text"/>
Date of school's determination that student withdrew	<input style="width: 15%;" type="text"/> / <input style="width: 15%;" type="text"/> / <input style="width: 15%;" type="text"/>		

### I. Amount of Post-withdrawal Disbursement (PWD)

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1**  \$  .

### II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account

Total Outstanding Charges Scheduled to be Paid from PWD **Box 2**  \$  .   
*(Note: Prior-year charges cannot exceed \$200.)*

### III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent

From the total Post-withdrawal Disbursement due (Box 1), subtract the Post-withdrawal Disbursement to be credited to the student's account (Box 2). This is the amount you must make to the student (grant) or offer to the student or parent (Loan) as a Direct Disbursement.

<input style="width: 100px;" type="text"/> \$ <input style="width: 50px;" type="text"/> . <input style="width: 50px;" type="text"/>	-	<input style="width: 100px;" type="text"/> \$ <input style="width: 50px;" type="text"/> . <input style="width: 50px;" type="text"/>	=	<b>Box 3</b>	<input style="width: 100px;" type="text"/> \$ <input style="width: 50px;" type="text"/> . <input style="width: 50px;" type="text"/>
<b>Box 1</b>		<b>Box 2</b>			

### IV. Allocation of Post-withdrawal Disbursement

Type of Aid	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Title IV Aid Credited to Account	Loan Amount Offered as Direct Disbursement	Loan Amount Accepted as Direct Disbursement	Title IV Aid Disbursed Directly to Student
Pell Grant	N/A	N/A		N/A	N/A	
ACG	N/A	N/A		N/A	N/A	
National SMART Grant	N/A	N/A		N/A	N/A	
FSEOG	N/A	N/A		N/A	N/A	
TEACH Grant	N/A	N/A		N/A	N/A	
Iraq Afghanistan Svc. Grant	N/A	N/A		N/A	N/A	
Perkins						
Subsidized FFEL / Direct						
Unsubsidized FFEL / Direct						
FFEL / Direct Grad Plus						
FFEL / Direct Parent Plus						
<b>Totals</b>						

### V. Authorizations and Notifications

Post-withdrawal disbursement loan notification sent to student and/or parent on  /  /

Deadline for student and/or parent to respond  /  /

- Response received from student and/or parent on  /  /        Response not received  
 School does not accept late response

### VI. Date Funds Sent

Date Direct Disbursement mailed or transferred      Grant  /  /       Loan  /  /

# Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name <input style="width: 90%;" type="text"/>	Social Security Number <input style="width: 90%;" type="text"/>
Date form completed <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/>	Date of school's determination that student withdrew <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/> / <input style="width: 25%;" type="text"/>
Period used for calculation (check one) <input type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment	

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the period.
1. Pell Grant	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	A. <input style="width: 100%;" type="text"/>
2. Academic Competitiveness Grant			+ B. <input style="width: 100%;" type="text"/>
3. National SMART Grant			= E. \$ <input style="width: 100%;" type="text"/>
4. FSEOG			
5. TEACH Grant			
6. Iraq Afghanistan Service Grant			
<b>A.</b>	Subtotal	<b>C.</b>	Subtotal
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	F. Total Title IV grant aid disbursed and that could have been disbursed for the period.
7. Unsubsidized FFEL/Direct Stafford Loan	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	A. <input style="width: 100%;" type="text"/>
8. Subsidized FFEL/Direct Stafford Loan			+ B. <input style="width: 100%;" type="text"/>
9. Perkins Loan			= F. \$ <input style="width: 100%;" type="text"/>
10. FFEL/Direct PLUS (Graduate Student)			
11. FFEL/Direct PLUS (Parent)			
<b>B.</b>	Subtotal	<b>D.</b>	Subtotal
			G. Total Title IV aid disbursed and that could have been disbursed for the period.
			A. <input style="width: 100%;" type="text"/>
			B. <input style="width: 100%;" type="text"/>
			C. <input style="width: 100%;" type="text"/>
			+ D. <input style="width: 100%;" type="text"/>
			= G. \$ <input style="width: 100%;" type="text"/>

## STEP 2: Percentage of Title IV Aid Earned

**Withdrawal date**  /  /

**H. Determine the percentage of the period completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the period by the total clock hours in the period.

	÷		=		.		%
Hours scheduled to complete		Total hours in period					

▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.

▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.**

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) by the Total Title IV aid disbursed and that could have been disbursed for the period (Box G).

	%	X		=		I.		.
Box H			Box G					

## 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.

	-		=		J.		.
Box I		Box E					

If there's an entry for "J," **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

### K. Title IV aid to be returned

From the Total Title IV aid disbursed for the period (Box E) subtract the Amount of Title IV aid earned by the student (Box I). This is the amount of Title IV aid that must be returned.

	-		=		K.		.
Box E		Box I					

Student's Name

Social Security Number

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

<b>L. Institutional charges for the period</b>	Tuition	<input type="text"/>
	Room	<input type="text"/>
	Board	<input type="text"/>
	Other	<input type="text"/>
	Other	<input type="text"/>
	Other	<input type="text"/>

Total Institutional Charges (Add all the charges together) = **L.\$**

**M. Percentage of unearned Title IV aid**  
 100% -  % = **M.**  %  
Box H

**N. Amount of unearned charges**  
 Multiply institutional charges for the period (Box L) by the Percentage of unearned Title IV aid (Box M).

**x**  % = **N.\$**   
Box L                      Box M

**O. Amount for school to return**  
 Compare the amount of Title IV aid to be returned (Box K) to Amount of unearned charges (Box N), and enter the lesser amount.  
**O.\$**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	<input type="text"/>
2. Subsidized FFEL/Direct Stafford Loan	<input type="text"/>
3. Perkins Loan	<input type="text"/>
4. FFEL/Direct PLUS (Graduate Student)	<input type="text"/>
5. FFEL/Direct PLUS (Parent)	<input type="text"/>

Total loans the school must return = **P.\$**

6. Pell Grant	<input type="text"/>
7. Academic Competitiveness Grant	<input type="text"/>
8. National SMART Grant	<input type="text"/>
9. FSEOG	<input type="text"/>
10. TEACH Grant	<input type="text"/>
11. Iraq Afghanistan Service Grant	<input type="text"/>

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

From the amount of Title IV aid to be returned (Box K) subtract the Amount for the school to return (Box O).

-  = **Q.\$**  
Box K                      Box O

▶ If Box Q is ≤ zero, **STOP**. If greater than zero, go to Step 8.

**STEP 8: Repayment of the Student's loans**

From the Net loans disbursed to the student (Box B) subtract the Total loans the school must return (Box P) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These loans consist of loans the student has earned, or unearned loan funds the school is not responsible for repaying. They are repaid to the loan holders according to the terms of the borrower's promissory note.

-  = **R.\$**  
Box B                      Box P

- ▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.
- ▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**

From the Initial amount of unearned Title IV aid due from the student (Box Q) subtract the amount of loans to be repaid by the student (Box R).

-  = **S.**   
Box Q                      Box R

**T. Amount of Title IV grant protection**  
 Multiply the total of Title IV grant aid that was disbursed and that could have been disbursed for the period (Box F) by 50%.

**x** **50%** = **T.**   
Box F

**U. Title IV grant funds for student to return**  
 From the Initial amount of Title IV grants for student to return (Box S) subtract the Amount of Title IV grant protection (Box T).

-  = **U.**   
Box S                      Box T

▶ If Box U is less than or equal to zero, **STOP**. If not, go to Step 10.

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied in order as indicated, up to the amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	<input type="text"/>
2. Academic Competitiveness Grant	<input type="text"/>
3. National SMART Grant	<input type="text"/>
4. FSEOG	<input type="text"/>
5. TEACH Grant	<input type="text"/>
6. Iraq Afghanistan Service Grant	<input type="text"/>

**POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET**

Student's Name <input style="width:90%;" type="text"/>	Social Security Number <input style="width:90%;" type="text"/>
Date of school's determination that student withdrew <input style="width:150px;" type="text" value=" / /"/>	

**I. Amount of Post-withdrawal Disbursement (PWD)**

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1** \$

**II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account**

Total Outstanding Charges Scheduled to be Paid from PWD **Box 2** \$   
*(Note: Prior-year charges cannot exceed \$200.)*

**III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent**

From the total Post-withdrawal Disbursement due (Box 1), subtract the Post-withdrawal Disbursement to be credited to the student's account (Box 2) . This is the amount you must make to the student (grant) or offer to the student or parent (Loan) as a Direct Disbursement.

**Box 1**    -     **Box 2**    =    **Box 3**   

**IV. Allocation of Post-withdrawal Disbursement**

Type of Aid	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Title IV Aid Credited to Account	Loan Amount Offered as Direct Disbursement	Loan Amount Accepted as Direct Disbursement	Title IV Aid Disbursed Directly to Student
Pell Grant	N/A	N/A		N/A	N/A	
ACG	N/A	N/A		N/A	N/A	
National SMART Grant	N/A	N/A		N/A	N/A	
FSEOG	N/A	N/A		N/A	N/A	
TEACH Grant	N/A	N/A		N/A	N/A	
Iraq Afghanistan Svc. Grant	N/A	N/A		N/A	N/A	
Perkins						
Subsidized FFEL / Direct						
Unsubsidized FFEL / Direct						
FFEL / Direct Grad Plus						
FFEL / Direct Parent Plus						
<b>Totals</b>						

**V. Authorizations and Notifications**

Post-withdrawal disbursement loan notification sent to student and/or parent on

Deadline for student and/or parent to respond

Response received from student and/or parent on

Response not received

School does not accept late response

**VI. Date Funds Sent**

Date Direct Disbursement mailed or transferred    Grant     Loan

# Information Required when Referring Student Overpayments to Debt Resolution Services

## Student Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

If the overpayment includes an Academic Competitiveness, National Smart Grant, or TEACH Grant, enter the Award Identifier (**ID**) used when the award was created in COD.

ACG Award ID: \_\_\_\_\_ National Smart Grant Award ID: \_\_\_\_\_

TEACH Award ID: \_\_\_\_\_

## Parent/Spouse Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

## School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: \_\_\_\_\_ Attending School's Pell ID Number: \_\_\_\_\_

**If your school does not have a Pell ID, Enter your OPE ID:** \_\_\_\_\_

Name of Contact: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

## Disbursements and Repayments

	Pell Grant	ACG or National Smart Grant <span style="color: red;">(Specify)</span>	Iraq Afghanistan Service Grant	FSEOG <sup>1</sup>	TEACH Grant
Award year in which overpayment was disbursed:	_____	_____	_____	_____	_____
Total grant disbursed:	_____	_____	_____	_____	_____
Dates of disbursement: <span style="color: red;">(Must match NSLDS overpayment record)</span>	_____	_____	_____	_____	_____
Overpayment amount owed by student *	_____	_____	_____	_____	_____
Total grant repaid by student to school, if any:	_____	_____	_____	_____	_____
Date of last payment to school, if any:	_____	_____	_____	_____ <sup>1</sup>	_____

<sup>1</sup>If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

\* If the overpayment is the result of a withdrawal, provide the date of the withdrawal / /

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

\_\_\_\_\_

SEND INFORMATION TO ⇒ Student Loan Processing Center-Overpayments  
P.O. Box 4157  
(903) 454-5398 ⇐ FAX Greenville, Texas 75403

**You may use this form when the withdrawal date is on or after 7/01/2010**

### *Returning funds on Direct Loans and FFEL Loans purchased by the Department*

Together with your check for the funds you are returning, you must include, **on school letterhead**, the following information:

1. The borrower's name,
2. The borrower's social security number,
3. The loan's unique CommonLine ID,
4. The type of loan (subsidized, unsubsidized, PLUS, etc.),
5. The period for which the loan was certified,
6. The scheduled & actual date of the disbursement,
7. The amount of the disbursement,
8. The amount being returned,
9. The reason the funds are being returned (cancellation, overpayment, withdrawal, or failed to begin class),
10. The school OPEID, and
11. The name and phone number of the school official returning the funds.

From 2008 through September 2010, the Department purchased Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. The Department has contracted with five organizations to provide loan services on these purchased FFEL loans.

In addition to purchased FFEL loans, beginning in 2010 the Department will also assign Direct Loans to these loan servicers. A school that is required to return Direct Loan funds more than 120 days after they were disbursed will return them through the appropriate servicer rather than through COD.

To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds. Additional contact information for the loan servicers is available on IFAP under the "Help" menu ("Contact Information" / "Service Centers for Schools," / "Loan Service Centers for Schools."



**Direct Loan Refunds of Cash**

**1. Enter the information below. Missing information may prevent your check (or checks) from being processed correctly.**

School Name: \_\_\_\_\_ Direct Loan Code or OPE ID: \_\_\_\_\_

Name/Title: \_\_\_\_\_ Telephone #: \_\_\_\_\_

E-mail Address: \_\_\_\_\_ Servicer (if applicable): \_\_\_\_\_

Check Date: \_\_\_\_\_ Check #: \_\_\_\_\_ Amount: \_\_\_\_\_

**2. Check (✓) the award year for which you are returning Direct Loan Refunds of Cash. If you are returning funds for more than one award year, you must enclose a separate transmittal sheet and a separate check for each award year.**

- 2010/2011 \_\_\_\_\_
- 2009/2010 \_\_\_\_\_
- 2008/2009 \_\_\_\_\_
- 2007/2008 \_\_\_\_\_
- 2006/2007 \_\_\_\_\_
- 2005/2006 \_\_\_\_\_
- OTHER \_\_\_\_\_

**3. Sign and date below.**

Contact's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**4. Mail completed transmittal sheet(s) and Direct Loan Refunds of Cash check(s) to:**

Regular Mail/No Signature Required	Overnight Address/Requiring Signature
U.S. Department of Education Attention: Direct Loan Refunds of Cash P.O. Box 9001 Niagara Falls, NY 14302	U.S. Department of Education Attention: Direct Loan Refunds of Cash 2429 Military Rd, Suite 200 Niagara Falls, NY 14304 (Phone number for tracking form only: 716/284-2225)



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# Case Studies in Withdrawals and the Return of Title IV Aid

*On the pages that follow, you will find examples of the withdrawal calculations performed for students enrolled in various types of programs and institutions. By reviewing these case studies, you can gain additional insight into the process of returning Title IV funds.*

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## **Case Study 1: Penny Jones**

Calculating the return of Title IV funds for a student attending a two-year community college (semester) who is receiving Title IV grants and loans (partially disbursed), and is due a Post-withdrawal disbursement.

## **Case Study 2: Bob Ellison**

Calculating the return of Title IV funds when a student receiving Title IV grants and loans at a low-cost public community college that measures progress in credit hours withdraws and both the school and the student must return grant funds.

## **Case Study 3: Richard Sherman**

When a student receiving Title IV grants and loans at a school that uses the aggregate method for matching the school's FSEOG Federal allocation withdraws unofficially.

## **Case Study 4: Harry Springer**

When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a period of enrollment basis withdraws unofficially.

## **Case Study 5: Jordan Aire**

When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a payment period basis withdraws unofficially.

## **Case Study 6: Bob White**

When a student receiving Title IV grants and loans at a school that utilizes a non-term course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis, officially withdraws, reenters within 180 days, and withdraws again.

## CASE STUDY 1: PENNY JONES

*Calculating the return of Title IV funds for a student attending a two-year community college (semester) who is receiving Title IV grants and loans (partially disbursed), and is due a Post-withdrawal Disbursement.*

### Learning Objectives

Learn to complete STEPs 1 – 4 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet, and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution’s determination that the student withdrew;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned; and
- provide the information a school must maintain in its files when a student is eligible for a Post-withdrawal Disbursement, and complete a Post-withdrawal Tracking Sheet.

#### School Profile

Everyone Should Have an Education Community College (ESECC) is a two-year, public, semester-based institution that measures academic progress in credit hours.

Academic Year/Program	2 semesters 32 weeks
Period	16 weeks 110 calendar days
Period Start Date	August 23
Institutionally Scheduled Break	None
Required to Take Attendance	No

**Student Profile**

Penny Jones is a first-year student in Virginia. Charges to her account for the first semester are as follows:

Tuition and fees	\$	1,000.00/16-week semester
Technology fee	\$	100.00/16-week semester
Books and Supplies	\$	400.00/16-week semester
Health Insurance	\$	200.00/academic year

Charges remaining on Penny's account after the withdrawal:

Tuition	\$	100.00
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School Authorized to Credit  
Account for Other Charges: Yes (all charges)

Penny's financial aid package included the following annual awards:

Pell Grant	\$	2,000.00
Direct Subsidized Loan	\$	3,500.00
State Grant	\$	500.00
College Grant	\$	200.00

**Discussion**

On the first day of the fall semester, August 23, Penny received the following disbursements to her student account:

Pell Grant	\$	1,000.00
Direct Subsidized Loan	\$	0.00
State Grant	\$	500.00
College Grant	\$	100.00

Although Penny is grateful for the assistance, she is concerned about meeting her living costs for the year.

On October 8, Penny came to the Financial Aid Office to advise that she doesn't think she is doing very well and is considering dropping out prior to November 1, the last day to withdraw from classes without academic penalty. To help her make a decision, she requests information on the withdrawal process. You are fairly certain that Penny is having a hard time adjusting to college life, and want to encourage her to hang in until the end of the semester, December 10. After you provide her preliminary information, you ask her if it is her intent to withdraw. Penny says that she needs some time to think it over, and makes a follow-up appointment for October 13.

When Penny comes to see you on October 13, she indicates that the last class she attended was on September 30. Because she doesn't see how she can get caught up on the work she's missed, she is adamant about withdrawing, so you give her instructions on completing the college's official withdrawal process and advise her where she can get the appropriate forms. Penny picks up the forms from the registrar on October 14. She turns the completed forms in on October 15.

Let's review some basic information about Penny as well as our learning objectives for this case. Penny attended a two-year community college, which was on the semester system. Students earned academic credits based on credit hours taken. Before withdrawing, Penny received her Pell Grant disbursement, but not her Direct Loan.

The first thing we'll need to do is to decide on the date of the school's determination that Penny withdrew. Then, we'll complete Step 1: Student's Title IV Aid Information, which includes:

- Title IV aid disbursed, and
- Title IV aid that could have been disbursed.

### Solution

The date of the institution's determination is the date you were advised by Penny that she had decided to withdraw (October 13). On the earlier date, October 8, she was only thinking about withdrawing.

Date of the institution's determination that the student withdrew = October 13.

Note that for a student who provides notification to the institution of his or her withdrawal, the *date of determination* is the student's withdrawal date, or the date of notification of withdrawal, whichever is later (34 CFR 668.22(l)(3)(i)). In this case, the dates are identical, October 13.

The withdrawal date for Title IV purposes, October 13, is described in *Step 2*.

### STEP 1: Student's Title IV Aid Information

Box A. Title IV grants aid disbursed –  
Pell Grant \$ 1,000.00

A. = \$ 1,000.00

Box B. Net Title IV loans disbursed = \$ 0.00

Box C. Title IV grants that could have been disbursed = \$ 0.00

**Box D.** Penny’s Direct Loan had not been disbursed yet. But, she was eligible for the disbursement. Net Title IV loans that could have been disbursed = \$1,750.00

D = \$ 1,750.00

**Box E.** Although Penny also received disbursements of state and institutional aid, only Title IV aid is considered in the return of funds calculation. Title IV aid disbursed = \$1,000.00.

Pell Grant \$ 1,000.00

**Box F.** Box F is equal to the \$1,000.00 from Box A plus \$0.00 from Box C. Box F = \$1,000.

**Box G.** Both the disbursed Pell (Box A) and undisbursed Direct Loan (Box D) are included Box G. Total Title IV aid disbursed plus Title IV aid that could have been disbursed = \$2,750.

Pell Grant (Box A)	\$ 1,000.00
Direct Subsidized Loan (Box D)	\$ 1,750.00

Total Title IV aid disbursed plus could have been disbursed (Box G)	\$ 2,750.00
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### STEP 2: Percentage of Title IV Aid Earned

1. Payment period start date = August 23
2. Payment period end date = December 10
3. Withdrawal date = October 13

**Note:** Since ESECC is not required by an outside entity to take attendance, the withdrawal date is the date Penny began the official school withdrawal process. **Since the school includes the financial aid office as one of those places where the student can begin the withdrawal process, Penny’s withdrawal date is October 13.**

Although the school’s refund policy is that the withdrawal date is the date a student turns in the signed withdrawal forms — which she did on October 15, that date is superseded for a student receiving Title IV aid by the federal requirement to use the date the student begins the withdrawal process or otherwise provides official notification (October 13) .

Although Penny stopped attending classes on September 30, she didn’t notify the school (begin the official withdrawal process) until October 13. When she came to see you on October 8, she was only thinking about withdrawing.

Of course, the school could have documented a last date of attendance at an academically-related activity and used that as her withdrawal date if it so chose.

**Box H.** Percentage of payment period completed

- Since the student attended a credit-hour school, the percentage of aid completed is calculated by dividing the number of calendar days completed by the total number of calendar days in the payment period. Number of calendar days completed in payment period = 52 (August 23 – October 13).
- Because the semester does not include a scheduled break of 5 or more consecutive days, all of the calendar days in the period from August 23 to December 10 are counted. Number of calendar days in payment period = 110.

**Note:** Days in a period are counted as follows.

1. the first day of the payment period is the first scheduled day of academically related activity;
  2. the last day of the payment period is the last scheduled day of academically related activity;
  3. the school must count the date of withdrawal as a date of attendance.
- $52 \text{ days} \div 110 \text{ days} = .4727$ , rounded to .473, or 47.3%. Percentage of payment period completed = 47.3%.

Because this percentage is less than 60%, the Percentage of Title IV aid earned, Box H = 47.3%.

### STEP 3: Amount of Title IV Aid Earned by the Student

**Box I.**  $47.3\%$  (Percentage of Title IV aid earned from Box H) X  $\$2,750.00$  (Total Title IV aid disbursed plus Title IV aid that could have been disbursed from Box G) =  $\$1,300.75$ .  
Amount of Title IV aid earned by the student (Box I) =  $\$1,300.75$ .

### STEP 4: Total Title IV Aid to Be Disbursed or Returned

**Box J.** Because the total aid earned (Box I) is greater than the total aid disbursed (item E), Penny is due a Post-withdrawal disbursement.  $\$1,300.75$  (Box I) –  $\$1,000.00$  (Box E) =  $\$300.75$ .  
Post-withdrawal disbursement (Box J) =  $\$300.75$ .

If a Post-withdrawal disbursement is due the student, you stop here on the worksheet. Your next step is to begin compiling the information a school must maintain in its files when a student is eligible for a Post-withdrawal Disbursement (ESECC has chosen to use FSA's Post-withdrawal Tracking Sheet), and providing the required notifications to the student.

## THE POST-WITHDRAWAL DISBURSEMENT TRACKING SHEET

The FAO performed the Return calculation on October 15 and determined that Penny was eligible for a Post-withdrawal disbursement of \$300.75 (STEP 4, Box J).

Because the Post-withdrawal disbursement would be composed entirely of loan funds, the school could not credit any funds to Penny's account or disburse any funds to her directly without sending Penny written notification advising her of her responsibility to repay the funds and obtaining Penny's confirmation that she still wanted them.

Therefore, on October 20, the school sent Penny a letter explaining that:

- she was eligible for a Post-withdrawal disbursement of Subsidized Direct Loan funds in the amount of \$300.75;
- she could accept some or all of the funds;
- Penny was obligated to repay any loan funds she accepted;
- if she accepted the disbursement, \$100 would be credited to her account for unpaid charges and that Penny could not receive that \$100;
- if she accepted the disbursement, the school would make a direct disbursement directly to her of \$200.75; and
- she has until November 13 (24 days from the day the school mailed the letter)<sup>1</sup> to accept the disbursement, and that if her response was received after that date, that the school did not have to make the disbursement.

On November 13, the school received confirmation from Penny that she accepted all of the funds.

On November 15, the school drew down \$300.75 in Subsidized Direct Loan funds through GAPS, credited the \$300.75 to Penny's account, took \$100 for unpaid charges, and sent Penny a check for the credit balance of \$200.75. (Note that the school could have drawn down the funds, credited the student's account with \$100, and sent the student the balance of \$200.75, but we do not require a school to deviate from its normal cash management procedures, and establish a different type of audit trail for Post-withdrawal disbursements.)

The FAO placed a record of all the aforementioned in Penny's permanent financial aid file.

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<sup>1</sup> The regulations now allow a school to set a deadline later than 14 days, provided the later deadline applies to both confirmation of loan disbursements to the student's account and direct disbursements of a Post-withdrawal disbursement.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	Penny Jones	Social Security Number	Example 1
Date form completed	10 / 15 /	Date of school's determination that student withdrew	10 / 13 /
Period used for calculation (check one)	<input checked="" type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment		

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

<p>1. Pell Grant</p> <p>2. Academic Competitiveness Grant</p> <p>3. National SMART Grant</p> <p>4. FSEOG</p>	<p>Amount Disbursed</p> <p style="font-size: 1.2em;">1,000.00</p>	<p>Amount that Could Have Been Disbursed</p>	<p><b>E. Total Title IV aid disbursed for the payment period or period of enrollment.</b></p> <p>A. 1,000.00</p> <p>+ B. 0.00</p> <hr/> <p>= E. \$ 1,000.00</p> <p><b>F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.</b></p> <p>A. 1,000.00</p> <p>+ C. 0.00</p> <hr/> <p>= F. \$ 1,000.00</p>
<p><b>A. 1,000.00</b></p> <p style="font-size: 0.8em;">Subtotal</p>	<p><b>C. 0.00</b></p> <p style="font-size: 0.8em;">Subtotal</p>		
<p><b>Title IV Loan Programs</b></p> <p>6. Unsubsidized FFEL/Direct Stafford Loan</p> <p>7. Subsidized FFEL/Direct Stafford Loan</p> <p>8. Perkins Loan</p> <p>9. FFEL/Direct PLUS (Graduate Student)</p> <p>10. FFEL/Direct PLUS (Parent)</p>	<p>Net Amount Disbursed</p>	<p>Net Amount that Could Have Been Disbursed</p> <p style="font-size: 1.2em;">1,750.00</p>	<p><b>G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.</b></p> <p>A. 1,000.00</p> <p>B. 0.00</p> <p>C. 0.00</p> <p>+ D. 1,750.00</p> <hr/> <p>= G. \$ 2,750.00</p>
	<p><b>B. 0.00</b></p> <p style="font-size: 0.8em;">Subtotal</p>	<p><b>D. 1,750.00</b></p> <p style="font-size: 0.8em;">Subtotal</p>	

08 / 23 /	12 / 14 /	10 / 13 /
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

**H. Percentage of payment period or period of enrollment completed**

Determine the calendar days completed in the payment period or period of enrollment divided by the total calendar days in the payment period or period of enrollment (excluding scheduled breaks of five days or more AND days that the student was on an approved leave of absence).

52	÷	110	=	47.3 %
Completed days		Total days		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H. 47.3 %**

**STEP 3: Amount of Title IV Aid Earned by the Student**

Multiply the percentage of Title IV aid earned (Box H) times the total of the Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box G).

47.3 %	X	2,750	=	I. \$ 1,300.75
Box H		Box G		

**STEP 4: Total Title IV Aid to be Disbursed or Returned**

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ 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**

Subtract Total Title IV aid disbursed for the payment period or period of enrollment (Box E) from the amount of Title IV aid earned (Box I). This is the amount of Post-withdrawal disbursement due. **Stop here**, and enter the amount in Box I on page 3, the Post-withdrawal disbursement tracking sheet.

1,300.75	-	1,000.00	=	J. \$ 300.75
Box I		Box E		Step 4 continued ▶

## Post-withdrawal DISBURSEMENT TRACKING SHEET

Student's Name  Social Security Number   
 Date of school's determination that student withdrew

### I. Amount of Post-withdrawal Disbursement (PWD)

Amount from "Box J" of the Treatment of Title IV Funds When a Student Withdraws worksheet **Box 1**

### II. Outstanding Charges For Educationally Related Expenses Remaining On Student's Account

Total Outstanding Charges Scheduled to be Paid from PWD **Box 2**

### III. Post-withdrawal Disbursement Offered Directly to Student and/or Parent

Subtract the Post-withdrawal Disbursement to be credited to the student's account (Box 2) from the total Post-withdrawal Disbursement due (Box 1). This is the amount you must offer to the student and/or parent as a Direct Disbursement.

$$\begin{array}{ccccccc}
 \text{\$ } & 300.75 & - & \text{\$ } & 100.00 & = & \text{Box 3 } & \text{\$ } & 200.75 \\
 \text{Box 1} & & & \text{Box 2} & & & & & 
 \end{array}$$

### IV. Allocation of Post-withdrawal Disbursement

Type of Aid	Grant Aid Credited to Account	Loan Amount School Seeks to Credit to Account	Loan Amount Authorized to Credit to Account	Amount of Aid Offered as Direct Disbursement	Amount of Aid Accepted as Direct Disbursement
Unsubsidized FFEL/Direct	N/A				
Subsidized FFEL/Direct	N/A	\$100.00	\$100.00	\$200.75	\$200.75
Perkins	N/A				
FFEL/Direct Grad Plus	N/A				
FFEL/Direct Parent Plus	N/A				
Pell Grant		N/A	N/A		
ACG		N/A	N/A		
National SMART Grant		N/A	N/A		
FSEOG		N/A	N/A		
<b>Totals</b>					

### V. Authorizations and Notifications

Post-withdrawal disbursement notification sent to student and/or parent on   
 Deadline for student and/or parent to respond   
 Response received from student and/or parent on   Response not received  
 School does not accept late response

### VI. Date Funds Sent

Date Direct Disbursement mailed or transferred

## CASE STUDY 2: BOB ELLISON

*Calculating the return of Title IV funds when a student receiving Title IV grants and loans at a low-cost public community college that measures progress in credit hours withdraws and both the school and the student must return grant funds.*

### Learning Objectives

Learn to complete STEPs 1–10 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet, and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution’s determination that the student withdrew for a student who officially withdraws;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned; and
- apply the Title IV grant protection; and
- apply the *de minimis* grant repayment provision.

#### School Profile

West Coast Community College (WCCC) is a two-year public, credit-hour institution.

Academic Year/Program:	2 semesters 32 weeks
Period:	16 weeks 110 calendar days
Period Start Date:	January 8
Period End Date:	May 4
Institutionally Scheduled Break:	Yes, 7 days
Taking Attendance Required:	No
Method for Matching FSEOG:	Fund-specific

**Student Profile**

Bob Ellison is a first-time freshman at WCCC. Charges to his account are as follows:

Tuition and Fees:                   \$       1,000.00/16 week semester

School Authorized to Credit  
Account for Other Charges:           Yes (all charges)

Bob's financial aid package includes the following annual awards:

Pell Grant	\$	2,050.00
ACG	\$	750.00
FSEOG	\$	2,400.00

**Discussion**

Bob Ellison enrolled as a first-time freshman at (WCCC) for the spring semester on January 8. On January 18, Bob got a call from the state treasurer informing him that the programming job he had applied for six months ago was his for the taking. That same day, Bob contacted the Financial Aid Office to advise it that he was withdrawing from WCCC, begin WCCC's formal withdrawal process (11 calendar days into the semester), and find out what to do next. All of his financial aid for the semester had been disbursed.

**Solution**

The date of the institution's determination that Bob withdrew is the day he contacted the Financial Aid Office to advise the school that he was withdrawing from WCCC, January 18.

**STEP 1: Student's Title IV Aid Information**

**Box A.** Because WCCC uses the fund-specific method of matching FSEOG funds, 100% of Bob's FSEOG grant is used in the calculation. Title IV grant aid disbursed = \$2,600.00.

Pell Grant	\$	1,025.00
ACG	\$	375.00
FSEOG	\$	1,200.00
		\$ 2,600.00
A. =		\$ 2,600.00

**Box B.** Net Title IV loans disbursed = \$ 0.00.

**Box C.** Grants that could have been disbursed = \$ 0.00.

**Box D.** Net Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period =  $A + B = 2,600.00 + 0.00$   
= \$ 2,600.00.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period  
=  $A + C = 2,600.00 + 0.00 = \$ 2,600.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period  
=  $A + B + C + D = 2,600.00 + 0.00 + 0.00 + 0.00 = \$ 2,600.00$ .

### STEP 2: Percentage of Title IV Aid Earned

1. Payment period start date = January 8.
2. Payment period end date = May 4.
3. Date of withdrawal = January 18.
4. Percentage of payment period completed:
  - Number of calendar days completed = 11 calendar days.
  - Number of calendar days in payment period = 110 calendar days.
  - $11 \text{ days} \div 110 \text{ days} = .100$ . Percentage of payment period completed = 10.0%.

**Box H.** Because this percentage is less than 60%, the Percentage of Title IV aid earned = 10.0%.

### STEP 3: Amount of Title IV Aid Earned by Student

**Box I.** Multiply 10.0% (% of Title IV aid earned from Box H) X \$2,600.00 (total Title IV aid disbursed plus Title IV aid that could have been disbursed from Box G) = \$260.00 Amount of Title IV aid earned by student = \$260.00.

### STEP 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to item K. Post-withdrawal disbursement = N/A.

**Box K.** Because the total aid disbursed (Box E) is greater than the total aid earned (Box I), Title IV aid will need to be returned.

$\$2,600.00$  (Box E) –  $\$260.00$  (Box D) =  $\$2,340.00$ . Title IV aid to be returned =  $\$2,340.00$ .

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**Box L.** Institutional charges for the payment period or period of enrollment = \$1,000.00.  
 Tuition and Fees                      \$        1,000.00

**Box M.** Subtract 10.0%, the percentage of Title IV aid earned (Box H) from 100% ( $100\% - 10.0\% = 90.0\%$ ). Percentage of Title IV aid unearned = 90.0%.

**Box N.** First, calculate the unearned institutional charges. \$1,000.00 (institutional charges from Box L) X 90.0% (% Title IV aid unearned from Box M) = \$900.00 (no rounding needed). Amount of unearned institutional charges = \$900.00.

**Box O.** Then, compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N) and enter the lesser amount for Box O.

Box K =                                      \$        2,340.00  
 Box N =                                      \$        900.00

Amount of unearned Title IV aid due from the school = \$900.00.

**STEP 6: Return of Funds by the School**

**Box P.** The student had no loans, so the total loans the school must return = \$0.00

Box P =                                      \$            0.00

The student's Pell Grant (\$1,025.00) exceeds the amount the school must return (\$900.00), so the school must return \$900.00 to the Federal Pell Grant program. The school must return the funds as soon as possible, but no later than **45 days** from the date it determined Bob withdrew.

**STEP 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid that the school must return \$900.00 (Box O) from the total amount of Title IV aid that is to be returned \$2,340.00 (Box K).  $\$2,340.00 - \$900.00 = \$1,440.00$ . Initial amount of unearned Title IV aid due from student = \$1,440.00.

**STEP 8: Repayment of the Student's Loans**

**Box R.** The student had no loans, so the total loans the student must return = \$0.00.

### STEP 9: Grant Funds to be Returned

**Box S. Initial amount of Title IV grants for the student to return**

Subtract the amount of loans to be repaid by the student (\$0.00 from Box R) from the initial amount of unearned Title IV aid due from the student (\$1,440.00 from Box Q) to find the Initial amount of Title IV grants for the student to return.  $\$1,440.00 - \$0.00 = \$1,440.00$ .

**Box T. Amount of grant protection**

Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (\$2,600.00 from Box F) by 50%. Amount of grant protection =  $\$2,600.00 \times .50.0\% = \$1,300.00$ .

**Box U. Title IV grant funds for the student to return**

Subtract the protected amount of Title IV grants (\$1,300.00 from Box T) from the initial amount of Title IV grants for student to return (\$1,440.00 from Box S). Total grants for student to return =  $\$1,440.00 - \$1,300.00 = \$140.00$ .

### STEP 10: Return of Grant Funds by the Student

**Amount of Title IV grants for the student to return**

- Subtract the amount the school had to return to the Federal Pell Grant program \$900.00 from the amount Federal Pell Grant disbursed to the student \$1,025.00. Remaining unearned Pell Grant balance =  $\$1,025.00 - \$900.00 = \$125.00$ .
- Subtract the Remaining unearned Pell Grant balance of \$125.00 from the \$140.00 in Title IV grants for the student to return. ACG for student to return =  $\$140.00 - \$125.00 = \$15.00$ .

\* Because the \$15.00 to be returned to the ACG program is \$50.00 or less, it is considered a *de minimis* amount. Therefore, the school is not required to return it to the ACG program, report it to NSLDS, or refer it to ED collections.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	<input type="text" value="Bob Ellison"/>	Social Security Number	<input type="text" value="Example 2"/>
Date form completed	<input type="text"/>	Date of school's determination that student withdrew	<input type="text" value="1/18/"/>
Period used for calculation (check one)	<input checked="" type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment		

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the payment period or period of enrollment.
1. Pell Grant	<input type="text" value="1,025.00"/>	<input type="text"/>	<input type="text" value="A. 2,600.00"/>
2. Academic Competitiveness Grant	<input type="text" value="375.00"/>	<input type="text"/>	+ <input type="text" value="B. 00.00"/>
3. National SMART Grant	<input type="text"/>	<input type="text"/>	= <input type="text" value="E. \$ 2,600."/>
4. FSEOG	<input type="text" value="1,200.00"/>	<input type="text"/>	
<b>A.</b>	<input type="text" value="2,600.00"/>	<b>C.</b>	<input type="text" value="00.00"/>
	Subtotal	Subtotal	
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.
6. Unsubsidized FFEL/Direct Stafford Loan	<input type="text"/>	<input type="text"/>	<input type="text" value="A. 2,600.00"/>
7. Subsidized FFEL/Direct Stafford Loan	<input type="text"/>	<input type="text"/>	+ <input type="text" value="C. 00.00"/>
8. Perkins Loan	<input type="text"/>	<input type="text"/>	= <input type="text" value="F. \$ 2,600."/>
9. FFEL/Direct PLUS (Graduate Student)	<input type="text"/>	<input type="text"/>	
10. FFEL/Direct PLUS (Parent)	<input type="text"/>	<input type="text"/>	
<b>B.</b>	<input type="text" value="00.00"/>	<b>D.</b>	<input type="text" value="00.00"/>
	Subtotal	Subtotal	
			+ <input type="text" value="D. 00.00"/>
			= <input type="text" value="G. \$ 2,600."/>

## STEP 2: Percentage of Title IV Aid Earned

<input type="text" value="1 / 08 /"/>	<input type="text" value="5 04"/>	<input type="text" value="1 / 18 /"/>
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

### H. Percentage of payment period or period of enrollment completed

Determine the calendar days completed in the payment period or period of enrollment divided by the total calendar days in the payment period or period of enrollment (excluding scheduled breaks of five days or more AND days that the student was on an approved leave of absence).

<input type="text" value="11"/>	÷	<input type="text" value="110"/>	=	<input type="text" value="10.0 %"/>
Completed days		Total days		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
  - ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.
- H.**

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) times the total of the Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box G).

<input type="text" value="10.0 %"/>	×	<input type="text" value="2,600.00"/>	=	<input type="text" value="I. \$ 260.00"/>
Box H		Box G		

## STEP 4: Total Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ 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

Subtract Total Title IV aid disbursed for the payment period or period of enrollment (Box E) from the amount of Title IV aid earned (Box I). This is the amount of Post-withdrawal disbursement due.

**Stop here**, and enter the amount in Box 1 on page 3, the Post-withdrawal disbursement tracking sheet.

<input type="text"/>	-	<input type="text"/>	=	<input type="text" value="J. \$ NA."/>
Box I		Box E		

*Step 4 continued ▶*

Student's Name **Bob Ellison**

Social Security Number **Example 2**

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

**K. Title IV aid to be returned**  
 Subtract the amount of Title IV aid earned (Box I) from the Total Title IV aid disbursed for the payment period or period of enrollment (Box E). This is the amount of Title IV aid that must be returned.

**2,600.00** — **260.00** = **K.\$ 2,340.00**

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the payment period or period of enrollment**

Tuition	1,000.00
Room	
Board	
Other	
Other	
Other	

**Total Institutional Charges** = **L.\$ 1,000.00**  
(Add all the charges together)

**M. Percentage of unearned Title IV aid**  
**100%** — **10.0 %** = **M. 90.0 %**  
Box H

**N. Amount of unearned charges**  
 Multiply institutional charges for the payment period or period of enrollment (Box L) times the percentage of unearned Title IV aid (Box M).

**1,000.00** X **90.0 %** = **N.\$ 900.00**

Box L                      Box M

**O. Amount for school to return**  
 Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$ 900.00**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	
<b>Total loans the school must return = P.\$ 0.00</b>	
6. Pell Grant	900.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

Subtract the amount of Title IV aid due from the school (Box O) from the amount of Title IV aid to be returned (Box K).

**2,340.00** — **900.00** = **Q.\$ 1,440.00**

Box K                      Box O

**STEP 8: Repayment of the Student's loans**

Subtract the Total loans the school must return (Box P) from the Net loans disbursed to the student (Box B) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These outstanding loans consist either of loan funds the student has earned, or unearned loan funds that the school is not responsible for repaying, or both; and they are repaid to the loan holders according to the terms of the borrower's promissory note.

**0.00** — **0.00** = **R. 0.00**

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**  
 Subtract the amount of loans to be repaid by the student (Box R) from the initial amount of unearned Title IV aid due from the student (Box Q).

**1,440.00** — **0.00** = **S.\$ 1,440.00**

Box Q                      Box R

**T. Amount of Title IV grant protection**  
 Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (Box S) by 50%.

**2,600.00** X **50%** = **T.\$ 1,300.00**

Box S                      Box F

**U. Title IV grant funds for student to return**  
 Subtract the protected amount of Title IV grants (Box T) from the initial amount of Title IV grants for student to return (Box S).

**1,440.00** — **1,300.00** = **U.\$ 140.00**

Box S                      Box T

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied to the following sources in the order indicated, up to the total amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	125.00
2. Academic Competitiveness Grant	15.00*
3. National SMART Grant	
4. FSEOG	

### CASE STUDY 3: RICHARD SHERMAN

*When a student receiving Title IV grants and loans at a school that uses the Aggregate method for matching the school's FSEOG federal allocation withdraws unofficially.*

#### Learning Objectives

Learn to complete Steps 1–9 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet, and be able to:

- identify the basic information needed to complete the worksheet, including the withdrawal date and date of the institution's determination that the student withdrew for a student who withdraws unofficially;
- calculate the percentage of the payment period or period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned;
- determine the amount to be offered to the student or returned; and
- apply the Title IV grant protection.

#### School Profile

The Ultra Large State University (ULSU) is a four-year, semester-based, public institution that measures academic progress in credit hours and uses the Aggregate method for matching the school's FSEOG federal allocation with state grant funds.

Academic Year/Program	2 semesters 30 weeks
Period	15 weeks 100 calendar days
Period Start Date	September 1
Institutionally Scheduled Break	None
Required to Take Attendance	No
Method for Matching FSEOG	Aggregate

**Student Profile**

Richard Sherman is a third-year student with a 3.5 cumulative GPA majoring in engineering.

Tuition and fees	\$	4,000.00/15 week semester
Room	\$	1,000.00/15 week semester
Board	\$	1,000.00/15 week semester
Books and Supplies (credit voucher at school store)	\$	500.00/15 week semester

School Authorized to Credit  
Account for Other Charges: Yes (all charges)

Richard’s financial aid package included the following **annual** awards:

Pell Grant	\$	4,000.00
National SMART Grant	\$	4,000.00
State Grant	\$	1,000.00
FSEOG (Federal Portion)	\$	1,500.00
Net Unsubsidized Stafford Loan	\$	3,860.00

All of Richard’s financial aid for the first semester (i.e., 1/2 of his annual awards) was disbursed on the first day of classes.

**Discussion**

Richard is a brilliant computer engineering major in his third year at The ULSU. Over the summer between his second and third year Richard developed and submitted to Gigantic Computer Corporation (GCC) an idea for a new memory chip. In October, Richard got a six figure offer of employment from GCC. Richard was so excited by the offer that he packed his bags and headed for Seattle without telling anyone at the school that he was leaving.

Instructors at The ULSU must report a last date of attendance (LDA) whenever they submit a non-passing grade, and those dates appear on a report of Title IV recipients who failed to earn a passing grade in any of their classes that is provided by the Computer Center to the financial aid office at the end of each grading period.

On December 16, after grades have been submitted for the fall semester, the Computer Center at The ULSU ran the program that identified Title IV recipients who failed to earn a passing grade in any of their classes. When the aid office received and evaluated the report for the fall semester it found that Richard’s LDA was October 10. Because Richard did not provide official notification of his withdrawal, he is considered an unofficial withdrawal.

At the beginning of the semester, the following awards were posted to Richard's account at ULSU.

Pell Grant	\$	2,000.00
National SMART Grant	\$	2,000.00
State Grant	\$	500.00
FSEOG	\$	750.00
Unsubsidized Stafford	\$	1,930.00

### Solution

The date of the institution's determination that Richard withdrew is the date the aid office received and processed the report from the Computer Center. Date of institution's determination that the student withdrew = December 16.

Note: For a student who withdraws without providing notification from a school that is not required to take attendance the school must determine the withdrawal date no later than 30 days after the end of the earlier of (1) the payment period or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

### STEP 1: Student's Title IV Aid Information

**Box A.** Because The ULSU uses the Aggregate method for matching the school's FSEOG federal allocation, the state grant funds that make up the match are excluded from the Return calculation.

Title IV grant aid disbursed –		
Pell Grant	\$	2,000.00
National Smart Grant	\$	2,000.00
FSEOG	\$	750.00
		4,750.00
<b>A.</b>	=	\$ 4,750.00

**Box B.** Net Title IV loans disbursed,  
Unsubsidized FFEL/Direct Stafford = \$ 1,930.00

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Net Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period = A + B = 4,750.00 + 1,930.00  
= \$ 6,680.00.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period  
 $= A + C = 4,750.00 + 0.00 = \$ 4,750.00.$

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period  
 $= A + B + C + D = 4,750.00 + 1,930.00 + 0.00 + 0.00 = \$ 6,680.00.$

### STEP 2: Percentage of Title IV Aid Earned

Because Richard did not officially withdraw from school and The ULSU is not required to take attendance by an outside agency (other than for a one day snapshot for state census purposes) the school may use either the midpoint of the payment period or the last date of Richard's attendance in an academically related activity as the withdrawal date. The school elects to choose the midpoint of the period as Richard's withdrawal date.

1. Payment period start date = September 1
2. Payment period end date = December 9
3. Date of withdrawal = October 20<sup>1</sup>
4. Percentage of payment period completed
  - Number of calendar days completed = 50<sup>2</sup>
  - Number of calendar days in the payment period = 100
  - $50 \text{ days} \div 100 \text{ days} = 0.5000$ . Percentage of payment period completed = 50.0%

**Box H.** Because this percentage is less than 60%, the Percentage of Title IV aid earned = 50.0%.

### STEP 3: Amount of Title IV Aid Earned by the Student

**Box I.**  $50.0\%$  (Percentage of Title IV aid earned from Box H) X  $\$6,680.00$  (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) =  $\$3,340.00$ . Amount of Title IV aid earned by the student =  $\$3,340.00$ .

### STEP 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.  
Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.  
 $\$6,680.00$  (Box E) –  $\$3,340.00$  (Box I) =  $\$3,340.00$ . Title IV Aid to be returned =  $\$3,340.00$ .

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1, 2 The midpoint of the period, or 50 of 100 days.

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**Box L.** Institutional charges for the payment period or period of enrollment = \$6,500.00.

Tuition and fees	\$	4,000.00
Room	\$	1,000.00
Board	\$	1,000.00
Books	\$	500.00

**Box M.** Subtract the percentage of Title IV earned from Box H (50.0%) from 100.0%.  $100\% - 50.0\% = 50.0\%$ . Percentage of Title IV aid unearned = 50.0%.

**Box N.** Calculate the amount of unearned charges. \$6,500.00 (institutional charges from Box L) X 50% (% of Title IV aid unearned from Box M) = \$3,250.00 (no rounding needed). Amount of unearned institutional charges = \$3,250.00.

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	\$	3,340.00
Box N =	\$	3,250.00

Amount of unearned Title IV aid due from the school = \$3,250.00.

**STEP 6: Return of Funds by the School**

**Box P.** The only Title IV loan disbursement Richard received was an Unsubsidized FFEL Stafford loan disbursement of \$1,930.00. Since \$1,930.00 is less than the \$3,250.00 (Box O) the school must return, the school must return the entire \$1,930.00. Box P = \$1,930.00.

After the school returns \$1,930.00 to the Title IV loan programs, \$1,320.00 remains to be returned by the school (\$3,250 (from Box O) – \$1,930 (from Box P)). Richard received \$2,000.00 in Pell Grant funds, so the school returns the \$1,320.00 to the Pell Grant program.

**STEP 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid the school must return (\$3,250.00 from Box O) from the total amount of Title IV aid that is to be returned (\$3,340.00 from Box K) to find the Initial amount of Title IV aid Due from the Student.  $\$3,340.00 - \$3,250.00 = \$90.00$ .

**STEP 8: Repayment of the Student's Loans**

**Box R.** Subtract the Total Loans the school must return (\$1,930.00 from Box P) from the Net Loans Disbursed to the Student (\$1,930.00 from Box B) to find the total of the loans the student must repay  $\$1,930.00 - \$1,930.00 = \$0.00$ .

**Remember,** you must notify the holder of Richard's loan that he has withdrawn from school.

## STEP 9: Grant Funds to be Returned

**Box S. Initial amount of Title IV grants for the student to return**

Subtract the amount of loans to be repaid by the student (\$0.00 from Box R) from the Initial Amount of Unearned aid due from the student (\$90.00 from Box Q) to find the Initial amount of Title IV grants for the student to return.  $\$90.00 - \$0.00 = \$90.00$ .

**Box T. Amount of grant protection**

Multiply the Total of Title IV grant aid disbursed or could have been disbursed for the payment period or period of enrollment (\$4,740.00 from Box F) by 50.0%.  $\$4,750 \times 50.0\% = \$2,375.00$ .

**Box U. Title IV grant funds for the student to return**

Subtract the amount of grant protection (\$2,375.00 from Box T) from the initial amount of Title IV grants for the student to return (\$90.00 from Box S) to find the Title IV grant funds for the student to return.  $\$90.00 - \$2375.00 = \$0.00^1$ .

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<sup>1</sup> If this amount is less than or equal to \$0.00, enter = NA, and stop here. Richard is not required to return any Title IV grant funds.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	Richard Sherman	Social Security Number	Example 3
Date form completed		Date of school's determination that student withdrew	12/16/
<input checked="" type="checkbox"/>		<input type="checkbox"/>	

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed																					
1. Pell Grant	2,000.00		<b>E. Total Title IV aid disbursed for the payment period or period of enrollment.</b> <table style="width: 100%;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%; text-align: right;">4,750.00</td></tr> <tr><td>+</td><td>B.</td><td style="text-align: right;">1,930.00</td></tr> <tr><td>=</td><td><b>E. \$</b></td><td style="text-align: right;">6,680.00</td></tr> </table>	A.	4,750.00	+	B.	1,930.00	=	<b>E. \$</b>	6,680.00												
A.	4,750.00																						
+	B.	1,930.00																					
=	<b>E. \$</b>	6,680.00																					
2. Academic Competitiveness Grant																							
3. National SMART Grant	2,000.00																						
4. FSEOG	750.00																						
<b>A.</b> 4,750.00 Subtotal		<b>C.</b> 0.00 Subtotal																					
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed																					
5. Unsubsidized FFEL/Direct Stafford Loan	1,930.00		<b>F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.</b> <table style="width: 100%;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%; text-align: right;">4,750.00</td></tr> <tr><td>+</td><td>C.</td><td style="text-align: right;">0.00</td></tr> <tr><td>=</td><td><b>F. \$</b></td><td style="text-align: right;">4,750.00</td></tr> </table> <b>G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.</b> <table style="width: 100%;"> <tr><td style="width: 50%;">A.</td><td style="width: 50%; text-align: right;">4,750.00</td></tr> <tr><td>B.</td><td style="text-align: right;">1,930.00</td></tr> <tr><td>C.</td><td style="text-align: right;">0.00</td></tr> <tr><td>+</td><td>D.</td><td style="text-align: right;">0.00</td></tr> <tr><td>=</td><td><b>G. \$</b></td><td style="text-align: right;">6,680.00</td></tr> </table>	A.	4,750.00	+	C.	0.00	=	<b>F. \$</b>	4,750.00	A.	4,750.00	B.	1,930.00	C.	0.00	+	D.	0.00	=	<b>G. \$</b>	6,680.00
A.	4,750.00																						
+	C.	0.00																					
=	<b>F. \$</b>	4,750.00																					
A.	4,750.00																						
B.	1,930.00																						
C.	0.00																						
+	D.	0.00																					
=	<b>G. \$</b>	6,680.00																					
6. Subsidized FFEL/Direct Stafford Loan																							
7. Perkins Loan																							
8. FFEL/Direct PLUS (Graduate Student)																							
9. FFEL/Direct PLUS (Parent)																							
<b>B.</b> 1,930.00 Subtotal		<b>D.</b> 0.00 Subtotal																					

## STEP 2: Percentage of Title IV Aid Earned

09 / 01 /	12 / 09 /	10 / 20 /
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date.

**H. Percentage of payment period or period of enrollment completed**  
Determine the calendar days completed in the payment period or period of enrollment divided by the total calendar days in the payment period or period of enrollment (excluding scheduled breaks of five days or more AND days that the student was on an approved leave of absence).

50	÷	100	=	50.0 %
Completed days		Total days		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.** 50.0 %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) times the total of the Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box G).

50.0 %	×	6,680.00	=	I. \$ 3,340.00
Box H		Box G		

## STEP 4: Total Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ 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**  
Subtract Total Title IV aid disbursed for the payment period or period of enrollment (Box E) from the amount of Title IV aid earned (Box I). This is the amount of Post-withdrawal disbursement due. **Stop here**, and enter the amount in Box 1 on page 3, the Post-withdrawal disbursement tracking sheet.

[ ]	-	[ ]	=	J. \$ NA .
Box I		Box E		Step 4 continued ▶

Student's Name

Social Security Number

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

**K. Title IV aid to be returned**  
 Subtract the amount of Title IV aid earned (Box I) from the Total Title IV aid disbursed for the payment period or period of enrollment (Box E). This is the amount of Title IV aid that must be returned.

= **K.\$**

Box E                      Box I

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the payment period or period of enrollment**

Tuition	<input type="text" value="4,000.00"/>
Room	<input type="text" value="1,000.00"/>
Board	<input type="text" value="1,000.00"/>
(Books) Other	<input type="text" value="500.00"/>
Other	<input type="text"/>
Other	<input type="text"/>

**Total Institutional Charges** = **L.\$**   
*(Add all the charges together)*

**M. Percentage of unearned Title IV aid**  
**100%**   % = **M.**  %  
Box H

**N. Amount of unearned charges**  
 Multiply institutional charges for the payment period or period of enrollment (Box L) times the percentage of unearned Title IV aid (Box M).

**x**  % = **N.\$**

Box L                      Box M

**O. Amount for school to return**  
 Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$**

**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	<input type="text" value="1,930.00"/>
2. Subsidized FFEL/Direct Stafford Loan	<input type="text"/>
3. Perkins Loan	<input type="text"/>
4. FFEL/Direct PLUS (Graduate Student)	<input type="text"/>
5. FFEL/Direct PLUS (Parent)	<input type="text"/>

**Total loans the school must return** = **P.\$**

6. Pell Grant	<input type="text" value="1,320.00"/>
7. Academic Competitiveness Grant	<input type="text"/>
8. National SMART Grant	<input type="text"/>
9. FSEOG	<input type="text"/>

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

Subtract the amount of Title IV aid due from the school (Box O) from the amount of Title IV aid to be returned (Box K).

= **Q.\$**

Box K                      Box O

**STEP 8: Repayment of the Student's loans**

Subtract the Total loans the school must return (Box P) from the Net loans disbursed to the student (Box B) to find the amount of Title IV loans the student is still responsible for repaying (Box R). These outstanding loans consist either of loan funds the student has earned, or unearned loan funds that the school is not responsible for repaying, or both; and they are repaid to the loan holders according to the terms of the borrower's promissory note.

= **R.\$**

Box B                      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned**

**S. Initial amount of Title IV grants for student to return**  
 Subtract the amount of loans to be repaid by the student (Box R) from the initial amount of unearned Title IV aid due from the student (Box Q).

= **S.\$**

Box Q                      Box R

**T. Amount of Title IV grant protection**  
 Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (Box F) by 50%.

**x**  = **T.\$**

Box F

**U. Title IV grant funds for student to return**  
 Subtract the protected amount of Title IV grants (Box T) from the initial amount of Title IV grants for student to return (Box S).

= **U.\$**

Box S                      Box T

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied to the following sources in the order indicated, up to the total amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	<input type="text"/>
2. Academic Competitiveness Grant	<input type="text"/>
3. National SMART Grant	<input type="text"/>
4. FSEOG	<input type="text"/>

## CASE STUDY 4: HARRY SPRINGER

*When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a period of enrollment basis, withdraws unofficially.*

### Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds when a Student Withdraws from a Clock-Hour Program worksheet, and be able to:

- determine withdrawal date for student who did not provide notification of intent to withdraw at a school required to take attendance;
- determine the scheduled clock hours;
- calculate the percentage of the period of enrollment the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

#### School Profile

Quality Tech School (QTS) is a proprietary school that measures academic progress in clock hours.

Academic Year/Program/ Period of Enrollment	900 hours/30 weeks
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Payment Period	450 hours
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Period Start Date	January 8
-------------------	-----------

Period End Date	August 3
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Institutionally Scheduled Break	None
---------------------------------	------

Required to Take Attendance	Yes
-----------------------------	-----

Period used in Return calculation	Period of Enrollment
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**Student Profile**

Harry Springer enrolled at QTS for a 30-week program of study period consisting of 900 clock hours offered over 30 weeks. The first payment period is 450 clock hours. Charges to Harry’s account are as follows:

Tuition and fees	\$	8,000.00/30 week program
Room	\$	non-residential program
Board	\$	non-residential program
Books and Supplies	\$	500.00/program

School Authorized to Credit  
 Account for Other Charges: Yes (all charges)

Harry’s financial aid package included the following **annual** awards:

Pell Grant	\$	4,000.00
Net Subsidized Stafford Loan	\$	3,860.00

All of Harry’s financial aid for the first payment period (450 clock hours, i.e. one-half his annual awards) was disbursed on the first day of classes.

**Discussion**

On the first day of the winter period, January 8, Harry received the following disbursements to his student account:

Pell Grant	\$	2,000.00
Subsidized Stafford Loan	\$	1,930.00

Everything seemed to be going very well for Harry. It wasn’t until January 26 that the school discovered Harry hadn’t been attending classes and didn’t plan on returning. The director of the program notified the aid office that Harry’s last day of attendance was January 17 (through which time Harry was scheduled to have attended 45 hours), and the aid office began the withdrawal process and required calculations.

**Solution**

The date of the institution's determination that Harry withdrew (January 26) is the date the aid office received the information from the Director of Student Services. Because QTS is required to take attendance, Harry's withdrawal date is his last day of attendance at an academically related activity, January 17.

At the beginning of the semester, the following awards were posted to Harry's account at QTS.

Pell Grant	\$	2,000.00
Subsidized Stafford Loan	\$	1,930.00

**STEP 1: Student's Title IV Aid Information**

**Box A.** Title IV grant aid disbursed –

Pell Grant	\$	2,000.00
------------	----	----------

A. =	\$	2,000.00
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**Box B.** Net Title IV loans disbursed –

Unsubsidized FFEL/Direct Stafford	\$	1,930.00
-----------------------------------	----	----------

B. =	\$	1,930.00
------	----	----------

**Box C.** Because QTS uses the period of enrollment as the basis for its Return calculation, the \$2,000 in Pell funds Harry was scheduled to receive once he had completed the first 450 hours of his program is included as Title IV grants that could have been disbursed.

C. =	\$	2,000.00
------	----	----------

**Box D.** Because QTS uses the period of enrollment as the basis for its Return calculation, the \$1,930.00 in Subsidized Stafford Loan funds Harry was scheduled to receive once he had completed the first 450 hours and the calendar midpoint of his program of his program is included as Title IV grants that could have been disbursed.

D. =	\$	1,930.00
------	----	----------

**Box E.** Total Title IV aid disbursed for the period of enrollment = A + B = 2,000.00 + 1,930.00 = \$ 3,930.00.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the period of enrollment = A + C = 2,000.00 + 2,000.00 = \$ 4,000.00.

**Box G.** Total Title IV aid disbursed and could have been disbursed for the period of enrollment = A + B + C + D = 2,000.00 + 1,930.00 + 2,000.00 + 1,930.00 = \$ 7,860.00.

## STEP 2: Percentage of Title IV Aid Earned

Because QTS is required to take attendance by an outside agency the school must use the last date of Harry's attendance in an academically related activity as determined from its attendance records as the withdrawal date. Harry's last date of attendance was January 17.

1. Period of enrollment start date = January 8.
2. Period of enrollment end date = August 3.
3. Date of withdrawal = January 17.

**Box H.** Percentage of payment period completed

Under the Higher Education Reconciliation Act of 2005 (HERA), only scheduled hours are used to determine the percentage of the period completed by a student withdrawing from a clock-hour program. The percentage of the period completed by a student is determined by dividing the number of hours the student was scheduled to complete in the payment period or period of enrollment as of the day the student withdrew, by the total number of clock hours in the same period.

- Number of clock hours Harry was scheduled to complete on January 17 = 45.
- Number of clock hours in the period of enrollment = 900.
- $45 \text{ clock hours} \div 900 \text{ clock hours} = 0.050$ .

Percentage of period of enrollment completed = 5.0%.

Because this percentage is less than 60%, the Percentage of Title IV aid earned, Box H = 5.0%.

## STEP 3: Amount of Title IV Aid Earned by the Student

**Box I.**  $5.0\%$  (Percentage of Title IV aid earned from Box H) X  $\$7,860.00$  (Total of the Title IV aid disbursed and could have been disbursed for the period of enrollment from Box G) =  $\$393.00$ . Amount of Title IV aid earned by the student =  $\$393.00$ .

## STEP 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

$\$3,930.00$  (Box E) –  $\$393.00$  (Box I) =  $\$3,537.00$ . Title IV Aid to be returned =  $\$3,537.00$ .

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**Box L.** Institutional charges for the period of enrollment = \$8,500.00.

Tuition and fees	\$	8,000.00
Books & Supplies	\$	500.00

**Box M.** Subtract the percentage of Title IV earned from Box H (5.0%) from 100.0%.  $100\% - 5.0\% = 95.0\%$ . Percentage of Title IV aid unearned = 95.0%.

**Box N.** Calculate the amount of unearned charges.  $\$8,500.00$  (institutional charges from Box L) X 95% (% of Title IV aid unearned from Box M) =  $\$8,075.00$  (no rounding needed).  
Amount of unearned institutional charges =  $\$8,075.00$ .

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	\$	3,537.00
Box N =	\$	8,075.00

Amount of unearned Title IV aid due from the school =  $\$3,537.00$ .

**STEP 6: Return of Funds by the School**

**Box P.** The only Title IV loan disbursement Richard received was a Subsidized FFEL Stafford loan disbursement of \$1,930.00. Since \$1,930.00 is less than the \$3,537.00 (Box O) the amount the school must return, the school must return the entire \$1,930.00 to the FFEL program.

Box P =	\$	1,930.00
---------	----	----------

After the school returns \$1,930.00 to the FFEL program, the balance to be returned by the school is \$1,607.00 ( $\$3,537.00$  (from Box O) –  $\$1,930.00$  (from Box P)). Harry received \$2,000.00 in Pell Grant funds, so the school returns the \$1,607.00 to the Pell Grant program.

The school must return any unearned funds within 45 days from the date of the institution's determination that Harry withdrew.

**STEP 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid the school must return ( $\$3,537.00$  from Box O) from the total amount of Title IV aid that is to be returned ( $\$3,537.00$  from Box K) to find the Initial amount of Title IV aid Due from the Student.  $\$3,537.00 - \$3,537.00 = \$0.00$ .

### STEP 8: Repayment of the Student's Loans

**Box R.** Subtract the Total Loans the school must return (\$1,930.00 from Box P) from the Net Loans Disbursed to the Student (\$1,930.00 from Box B) to find the total of the loans the student must repay  $\$1,930.00 - \$1,930.00 = \$0.00$ .

Since the amount from Box Q (\$0.00) is equal to (or less than) the amount from Box R (\$0.00), the calculation ends here.

**Remember,** you must notify the holder of Harry's loan that he has withdrawn from school.

# Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name	Harry Springer	Social Security Number	Example 4
Date form completed	/  /	Date of school's determination that student withdrew	1 / 26 /
Period used for calculation (check one)	<input type="checkbox"/> Payment period	<input checked="" type="checkbox"/> Period of enrollment	

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the payment period or period of enrollment.
1. Pell Grant	\$2,000.00	\$2,000.00	A. \$2,000.00
2. Academic Competitiveness Grant			+ B. \$1,930.00
3. National SMART Grant			= E.\$ \$3,930.00
4. FSEOG			
<b>A.</b> \$2,000.00 Subtotal		<b>C.</b> \$2,000.00 Subtotal	
			<b>F.</b> Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.
			A. \$2,000.00
			+ C. \$2,000.00
			= <b>F.\$</b> \$4,000.00
Title IV Loan Programs	Net Amount Disbursed	Amount that Could Have Been Disbursed	G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.
5. Unsubsidized FFEL/Direct Stafford Loan	\$1,930.00	\$1,930.00	A. \$2,000.00
6. Subsidized FFEL/Direct Stafford Loan			B. \$1,930.00
7. Perkins Loan			C. \$2,000.00
8. FFEL/Direct PLUS (Graduate Student)			+ D. \$1,930.00
9. FFEL/Direct PLUS (Parent)			= <b>G.\$</b> \$7,860.00
<b>B.</b> \$1,930.00 Subtotal		<b>D.</b> \$1,930.00 Subtotal	

## STEP 2: Percentage of Title IV Aid Earned

Withdrawal date: 1 / 17 /

**H. Determine the percentage of payment period or period of enrollment completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the payment period or period of enrollment by the total clock hours in the payment period or period of enrollment.

45	÷	900	=	5.00 %
<small>Hours scheduled to complete</small>		<small>Total hours in period</small>		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.** 5.00 %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) times the total of the Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box G).

5.00%	x	\$7,860.00	=	I.\$ \$393.00
<small>Box H</small>		<small>Box G</small>		

## STEP 4: Total Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ 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

Subtract Total Title IV aid disbursed for the payment period or period of enrollment (Box E) from the amount of Title IV aid earned (Box I). This is the amount of Post-withdrawal disbursement due. **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

	-		=	J.\$ NA .
<small>Box I</small>		<small>Box E</small>		

### K. Title IV aid to be returned

Subtract the amount of Title IV aid earned (Box I) from the Total Title IV aid disbursed for the payment period or period of enrollment (Box E). This is the amount of Title IV aid that must be returned.

\$3,930.00	-	\$393.00	=	K.\$ \$3,537.00
<small>Box E</small>		<small>Box I</small>		

Student's Name **Harry Springer**

Social Security Number **Example 4**

### STEP 5: Amount of Unearned Title IV Aid Due from the School

**L. Institutional charges for the payment period or period of enrollment**

Tuition	\$8,000.00
Room	
Board	
Books & Supplies	\$500.00
Other	
Other	

**Total Institutional Charges**  
(Add all the charges together) = **L.\$ 8,500.00**

**M. Percentage of unearned Title IV aid**

100% - **5.00 %** = **M. 95.00 %**  
Box H

**N. Amount of unearned charges**  
Multiply institutional charges for the payment period or period of enrollment (Box L) times the percentage of unearned Title IV aid (Box M).

**\$8,500.00** x **95.00 %** = **N.\$ 8,075.00**  
Box L      Box M

**O. Amount for school to return**  
Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$ 3,537.00**

### STEP 6: Return of Funds by the School

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	\$1,930.00
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	
<b>Total loans the school must return = P.\$ 1,930.00</b>	
6. Pell Grant	\$1,607.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	

### STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student

Subtract the amount of Title IV aid due from the school (Box O) from the amount of Title IV aid to be returned (Box K).

**\$3,537.00** - **\$3,537.00** = **Q.\$ 0.00**  
Box K      Box O

### STEP 8: Repayment of the Student's loans

Subtract the Total loans the school must return (Box P) from the Net loans disbursed to the student (Box B) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These outstanding loans consist either of loan funds the student has earned, or unearned loan funds that the school is not responsible for repaying, or both; and they are repaid to the loan holders according to the terms of the borrower's promissory note.

**\$1,930.00** - **\$1,930.00** = **R.\$ 0.00**  
Box B      Box P

▶ If Box Q is less than or equal to Box R, **STOP**. The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

### STEP 9: Grant Funds to be Returned

**S. Initial amount of Title IV grants for student to return**  
Subtract the amount of loans to be repaid by the student (Box R) from the initial amount of unearned Title IV aid due from the student (Box Q).

**Box Q** - **Box R** = **S. .**

**T. Amount of Title IV grant protection**  
Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (Box F) by 50%.

**Box F** x **50%** = **T. .**

**U. Title IV grant funds for student to return**  
Subtract the protected amount of Title IV grants (Box T) from the initial amount of Title IV grants for student to return (Box S).

**Box S** - **Box T** = **U. .**

### STEP 10: Return of Grant Funds by the Student

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied to the following sources in the order indicated, up to the total amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	

## CASE STUDY 5: JORDAN AIRE

*When a student receiving Title IV grants and loans at a school that measures academic progress in clock hours and performs its Return calculations on a payment period basis, withdraws unofficially.*

### Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds when a Student Withdraws from a Clock-Hour Program worksheet, and be able to:

- determine withdrawal date for student who did not provide notification of intent to withdraw at a school required to take attendance;
- determine the scheduled clock hours;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

#### School Profile

Learn to Earn Technical School (LETS) is a proprietary school that measures academic progress in clock hours.

Academic Year/Program/ Period of Enrollment	900 hours/30 weeks
Payment Period	450 hours
Period Start Date	April 2
Period End Date	October 26
Institutionally Scheduled Break	None
Required to Take Attendance	Yes
Period used in Return calculation	Payment Period

**Student Profile**

Jordan Aire enrolled at LETS for a 30-week program of study period consisting of 900 clock hours offered over 30 weeks. The first payment period is 450 clock hours. Charges to Jordan's account are as follows:

Tuition and fees	\$	9,000.00/30 week program
Room	\$	non-residential program
Board	\$	non-residential program
Books and Supplies	\$	500.00/program

School Authorized to Credit  
 Account for Other Charges: Yes (all charges)

Jordan's financial aid package included the following **annual** awards:

Pell Grant	\$	4,000.00
Net Subsidized Stafford Loan	\$	3,860.00

All of Jordan's financial aid for the first payment period (450 clock hours, i.e. one-half his annual awards) was disbursed on the first day of classes.

**Discussion**

On the first day of the period, April 2, Jordan received the following disbursements to his student account:

Pell Grant	\$	2,000.00
Subsidized Stafford Loan	\$	1,930.00

On May 3 the Retention Specialist at LETS is informed by the director of Jordan's program that since April 21, Jordan has not been attending classes. The Retention Specialist contacts Jordan who tells him that he's been ill, but plans on coming back to school during the next week. Since this falls within the time period for excused absences allowed by school policy as well as absences allowed by the state and the school's accrediting agency, the school delays taking any action. However, on May 11 when the Retention Specialist follows up with the Program Director, he finds that Jordan has not returned to school. Since Jordan has now exceeded the number of absences allowed by school policy, LETS must administratively withdraw Jordan from school.

Note: Remember that institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days after the student's withdrawal date.

The institution is not required to administratively withdraw a student who has been absent for 14 days. However, after 14 days, it is expected to have determined whether the student intends to return to classes or has withdrawn. Moreover, the institution must return any unearned funds within 45 days of the date of the institution's determination that Jordan withdrew (May 4).

### Solution

Jordan's withdrawal date is his last day of attendance at an academically related activity as determined from the school's attendance records, April 20.

The school must use May 4 (14 days from the student's last day of attendance) as the date of the institution's determination that the student withdrew.

At the beginning of the semester, the following awards were posted to Jordan's account at LETS.

Pell Grant	\$	2,000.00
Subsidized Stafford Loan	\$	1,930.00

### STEP 1: Student's Title IV Aid Information

**Box A.** Title IV grant aid disbursed –

Pell Grant	\$	2,000.00
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<b>A. =</b>	\$	2,000.00
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**Box B.** Net Title IV loans disbursed –

Unsubsidized FFEL/Direct Stafford =	\$	1,930.00
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<b>B. =</b>	\$	1,930.00
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**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period =  $A + B = 2,000.00 + 1,930.00 = \$ 3,930.00$ .

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period =  $A + C = 2,000.00 + 0.00 = \$ 2,000.00$ .

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period =  $A + B + C + D = 2,000.00 + 1,930.00 + 0.00 + 0.00 = \$ 3,930.00$ .

## STEP 2: Percentage of Title IV Aid Earned

Because LETS is required to take attendance by an outside agency, the school must use the last date of Jordan's attendance in an academically related activity as determined from its attendance records as the withdrawal date. Jordan's last date of attendance was April 20.

1. Payment Period start date = April 2.
2. Payment Period end date = October 26.
3. Date of withdrawal = April 20.

**Box H.** Percentage of payment period completed

Under the Higher Education Reconciliation Act of 2005 (HERA), only scheduled hours are used to determine the percentage of the period completed by a student withdrawing from a clock-hour program. The percentage of the period completed by a student is determined by dividing the number of hours the student was scheduled to complete in the payment period or period of enrollment as of the day the student withdrew, by the total number of clock hours in the same period.

- Number of clock hours Jordan was scheduled to complete on April 20 = 90
- Number of clock hours in the payment period = 450
- $90 \text{ clock hours} \div 450 \text{ clock hours} = 0.20$ .

Percentage of payment period completed = 20.0%

Because this percentage is less than 60%, the Percentage of Title IV aid earned in Box H = 20.0%.

## STEP 3: Amount of Title IV Aid Earned by the Student

**Box I.** 20.0% (Percentage of Title IV aid earned from Box H) X \$3,930.00 (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) = \$786.00. Amount of Title IV aid earned by the student = \$786.00.

## STEP 4: Total Title IV Aid to be Disbursed or Returned

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

$\$3,930.00 \text{ (Box E)} - \$786.00 \text{ (Box I)} = \$3,144.00$ . Title IV Aid to be returned = \$3,144.00.

**STEP 5: Amount of Title IV Aid Due from the School**

**Box L.** A school that charges by the period of enrollment but performs its Return calculation on a payment period basis before entering data in STEP 5, Part L, of the Return calculation, must determine whether it must enter: (a) the prorated amount of all institutional charges, or (b) the amount the school retained. To do this, first, the school prorates all institutional charges. Then, the school determines the amount actually retained. The school compares the two results and enters in STEP 5, Part L the greater of the two amounts. Because LETS provides students with their books and supplies on the first day of class, and retains 100% of those fees in, addition to the tuition charged for the first payment period, LETS must include 100% of the cost of those books and supplies in its institutional charges for the first payment period.

Institutional charges for the payment period = \$5,000.00.

Tuition and fees	\$	4,500.00
Books & Supplies	\$	500.00

**Box M.** Subtract the percentage of Title IV earned from Box H (20.0%) from 100.0%.  $100\% - 20.0\% = 80.0\%$ . Percentage of Title IV aid unearned = 80.0%.

**Box N.** Calculate the amount of unearned charges.  $\$5,000.00$  (institutional charges from Box L) X 80% (% of Title IV aid unearned from Box M) =  $\$4,000.00$  (no rounding needed). Amount of unearned institutional charges =  $\$4,000.00$ .

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =	\$	3,144.00
Box N =	\$	4,000.00

Amount of unearned Title IV aid due from the school =  $\$3,144.00$ .

**STEP 6: Return of Funds by the School**

**Box P.** Jordan received a Subsidized FFEL Stafford loan disbursement of  $\$1,930.00$ . Since  $\$1,930.00$  is less than the  $\$3,144.00$  (Box O) the school must return, the school must return  $\$1,930.00$  to the lender. Box P =  $\$1,930.00$ .

After the school returns  $\$1,930.00$  to the Title IV loan programs, the balance to be returned by the school is  $\$1,214.00$  ( $\$3,144.00$  (from Box O) –  $\$1,930$  (from Box P)). Jordan received  $\$2,000.00$  in Pell Grant funds, so the school returns  $\$1,214.00$  to the Pell Grant program.

The school must return any unearned funds within 45 days from the date of the institution's determination that Jordan withdrew (May 4).

### STEP 7: Initial Amount of Unearned Title IV Aid Due from Student

**Box Q.** Subtract the amount of Title IV aid the school must return (\$3,144.00 from Box O) from the total amount of Title IV aid that is to be returned (\$3,144.00 from Box K) to find the Initial amount of Title IV aid Due from the Student.  $\$3,144.00 - \$3,144.00 = \$0.00$ .

### STEP 8: Repayment of the Student's Loans

**Box R.** Subtract the Total Loans the school must return (\$1,930.00 from Box P) from the Net Loans Disbursed to the Student (\$1,930.00 from Box B) to find the total of the loans the student must repay  $\$1,930.00 - \$1,930.00 = \$0.00$ .

Since the amount from Box Q (\$0.00) is equal to (or less than) the amount from Box R (\$0.00), the calculation ends here.

**Remember,** you must notify the holder of Jordan's loan that he has withdrawn from school.

# Treatment Of Title IV Funds When A Student Withdraws From A Clock-Hour Program

Student's Name	Jordan Aire	Social Security Number	Example 5
Date form completed	/ /	Date of school's determination that student withdrew	5 / 04 /
Period used for calculation (check one)	<input checked="" type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment		

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed	E. Total Title IV aid disbursed for the payment period or period of enrollment.
1. Pell Grant	\$2,000.00	\$0.00	A. \$2,000.00
2. Academic Competitiveness Grant			+ B. \$1,930.00
3. National SMART Grant			= E. \$3,930.00
4. FSEOG			
<b>A.</b> Subtotal	\$2,000.00	<b>C.</b> \$0.00	
<b>F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.</b>			
			A. \$2,000.00
			+ C. \$ 0.00
			= F. \$2,000.00
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed	G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.
5. Unsubsidized FFEL/Direct Stafford Loan	\$1,930.00	\$0.00	A. \$2,000.00
6. Subsidized FFEL/Direct Stafford Loan			B. \$1,930.00
7. Perkins Loan			C. \$0.00
8. FFEL/Direct PLUS (Graduate Student)			+ D. \$0.00
9. FFEL/Direct PLUS (Parent)			= G. \$3,930.00
<b>B.</b> Subtotal	\$1,930.00	<b>D.</b> \$0.00	

## STEP 2: Percentage of Title IV Aid Earned

Withdrawal date: 4 / 20 /

**H. Determine the percentage of payment period or period of enrollment completed:**  
Divide the clock hours scheduled to have been completed as of the withdrawal date in the payment period or period of enrollment by the total clock hours in the payment period or period of enrollment.

90	÷	450	=	20.00 %
Hours scheduled to complete		Total hours in period		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

**H.** 20.00 %

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) times the total of the Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box G).

20.00%	×	\$3,930.00	=	I. \$786.00
Box H		Box G		

## STEP 4: Total Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ 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**  
Subtract Total Title IV aid disbursed for the payment period or period of enrollment (Box E) from the amount of Title IV aid earned (Box I). This is the amount of Post-withdrawal disbursement due. **Stop here**, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

Box I	-	Box E	=	J. NA.
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**K. Title IV aid to be returned**  
Subtract the amount of Title IV aid earned (Box I) from the Total Title IV aid disbursed for the payment period or period of enrollment (Box E). This is the amount of Title IV aid that must be returned.

\$3,930.00	-	\$786.00	=	K. \$3,144.00
Box E		Box I		

Student's Name Social Security Number **STEP 5: Amount of Unearned Title IV Aid Due from the School****L. Institutional charges for the payment period or period of enrollment**

Tuition	\$4,500.00
Room	
Board	
Books & Supplies	\$500.00
Other	
Other	

**Total Institutional Charges**(Add all the charges together) = **L.\$** \$5,000.00**M. Percentage of unearned Title IV aid**100% -  % = **M.**  %

Box H

**N. Amount of unearned charges**

Multiply institutional charges for the payment period or period of enrollment (Box L) times the percentage of unearned Title IV aid (Box M).

 x  % = **N.\$** \$4,000.00

Box L

Box M

**O. Amount for school to return**

Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$** \$3,144.00**STEP 6: Return of Funds by the School**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

**Title IV Programs**

	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	\$1,930.00
2. Subsidized FFEL/Direct Stafford Loan	
3. Perkins Loan	
4. FFEL/Direct PLUS (Graduate Student)	
5. FFEL/Direct PLUS (Parent)	

**Total loans the school must return** = **P.\$** \$1,930.00

6. Pell Grant	\$1,214.00
7. Academic Competitiveness Grant	
8. National SMART Grant	
9. FSEOG	

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**

Subtract the amount of Title IV aid due from the school (Box O) from the amount of Title IV aid to be returned (Box K).

 -  = **Q.\$** \$0.00

Box K

Box O

**STEP 8: Repayment of the Student's loans**

Subtract the Total loans the school must return (Box P) from the Net loans disbursed to the student (Box B) to find the amount of Title IV loans the student is still responsible for repaying (Box R).

These outstanding loans consist either of loan funds the student has earned, or unearned loan funds that the school is not responsible for repaying, or both; and they are repaid to the loan holders according to the terms of the borrower's promissory note.

 -  = **R.\$** \$0.00

Box B

Box P

▶ If Box Q is less than or equal to Box R, **STOP**.

The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**STEP 9: Grant Funds to be Returned****S. Initial amount of Title IV grants for student to return**

Subtract the amount of loans to be repaid by the student (Box R) from the initial amount of unearned Title IV aid due from the student (Box Q).

 -  = **S.** .

Box Q

Box R

**T. Amount of Title IV grant protection**

Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (Box F) by 50%.

 x  = **T.** .

Box F

**U. Title IV grant funds for student to return**

Subtract the protected amount of Title IV grants (Box T) from the initial amount of Title IV grants for student to return (Box S).

 -  = **U.** .

Box S

Box T

**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied to the following sources in the order indicated, up to the total amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.****Title IV Grant Programs**

Amount To Return

1. Pell Grant	
2. Academic Competitiveness Grant	
3. National SMART Grant	
4. FSEOG	

## CASE STUDY 6: BOB WHITE

*When a student receiving Title IV grants and loans at a school that utilizes a non-term modular course structure, measures academic progress in credit hours, and performs its Return calculations on a payment period basis, officially withdraws, reenters within 180 days, and withdraws again.*

### Learning Objectives

Learn to complete Steps 1–8 of the Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program worksheet, and be able to:

- determine the total number of days the student was in attendance over multiple periods of attendance;
- determine the total number of days in the payment period for the multiple periods of attendance;
- calculate the percentage of the payment period the student completed;
- calculate both the percentage and the amount of Title IV aid earned by the student;
- determine either that the student is due a Post-withdrawal disbursement (PWD) of Title IV aid or that Title IV aid must be returned; and
- determine the amount to be offered to the student or returned.

#### School Profile

University of Huachuca (UH) is a non-residential postsecondary institution that utilizes a non-term modular course structure and measures academic progress in credit hours.

Academic Year/ Period of Enrollment	24 credits/ 32 weeks
Payment Period	12 credit hours 4 modules (each of 4 weeks duration) 16 weeks
Period Start Date	January 8
Period End Date	April 27
Institutionally Scheduled Break	None
Required to Take Attendance	No
Period used in Return calculation	Payment Period

### School Profile, continued

Scheduled starting and ending dates for modules within the calendar year. At each starting point all modules are offered.

Start	End	Start	End
January 8	February 2	February 5	March 2
March 5	March 30	April 2	April 27
April 30	May 25	May 28	June 22
June 25	July 20	July 23	August 17
August 20	September 14	September 17	October 12
October 15	November 9	November 12	December 7

### Student Profile

Bob White is a third-year student enrolled at UH for 12 credits offered in four three-credit modules. UH anticipates that Bob, as do most of the students at UH, will complete each of the modules in four weeks, and the period in 16 weeks. Charges to Bob's account for the payment period are as follows:

Tuition and fees	\$	6,000.00/12 credits
Room	\$	non-residential program
Board	\$	non-residential program

School Authorized to Credit  
 Account for Other Charges: Yes (all charges)

Bob's financial aid package included the following **annual** awards:

Pell Grant	\$	4,050.00
Net Unsubsidized Stafford Loan	\$	4,860.00
Net Subsidized Stafford Loan	\$	5,460.00

All of Bob's financial aid for the first payment period (one-half his annual awards) was disbursed on the first day of classes.

## Discussion

On the first day of the period, January 8, Bob received the following disbursements to his student account:

Pell Grant	\$	2,025.00
Unsubsidized Stafford Loan	\$	2,430.00
Subsidized Stafford Loan	\$	2,730.00

On January 19, Bob came to the financial aid office and informed you that he is withdrawing from school thereby beginning the school's formal withdrawal process.

Because Bob failed to begin attendance in all of the classes on which his Pell Grant was based, before performing the required Return calculation UH must to recalculate Bob's Pell based on his enrollment in just the one module he began – three credits. After eliminating the living expenses and tuition associated with the period of non-attendance, UH determined that based on the costs associated with the three credits Bob began that he was eligible for an annual award of \$1,550 and an award for the period of \$775. UH returned the difference of \$1,250 (\$2,025 – \$775) to the Pell Grant program.

**Note :** If Bob had received Campus-Based aid, the school would also have had to recalculate his COA, eliminating the costs attributable to the modules that he did not begin attending, to see whether a reduction of the Campus-Based aid was necessary.

UH performed a return calculation using January 19 as Bob's withdrawal date and \$775 as the amount of Pell Grant disbursed, and determined that the school was responsible for returning all of the funds that Bob received from the subsidized and unsubsidized Stafford loan programs and \$128.00 in Pell funds. UH also determined that Bob was not required to return any funds. On February 5, UH returned the funds for which it was responsible to the appropriate programs.

On March 5 Bob re-entered the program. Since this is within 180 days of his withdrawal date, Bob was considered to be in the same payment period so his Title IV eligibility is the same as before he left.

In order to ask the lender to redisburse his Stafford loans the school had to determine the new end for the payment period and the Bob's Borrower Based Academic Year (BBAY). Because the program is based on discrete modules, UH can easily identify the point at which Bob will have completed half the weeks and half the credits in the academic year. It is June 22. The end of the BBAY is October 12. Therefore, UH asked his lender to redisburse the subsidized and unsubsidized Stafford loans with a new scheduled date for the second disbursement of June 25 and a new end date for Bob's BBAY of October 12. Since the end of Bob's new BBAY was within one year of the beginning date of the period for which the loan was first certified (January 8), the lender agreed to and made the disbursement, and UH once again disbursed the Stafford loan funds to Bob's account. In addition, UH drew down and redisbursed the \$128.00 in Pell funds that it previously returned.

Bob completed his first module as scheduled on March 30 and began his second module on April 2. On April 10, Bob came to the financial aid office and informed UH that he is once again withdrawing from school.

UH must determine the correct number of days to include as completed days and total days in the Return calculation and correctly calculate the amount to be returned or disbursed.

### Solution

Once again, because Bob has failed to begin attendance in all of the classes on which his Pell Grant was based, before performing the required Return calculation you must recalculate Bob’s Pell Grant based on his enrollment in just the two modules he began – six credits. This, time after eliminating the living expenses and tuition associated with the period of non-attendance, UH determined that Bob remained eligible for an annual award of \$4,050 (an award for the period of \$2,025). Therefore, UH included the following awards in the Return calculation.

Pell Grant	\$	2,025.00
Unsubsidized Stafford Loan	\$	2,430.00
Subsidized Stafford Loan	\$	2,730.00

Bob’s withdrawal date and the date of the institution’s determination of Bob’s withdrawal is the day he informed UH of his intent to withdraw – April 10.

### STEP 1: Student’s Title IV Aid Information

<b>Box A.</b>	Title IV grant aid disbursed –		
	Pell Grant	\$	2,050.00
	<b>A. =</b>	\$	2,050.00

<b>Box B.</b>	Net Title IV loans disbursed –		
	Unsubsidized FFEL/Direct Stafford	\$	2,430.00
	Subsidized FFEL/Direct Stafford	\$	2,730.00
	<b>B. =</b>	\$	5,160.00

**Box C.** Title IV grants that could have been disbursed = \$ 0.00.

**Box D.** Title IV loans that could have been disbursed = \$ 0.00.

**Box E.** Total Title IV aid disbursed for the payment period or period of enrollment = A + B = 2,025.00 + 5,160.00 = \$ 7,185.00.

**Box F.** Total Title IV grant aid disbursed and could have been disbursed for the payment period or period of enrollment = A + C = 2,025.00 + 0.00 = \$ 2,025.00.

**Box G.** Total Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment = A + B + C + D = 2,025.00 + 5,160.00 + 0.00 + 0.00 = \$ 7,185.00.

**STEP 2: Percentage of Title IV Aid Earned**

Bob's withdrawal date was April 10.

When Bob initially withdrew on January 19, he had completed twelve days out of 110. When he returned on March 5, UH determined a new period end date of June 22. In order to determine the correct number of days of attendance and days in the period, UH must subtract the 44 days Bob was originally scheduled to attend but did not attend (starting with January 20 and ending on March 4) from the *Total days*.

**Note :** If you are using ED's Web based software you can enter January 20 and March 4 (44 days) as beginning and ending dates of a scheduled break so that the software will correctly reflect this period of non-enrollment.

1. Payment Period start date = January 8.
2. Payment Period end date = June 22.
3. Date of withdrawal = April 10.
4. Scheduled break (for software purposes) January 20 through March 4 (44 days).
5. Percentage of payment period completed –
  - Number of calendar days completed = 49 (12 days from his first enrollment plus 37 days from his second).
  - Number of calendar days in the payment period = January 8 through June 22 – 166 days minus the 44 days of non-attendance = 122 days.
  - $49 \text{ days} \div 122 \text{ days} = 0.4016$ . Percentage of payment period completed = 40.2%.

**Box H.** Because this percentage is less than 60%, the Percentage of Title IV aid earned = 40.2%.

**STEP 3: Amount of Title IV Aid Earned by the Student**

**Box I.**  $40.2\%$  (Percentage of Title IV aid earned from Box H) X  $\$7,185.00$  (Total of the Title IV aid disbursed and could have been disbursed for the payment period or period of enrollment from Box G) =  $\$2,888.37$ . Amount of Title IV aid earned by the student =  $\$2,888.37$ .

**STEP 4: Total Title IV Aid to be Disbursed or Returned**

**Box J.** Because the total Title IV aid earned (Box I) is less than the total Title IV aid disbursed (Box E), no Post-withdrawal disbursement is due, and we proceed to Box K.

Post-withdrawal disbursement = NA.

**Box K.** Because the total Title IV aid disbursed (Box E) is greater than the total Title IV aid earned (Box I) Title IV aid must be returned.

$\$7,185.00$  (Box E) –  $\$2,888.37$  (Box I) =  $\$4,296.63$ . Title IV Aid to be returned =  $\$4,296.63$ .

**STEP 5: Amount of Title IV Aid Due from the School**

**Box L.** The charges on Bob’s account are the charges initially assessed for the payment period:

Tuition and fees           \$       6,000.00

**Box M.** Subtract the percentage of Title IV earned from Box H (40.2%) from 100.0%.  
 $100\% - 40.2\% = 59.8\%$ . Percentage of Title IV aid unearned = 59.8%.

**Box N.** Calculate the amount of unearned charges. \$6,000.00 (institutional charges from Box L) X 59.8% (% of Title IV aid unearned from Box M) = \$3,588.00 (no rounding needed).  
 Amount of unearned institutional charges = \$3,588.00.

**Box O.** Compare the amount of Title IV aid to be returned (Box K) to unearned institutional charges (Box N), and enter the lesser amount in Box O.

Box K =                   \$       4,296.63  
 Box N =                   \$       3,588.00

Amount of unearned Title IV aid due from the school = \$3,588.00.

**STEP 6: Return of Funds by the School**

**Box P.** Bob received an Unsubsidized FFEL Stafford loan disbursement of \$2,430.00. Since \$2,430.00 is less than the \$3,588.00 (Box O) the school must return, the school must return \$2,430.00 to the lender of Bob’s Unsubsidized Stafford loan. In addition, there is a balance of \$1,158.00 (3,588 – 2,430) that the school must return. So, the school returns \$1,158.00 to the lender of Bob’s Subsidized Stafford loan.  $\text{Box P} = \$2,430.00 + \$1,158.00 = \$3,588.00$ .

Box P =                   \$       3,588.00

The school must return any unearned funds within 45 days from the date of the institution’s determination that Bob withdrew (April 10).

**STEP 7: Initial Amount of Unearned Title IV Aid Due from Student**

**Box Q.** Subtract the amount of Title IV aid the school must return (\$3,588.00 from Box O) from the total amount of Title IV aid that is to be returned (\$4,296.63 from Box K) to find the Initial amount of Title IV aid Due from the Student.  $\$4,296.63 - \$3,588.00 = \$708.63$ .

Box Q =                   \$       708.63

### STEP 8: Repayment of the Student's Loans

**Box R.** Subtract the Total Loans the school must return (\$3,588.00 from Box P) from the Net Loans Disbursed to the Student (\$5,160.00 from Box B) to find the total of the loans the student must repay  $\$5,160.00 - \$3,588.00 = \$1,572.00$ .

Since the amount from Box Q (\$708.63) is equal to (or less than) the amount from Box R (\$1,572.00), the calculation ends here.

**Remember,** you must notify the holder of Bob's loans that he has withdrawn from school.

# Treatment Of Title IV Funds When A Student Withdraws From A Credit-Hour Program

Student's Name	Bob White	Social Security Number	Case Study 6
Date form completed	4 / 15 /	Date of school's determination that student withdrew	4 / 10 /
Period used for calculation (check one)	<input type="checkbox"/> Payment period <input type="checkbox"/> Period of enrollment		

*Monetary amounts should be in dollars and cents (rounded to the nearest penny).  
When calculating percentages, round to three decimal places. (For example, .4486 = .449, or 44.9%)*

## STEP 1: Student's Title IV Aid Information

Title IV Grant Programs	Amount Disbursed	Amount that Could Have Been Disbursed																	
1. Pell Grant	\$2,025.00		<b>E. Total Title IV aid disbursed for the payment period or period of enrollment.</b> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;"><b>A.</b></td><td style="width: 50%; text-align: right;">\$2,025.00</td></tr> <tr><td><b>+</b></td><td><b>B.</b> \$5,160.00</td></tr> <tr><td><b>=</b></td><td><b>E. \$</b> 7,185.00</td></tr> </table>	<b>A.</b>	\$2,025.00	<b>+</b>	<b>B.</b> \$5,160.00	<b>=</b>	<b>E. \$</b> 7,185.00										
<b>A.</b>	\$2,025.00																		
<b>+</b>	<b>B.</b> \$5,160.00																		
<b>=</b>	<b>E. \$</b> 7,185.00																		
2. Academic Competitiveness Grant																			
3. National SMART Grant																			
4. FSEOG																			
<b>A.</b> \$2,025.00		<b>C.</b> \$0.00																	
Subtotal		Subtotal																	
Title IV Loan Programs	Net Amount Disbursed	Net Amount that Could Have Been Disbursed																	
5. Unsubsidized FFEL/Direct Stafford Loan	\$2,430.00		<b>F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.</b> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;"><b>A.</b></td><td style="width: 50%; text-align: right;">\$2,025.00</td></tr> <tr><td><b>+</b></td><td><b>C.</b> \$0.00</td></tr> <tr><td><b>=</b></td><td><b>F. \$</b> 2,025.00</td></tr> </table> <b>G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.</b> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;"><b>A.</b></td><td style="width: 50%; text-align: right;">\$2,025.00</td></tr> <tr><td><b>B.</b></td><td style="text-align: right;">\$5,160.00</td></tr> <tr><td><b>C.</b></td><td style="text-align: right;">\$0.00</td></tr> <tr><td><b>+</b></td><td><b>D.</b> \$0.00</td></tr> <tr><td><b>=</b></td><td><b>G. \$</b> 7,185.00</td></tr> </table>	<b>A.</b>	\$2,025.00	<b>+</b>	<b>C.</b> \$0.00	<b>=</b>	<b>F. \$</b> 2,025.00	<b>A.</b>	\$2,025.00	<b>B.</b>	\$5,160.00	<b>C.</b>	\$0.00	<b>+</b>	<b>D.</b> \$0.00	<b>=</b>	<b>G. \$</b> 7,185.00
<b>A.</b>	\$2,025.00																		
<b>+</b>	<b>C.</b> \$0.00																		
<b>=</b>	<b>F. \$</b> 2,025.00																		
<b>A.</b>	\$2,025.00																		
<b>B.</b>	\$5,160.00																		
<b>C.</b>	\$0.00																		
<b>+</b>	<b>D.</b> \$0.00																		
<b>=</b>	<b>G. \$</b> 7,185.00																		
6. Subsidized FFEL/Direct Stafford Loan	\$2,730.00																		
7. Perkins Loan																			
8. FFEL/Direct PLUS (Graduate Student)																			
9. FFEL/Direct PLUS (Parent)																			
<b>B.</b> \$5,160.00		<b>D.</b> \$0.00																	
Subtotal		Subtotal																	

## STEP 2: Percentage of Title IV Aid Earned

1 / 08 /	6 / 22 /	4 / 10 /
Start date	Scheduled end date	Date of withdrawal

A school that is not required to take attendance may, for a student who withdraws without notification, enter 50% in Box H and proceed to Step 3. Or, the school may enter the last date of attendance at an academically related activity for the "withdrawal date," and proceed with the calculation as instructed. For a student who officially withdraws, enter the withdrawal date. *(less 44 days of non attendance)*

**H. Percentage of payment period or period of enrollment completed**  
 Determine the calendar days completed in the payment period or period of enrollment divided by the total calendar days in the payment period or period of enrollment (excluding scheduled breaks of five days or more **AND** days that the student was on an approved leave of absence).

49	÷	122	=	40.16 %
Completed days		Total days		

- ▶ If this percentage is greater than 60%, enter 100% in Box H and proceed to Step 3.
- ▶ If this percentage is less than or equal to 60%, enter that percentage in Box H, and proceed to Step 3.

<b>H.</b> 40.2 %
------------------

## STEP 3: Amount of Title IV Aid Earned by the Student

Multiply the percentage of Title IV aid earned (Box H) times the total of the Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box G).

40.2 %	X	7,185.00	=	<b>I. \$</b> 2,888.37
Box H		Box G		

## STEP 4: Total Title IV Aid to be Disbursed or Returned

- ▶ If the amount in Box I is greater than the amount in Box E, go to Post-withdrawal disbursement (Item J).
- ▶ 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**  
 Subtract Total Title IV aid disbursed for the payment period or period of enrollment (Box E) from the amount of Title IV aid earned (Box I). This is the amount of Post-withdrawal disbursement due. Stop here, and enter the amount in Box 1 on Page 3 (Post-withdrawal disbursement tracking sheet).

[ ]	-	[ ]	=	<b>J. \$</b> NA .
Box I		Box E		<i>Step 4 continued ▶</i>

**Student's Name**

**Social Security Number**

**STEP 4: Aid to be Disbursed or Returned CONTINUED**

**K. Title IV aid to be returned**  
 Subtract the amount of Title IV aid earned (Box I) from the Total Title IV aid disbursed for the payment period or period of enrollment (Box E). This is the amount of Title IV aid that must be returned.

Box E -  Box I = **K.\$**

**STEP 7: Initial Amount of Unearned Title IV Aid Due from the Student**  
 Subtract the amount of Title IV aid due from the school (Box O) from the amount of Title IV aid to be returned (Box K).

Box K -  Box O = **Q.\$**

**STEP 5: Amount of Unearned Title IV Aid Due from the School**

**L. Institutional charges for the payment period or period of enrollment**

Tuition	<input type="text" value="\$6,000.00"/>
Room	<input type="text"/>
Board	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>
Other	<input type="text"/>

**Total Institutional Charges** = **L.\$**   
 (Add all the charges together)

**STEP 8: Repayment of the Student's loans**  
 Subtract the Total loans the school must return (Box P) from the Net loans disbursed to the student (Box B) to find the amount of Title IV loans the student is still responsible for repaying (Box R).  
 These outstanding loans consist either of loan funds the student has earned, or unearned loan funds that the school is not responsible for repaying, or both; and they are repaid to the loan holders according to the terms of the borrower's promissory note.

Box B -  Box P = **R.\$**

▶ If Box Q is less than or equal to Box R, **STOP**.  
 The only action a school must take is to notify the holders of the loans of the student's withdrawal date.

▶ If Box Q is greater than Box R, proceed to Step 9.

**M. Percentage of unearned Title IV aid**  
 100% -  Box H = **M.**

**STEP 9: Grant Funds to be Returned**

**N. Amount of unearned charges**  
 Multiply institutional charges for the payment period or period of enrollment (Box L) times the percentage of unearned Title IV aid (Box M).

Box L X  Box M = **N.\$**

**O. Amount for school to return**  
 Compare the amount of Title IV aid to be returned (Box K) to amount of unearned charges (Box N), and enter the lesser amount.

**O.\$**

**S. Initial amount of Title IV grants for student to return**  
 Subtract the amount of loans to be repaid by the student (Box R) from the initial amount of unearned Title IV aid due from the student (Box Q).

Box Q -  Box R = **S.\$**

**STEP 6: Return of Funds by the School**

**T. Amount of Title IV grant protection**  
 Multiply the total of Title IV grant aid that was disbursed and could have been disbursed for the payment period or period of enrollment (Box F) by 50%.

Box F X  = **T.\$**

The school must return the unearned aid for which the school is responsible (Box O) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

Title IV Programs	Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan	<input type="text" value="\$2,430.00"/>
2. Subsidized FFEL/Direct Stafford Loan	<input type="text" value="\$1,158.00"/>
3. Perkins Loan	<input type="text"/>
4. FFEL/Direct PLUS (Graduate Student)	<input type="text"/>
5. FFEL/Direct PLUS (Parent)	<input type="text"/>
<b>Total loans the school must return = P.\$</b> <input type="text" value="3,588.00"/>	
6. Pell Grant	<input type="text"/>
7. Academic Competitiveness Grant	<input type="text"/>
8. National SMART Grant	<input type="text"/>
9. FSEOG	<input type="text"/>

**U. Title IV grant funds for student to return**  
 Subtract the protected amount of Title IV grants (Box T) from the initial amount of Title IV grants for student to return (Box S).

Box S -  Box T = **U.\$**

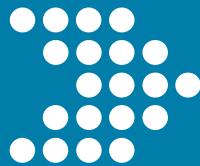
**STEP 10: Return of Grant Funds by the Student**

Except as noted below, the student must return the unearned grant funds for which he or she is responsible (Box U). The grant funds returned by the student are applied to the following sources in the order indicated, up to the total amount disbursed from that grant program minus any grant funds the school is responsible for returning to that program in Step 6.

**Note that the student is not responsible for returning funds to any program to which the student owes \$50.00 or less.**

Title IV Grant Programs	Amount To Return
1. Pell Grant	<input type="text"/>
2. Academic Competitiveness Grant	<input type="text"/>
3. National SMART Grant	<input type="text"/>
4. FSEOG	<input type="text"/>

**The Blue Book**  
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