



April Learning Links Q&A

Q: At times we find that an office within our school should but did not report a student's additional aid to us before final loan disbursement. However, if they did so in a timely manner, the student's loan amounts would not have been approved for the same amounts and/or subsidized/unsubsidized allotment. Should we recalculate, even though the aid office finds out after all loan funds are disbursed?

A: If the overaward situation occurs *after* Stafford Loan funds have been fully disbursed, there is no Stafford Loan overaward that needs to be addressed. You may, however, need to adjust the student's aid package to prevent an overaward of campus-based funds. In this case, the situation that caused the overaward occurred *before* the Stafford Loan funds were fully disbursed, you just weren't notified of the additional aid prior to the final disbursement of the loan. You should recalculate to see if the student was overawarded, and if so, you should take the steps necessary to resolve the overaward.

08-09 *FSA Handbook*, Volume 6, Chapter 1. p. 5-6 & 5-7

Q: Can you define "direct loan"?

A: Federal student loans administered through the William D. Ford Federal Direct Loan Program are commonly referred to as direct loans. A direct loan may be a Stafford, PLUS, or Consolidation loan.

Q: Must Federal funds be deposited in an interest-bearing account?

A: Direct Loan, Pell Grant, ACG, National SMART 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.

Perkins funds must always be maintained in an interest-bearing account or investment account.

08-09 *FSA Handbook*, Volume 4, Chapter 3, p. 4-66 and 4-67

Q: In disbursing funds, we will not disburse funds until the student has attended 6 credit hours. Is this correct or is it one class?

A: This would be your school's institutional policy. Just be sure your school disburses funds within the regulatory timeframes regarding disbursements and payment periods. See the 08-09 *FSA Handbook*, Volume 4, Chapter 2 "Disbursing FSA Funds" for more information.



Q: For an early disbursement (10 days prior to first day of class), does the school have to return the loan funds if the student does not begin attendance?

A: If you've disbursed loan funds prior to the first day of class and the student does not begin attendance, you must return all loan funds that had been credited to the student's school account for the payment period or period of enrollment. Also, you 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.

08-09 FSA Handbook, Volume 5, Chapter 1, p. 5-11

Q: How do you correct an overpayment of an undergraduate subsidized Stafford Loan that a student received from another school? Who is responsible - the new school that became aware of the overpayment or the school where the overpayment occurred?

A: The school where the overpayment occurred is responsible for resolving the overpayment.

Q: Are the 3 days to credit to an account and 14 days to return a credit balance calendar days or business days?

A: Schools must make a disbursement to a student or credit a student account no later than 3 *business* days after receiving funds from the Department or lender. In general, a school has 14 *calendar* days to pay a Title IV credit balance to the student or parent, unless it has written permission to hold the credit balance.

08-09 FSA Handbook, Volume 4, Chapter 2, p. 4-51.

Q: If a student or parent authorizes the school to hold their funds, how long can the school hold the funds?

A: Since Title IV funds are awarded to students to pay current year charges, even with authorization from the student or parent, you must pay:
any remaining balance on Title IV loan funds by the end of the loan period, and
any other remaining Title IV program funds by the end of the last payment period in the award year for which the funds were awarded.

08-09 FSA Handbook, Volume 4, Chapter 2, p. 4-38

Q: If a student requests the school to apply funds of more than \$200 to prior year charges, is that acceptable?

A: As of July 1, 2008, a school may use current-year funds to satisfy prior award year charges for tuition and fees, room, or board (and with permission, educationally related charges) for a total of not more than \$200. A school may not pay prior year charges in excess of \$200.

08-09 FSA Handbook, Volume 4, Chapter 2, p. 4-29



Q: Credit Balances-the 14 days, is that time frame talking about the student must have the funds in hand in 14 days or we must write the check by the 14th day of funds hitting the student's account?

A: If a school pays a credit balance by issuing a check to the student or parent borrower to pay a credit balance, the school must issue the check 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, 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.

08-09 *FSA Handbook*, Volume 4, Chapter 2, p. 4-33

Q: Is it still OK to disburse FSEOG in one disbursement if the award does not exceed \$500.00?

A: According to the *FSA Handbook*, a school that is awarding an FSEOG for a full academic year must advance a portion of the grant during each payment period. The *FSA Handbook* does not state that there are any exceptions.

08-09 *FSA Handbook*, Volume 4, Chapter 2, p. 4-50

Q: Where can we read more about prior year charges?

A: 08-09 *FSA Handbook*, Volume 4, Chapter 2, p. 4-29

Q: Is the payment method determined by the school or the Department?

A: The Department has sole discretion in determining the funding method a school uses to request FSA program funds.

08-09 *FSA Handbook*, Volume 4, Chapter 3, p. 4-62

Q: How do you know what payment method the Department has approved you for?

A: The Department will notify the school of the funding method the school is to use.

Q: If the student never attended but he/she received the refund generated by federal loans, is the school liable to return the portion refunded to the student?

A: If a school disburses federal loan funds to a student, but the student never attends, the school must return all federal loan funds that were credited to the student's account at the school for the payment period or period of enrollment. A school must also 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 federal 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 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 the Department can issue a 30-day demand letter to the student.

08-09 *FSA Handbook*, Volume 5, Chapter 1, p. 5-11

Q: Do we need to get the student's approval to issue credit balances on a stored-value card?

A: The *FSA Handbook* states that "When a school pays an FSA credit balance to a student by making those funds available through a school-issued stored-value card over which the school exercises control, the school is, in effect, holding a student's FSA credit balance. Therefore, all of the conditions on holding credit balances apply".

Under "Holding credit balances", the *FSA Handbook* states that "A school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS)."

So, you do need to get the student's authorization before issuing credit balances on stored-value cards.

08-09 *FSA Handbook*, Volume 4, Chapter 2, p. 4-38

Q: Can we use Rapid pay cards as a method of a stored-value card?

A: Federal regulations and the *FSA Handbook* do not specify any brand of stored-value card.

Q: What is the difference between "drawing down" funds (27 day rule and 13 day rule) and "disbursing" funds?

A: "Drawing down" funds refers to the process of the school requesting funds from the Department. "Disbursing" funds refers to the school paying the funds to the student.

Q: Do the prior year charges rules pertain to the actual prior financial aid year or to any prior term? Example, the student may still owe money for Fall when Spring money arrives. Are we allowed to pay that prior amount in any amount?

A: The rules pertaining to prior year charges refer to the prior academic year and as of July 1, 2008, the school can pay only up to \$200 of prior year charges using the current academic year's financial aid. If the student still owes money from Fall when Spring aid arrives, you may use Spring aid to pay for all of those charges since it is the same academic year.

08-09 *FSA Handbook*, Volume 4, Chapter 2, p. 4-29



Q: Can you go over returning unclaimed Title IV funds timelines...the 45 days and the 240 days?

A: If a school attempts to disburse a credit balance by check or EFT and the check is not cashed or the EFT is rejected, the school must return the funds no later than 240 days after the date it issued that check or made the EFT.

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. In cases where the school does not make another attempt, 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.

08-09 *FSA Handbook*, Volume 4, Chapter 3, p. 4-71

Q: For prior year charges is the \$200 limit for tuition and fees as well as all other charges?

A: As of July 1, 2008, a school may use current-year funds to satisfy prior award year charges for tuition and fees, room, or board (and with permission, educationally related charges) for a total of not more than \$200. .

08-09 *FSA Handbook*, Volume 4, Chapter 2, p. 4-29

Q: Please confirm. Is FFELP not included in the 3-day rule?

FFELP funds are not drawn down and therefore excess cash rules do not apply to FFELP funds.

34 CFR 668.162(b)(3)

Q: If the student does not pick up the refund check how long do we have to return the funds?

A: If a school attempts to disburse a credit balance by check (or EFT) and the check is not cashed (or the EFT is rejected), the school must return the funds no later than 240 days after the date it issued that check or made the EFT.

08-09 *FSA Handbook*, Volume 4, Chapter 3, p. 4-71

Q: What is supposed to happen in regards to returning Title IV funds if a student drops their classes before the classes begin, but after the funds have disbursed because it is within the 10 day early disbursement period?



A: If a school disburses federal loan funds to a student, but the student never attends, the school must return all federal loan funds that were credited to the student's account at the school for the payment period or period of enrollment. A school must also 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 federal 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 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 the Department can issue a 30-day demand letter to the student.

08-09 *FSA Handbook*, Volume 5, Chapter 1, p. 5-11

Q: If a student is in attendance at the time of a loan disbursement and subsequently discontinues attending, do we have to return the loan funds?

A: You will need to perform an RT2T4 calculation to determine the earned and unearned portions of aid as of the date the student ceased attendance based on the amount of time the student spent in attendance.

08-09 *FSA Handbook*, Volume 5, Chapter 2, p. 5-23

Q: If a student receives only an internal and a private scholarship and goes over her/his COA do we need to reduce one of the scholarships?

A: Scholarships are not Title IV aid and therefore not subject to the overaward regulations. However check your school's institutional policy, it may be your school's institutional policy not to award over the cost of attendance.

Q: There is no overaward if it is discovered after all the loan funds have been disbursed? If the student has no campus based aid, nothing has to be returned? Please elaborate.

A: If the overaward situation *occurs* after Stafford Loan funds have been fully disbursed, there is no Stafford Loan overaward that needs to be addressed. If this is the case and there is no other aid, then nothing needs to be returned. However, if the overaward situation *occurred* before the loan funds were fully disbursed, regardless of when the overaward was discovered, you will need to resolve the overaward.

08-09 *FSA Handbook*, Volume 5, Chapter 1, pages 5-6 – 5-7.

Q: Can you recalculate the student's cost of attendance and resulting need to see if an overaward of ACG or SMART can be eliminated?

A: Reevaluating the student's need should be your first step in resolving an overaward of ACG or SMART Grant.

08-09 *FSA Handbook*, Volume 5, Chapter 1, p. 5-6



Q: If a student receives a department award at the end of the term due to Honor's Day and the student has sub, unsub, and PLUS loans up to cost of attendance, would you reduce loans or would you say that no overaward exists because all loans have been disbursed.

A: No overaward exists since the overaward situation occurred after the loans were fully disbursed.

08-09 *FSA Handbook*, Volume 5, Chapter 1, p. 5-7

Q: If a student has only scholarships do we need to stay under the COA?

A: Scholarships are not Title IV aid and therefore not subject to the overaward regulations. However check your school's institutional policy, it may be your school's institutional policy not to award over the cost of attendance.

Q: If a student completes the fall term, but does not return for the spring semester and upon cancellation of spring aid and removal of spring budget the student is now overawarded for fall, does that student owe repayment?

A: The overaward situation occurred after the loans were fully disbursed, so no overaward exists and nothing needs to be returned.

08-09 *FSA Handbook*, Volume 5, Chapter 1, p. 507

Q: If loan funds are fully disbursed for the academic year and no overaward exists, could the school still choose to return funds?

A: A school isn't required to return Stafford Loan funds that were disbursed to the borrower before the overaward situation occurred, however the law doesn't prevent you from returning funds that were applied to the student account if you choose to do so.

08-09 *FSA Handbook*, Volume 5, Chapter 1, p. 5-7

Q: Didn't the new HEA recently state that now schools could move funds from FSEOG to FWS?

A: Effective August 14, 2008, the HEOA permits a school to transfer up to 25 percent of the school's FSEOG allotment to the school's FWS allotment.

DCL GEN-08-12,FP-10, p. 106



Q: If a student has only student loans, and the loans have been fully disbursed and let's say we are 40% into the term and the student stops attending. The R2T4 calculations would indicate that funds should be reduced, but do we have to return the funds?

A: If a student completely withdraws from school during a payment period or a period of enrollment, the school must calculate the amount of earned and unearned aid for the student. If the R2T4 calculations indicate that funds should be returned, then you must return funds.

08-09 *FSA Handbook*, Volume 5, Chapter 1, p. 5-94