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# Funding Methods

VOLUME VI  
SECTION



*This section describes the methods for delivering cash to schools, Advance Funded and Heightened Cash Monitoring 1 and 2. Here you will find more information regarding those delivery methods as well as controls and processing options pertinent to funding.*

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## Current Funding Level (CFL)

The Current Funding Level is one of the mechanisms to assist and ensure schools are reporting disbursement records on a timely basis. The CFL is the total (cumulative award year to date) amount of funding authorization given to a school at any point of time, and is a subset of the school ceiling amount (SCA). The available balance, or the amount the school can draw/receive, is its CFL minus net drawdowns. A separate CFL is maintained for each program by award year. A school's CFL may be adjusted upwards and/or downwards based on reported disbursements and other activity throughout the year.

### Business Rules

1. The CFL can be increased by FSA to reflect the needs of a school.
2. The current CFL for a school, each cash transaction, and the amount of that cash transaction that has been substantiated can be viewed on the COD web site.
3. If a school determines that the CFL is not at an appropriate level, the school can contact their customer service representative and request that FSA increase their CFL.
4. When a school's total accepted actual disbursement records exceed net drawdowns, funds are made available for the school to draw through the G5 System.
5. If drawdowns are not substantiated fully within a prescribed period of time, the school's access to cash may be restricted.
6. Schools are contacted by a Customer Service Representative as soon as it appears that the school is having difficulty substantiating drawdowns in a timely manner.
7. If access to cash is to be restricted, schools will receive electronic warning notices and/or letters from Customer Service and/or FSA.
8. The Perkins CFL will not increase based on disbursement activity.

### G5 System

The G5 System was formerly known as the Grant Administration and Payment System (GAPS)

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## Funding Methods

There is one method for delivering cash to schools:

- Advance Funded

### *Advance Funded*

Under the Advance Funded delivery method, schools initiate draw down requests through the G5 System. Schools may only draw down cash up to their available balance. The available balance is the difference between the school's CFL and their net drawdown amount for a given award year and program. The U.S. Treasury transmits funds electronically to a school's bank account.

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## Funding Controls

Schools' ability to receive cash to fund their Pell Grants TEACH Grants, and Direct Loans is contingent upon submitting actual disbursement records. The business rules associated with the Advance Funded and the three (3) review statuses (HCM1, HCM2, and Reimbursement are listed below:

### *Advance Funded*

Under Advance Funded, schools can submit actual disbursement records in Advance of, on, or after the disbursement date.

### Business Rules

1. Schools can initiate drawdowns through the G5 System up to their amount of available CFL.
2. At the beginning of each award year, a school's initial CFL amount is calculated for Direct Loans on the basis of the school's prior year disbursement history.
3. Advance Funded schools will not receive an initial CFL for the Pell Grant and TEACH Grant Programs prior to having records accepted by COD. The school is given an initial CFL when their first disbursement record is accepted and posted by COD.
4. Each drawdown a school receives must be substantiated with actual disbursements submitted and accepted by the COD System.
  - a. For Direct Loans, Upon acceptance of an actual disbursement, the COD System calculates whether or not the CFL needs to be increased.
5. Actual disbursement records can be submitted within the following parameters:
  - a. For Pell, TEACH Grant, Direct Loan, and Perkins Programs, up to seven (7) calendar days prior to the disbursement date.
6. Actual disbursements are applied to substantiate drawdowns on a first-in/first-out basis.
7. The CFL may change throughout the year as the school transmits actual disbursement information on a "timely basis" and the COD System accepts the disbursements. A school's CFL can be decreased according to the program specific requirements and/or activity.
8. For Direct Loan, all schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.
9. The Direct Perkins Loan Program is Advance Funded only.

## Cash Monitoring 1 (HCM1)

A school can be placed on Cash Monitoring 1 (HCM1) review status by FSA. Under the HCM1 review status, schools may draw down cash through the G5 System based on actual disbursements submitted to and accepted by the COD System.

### Business Rules

1. For Pell Grant, TEACH Grant, and Direct Perkins Loan, the Cash Monitoring1 (HCM1) funding control uses the Advance Funded delivery method.
  - a. Upon acceptance of actual disbursements, schools can initiate drawdowns through the G5 System up to the amount of their available CFL.
  - b. For Direct Loan, a school on HCM1 will receive an initial CFL based on their prior year's disbursement history.
2. HCM1 schools will not receive an initial CFL for the Pell Grant and TEACH Grant Programs prior to having records accepted by COD. The school is given a first CFL increase when their first disbursement is accepted and posted by COD.
  - a. The school's CFL will equal its net accepted actual disbursements.
3. Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
4. Schools placed on HCM1 are required to submit documentation of disbursements as directed by FSA.

## Cash Monitoring 2 (HCM2)

A school is placed on Cash Monitoring 2 (HCM2) by FSA. Under the HCM2 funding control, the FSA School Participation Team (SPT) initiates a drawdown through the G5 System on behalf of a school and 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.

### Business Rules

1. For Pell Grant, TEACH Grant, Direct Loan, and Direct Perkins Loan, Cash Monitoring 2 (HCM2) uses the Advance Funding delivery method.
  - a. The FSA School Participation Team (SPT) initiates the drawdown through the G5 System upon review of required documentation.
2. Actual disbursements must be submitted on or after the disbursement date.
3. Direct Loan, TEACH Grant and Pell Grant schools do not receive an initial CFL prior to having records accepted by COD. The school is

given a first CFL increase when their first disbursement record is accepted and posted by COD.

4. Schools placed on HCM2 are required to submit documentation of disbursements as directed by FSA.

### **Reimbursement**

Under the Reimbursement review status, the FSA School Participation Team initiates a drawdown through the G5 System on behalf of a school and 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.

### **Business Rules**

1. For Pell Grant, Direct Loan, Direct Loan Perkins, and TEACH Grant schools on Reimbursement use the Advance Funded delivery method.
  - a. The FSA School Participation Team initiates the drawdown through the G5 System upon review of required documentation.
2. Actual disbursements must be submitted on or after the disbursement date.
3. Pell Grant, Direct Loan, and TEACH Grant schools on a Reimbursement review status do not receive an initial CFL prior to having records accepted by COD. The school is given a first CFL increase when their first disbursement record is accepted and posted by COD.
4. Schools placed on Reimbursement are required to submit documentation of disbursements as directed by FSA.

## Funding Methods and Processing Option Relationships

### *Relationship between Direct Loan Processing Options and Funding Methods*

	Receives an Initial CFL > 0 before submission of any actual disbursements	Initiates drawdown through G5	Actual disbursements can be accepted up to 7 days before the disbursement date
<b>Advance Funded</b>	✔	School	✔
<b>Advance Funded with HCM1 Review Status</b>	✔	School	✔
<b>Advance Funded with HCM2 Review Status</b>		SPT	
<b>Advance Funded with Reimbursement Status</b>		SPT	

### *Relationship between TEACH Grant, Pell Grant, and Direct Perkins Loan Processing Options and Funding Methods*

	Receives an Initial CFL > 0 before submission of any actual disbursements School initiates drawdown through G5	Initiates drawdown through G5	Actual disbursements can be accepted up to 7 days before the disbursement date
<b>Advance Funded</b>		School	✔
<b>Advance Funded with HCM1 Review Status</b>		School	✔
<b>Advance Funded with HCM2 Review Status</b>		SPT	
<b>Advance Funded with Reimbursement Review Status</b>		SPT	