

SESSION 1

CHANGES IN THE REQUIREMENTS FOR MANAGING TITLE IV FUNDS

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SOURCES FOR FURTHER STUDY

- ◆ Federal Regulations 34 CFR, Parts 668, Subparts B and K, 674, 675, 676, 682, 685, and 690
- ◆ Federal Register, November 29, 1996 (Student Assistance General Provisions; changes in administrative capability standards and cash management requirements)

Notes

INTRODUCTION

Session will describe:

1. Required use of electronic processes provided at no substantial charge by Department of Education (ED);
2. New standardized payment period definition; and
3. Changes in Title IV cash management rules.

MANDATORY USE OF ED-PROVIDED ELECTRONIC PROCESSES



Beginning with 1997-98, one of ways school must demonstrate administrative capability is to participate in specific ED-provided electronic processes.

Mandatory Use of Electronic Processes

- ◆ Demonstrates administrative capability
- ◆ Failure to implement may subject school to fines, limitations, and termination from Title IV programs
- ◆ New electronic processes published in *Federal Register*
- ◆ Student Financial Assistance Bulletin Board System (SFA BBS) may be required during 1997-98



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Notes

**STANDARDIZED PAYMENT PERIOD
DEFINITION**



New standardized payment period definition will simplify administration of Title IV programs by requiring all Title IV funds, except for Federal Work-Study (FWS), to be disbursed and delivered on a payment period basis.

Definition of Standardized Payment Period	
<ul style="list-style-type: none">◆ Effective July 1, 1997◆ Based on Pell definition with minor modifications◆ For <i>all</i> Title IV funds, except FWS◆ Based on school's academic program structure:<ul style="list-style-type: none">• Term-based credit-hour programs; or• Nonterm credit-hour programs and all clock-hour programs	
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Term-Based Credit-Hour Programs

Standard Terms

If program is offered in standard terms (i.e. semesters, trimesters, or quarters), the payment period is the term.

Non-Standard Terms

If the program is offered in non-standard terms, the payment period is the term for Federal Pell Grant and campus-based programs but not for the Direct Loan and Federal Family Education Loan (FFEL) programs.

NONTERM CREDIT-HOUR PROGRAMS AND ALL CLOCK-HOUR PROGRAMS

Programs That Are One Academic Year or Less in Length as Measured in Clock or Credit Hours

- ◆ Program is divided into at least two equal payment periods.
- ◆ **Example**
 - Program is 600 clock hours.
 - The first payment period is the period of time needed for the student to complete 300 clock hours.
 - The second payment period begins after the student has completed the first 300 clock hours.

Programs That Are Multiples of a Full Academic Year

- ◆ Program covers multiple full academic years as measured in clock or credit hours.
- ◆ The academic year is divided into at least two equal payment periods as measured in clock or credit hours.
- ◆ For each academic year, the first payment period is the time in which the student completes the first half of the academic year and the second payment period is the time in which the student completes the second half of that academic year, as measured in clock or credit hours completed.
- ◆ However, for FFEL and Direct Loans, the second disbursement cannot occur earlier than the calendar midpoint between the first and last scheduled days of classes in the loan period.
- ◆ **Example**
 - The program is 1,800 clock hours, and the academic year is defined as 900 clock hours and 30 weeks in length.
 1. During the first academic year as measured in clock or credit hours:
 - a. The first payment period is the period of time needed to complete the first half of the academic year, which is 450 clock hours; and
 - b. The second payment period is the period of time needed to complete the remaining 450 clock hours of the academic year, totaling 900 clock hours.
 2. During the second academic year as measured in clock or credit hours:
 - a. The first payment period is the period of time needed to complete 450 clock hours, totaling 1,350 clock hours.
 - b. The second payment period is the period of time needed to complete the final 450 clock hours to finish the student's program of 1,800 clock hours.

NONTERM CREDIT-HOUR PROGRAMS AND ALL CLOCK-HOUR PROGRAMS (cont'd)

Other Programs Longer Than an Academic Year

Remaining Program Portion Longer Than One-Half Year

- ◆ These programs may include multiple full academic years as measured in clock or credit hours followed by the remaining portion of the program.
- ◆ Each full academic year is divided into a minimum of two equal payment periods.
- ◆ There are a minimum of two equal payment periods for the remaining portion of the program.
 - For the school's remaining partial academic year, the first payment period is the period of time needed to complete half of the clock or credit hours remaining in the program.
 - For the school's remaining partial academic year, the second payment period is the time span needed to complete the program.
 - However, for FFEL and Direct Loans, the calendar time and academic coursework provisions for loans need to be considered.
- ◆ **Example**
 - The program consists of a full academic year and a remaining portion longer than one-half of an academic year.
 - The program is 1,700 clock hours, and the academic year is 900 clock hours and 30 weeks in length.
 - The program consists of a minimum of four payment periods.
 1. During the first academic year, the first two payment periods consist of 450 clock hours each for a total of 900 completed clock hours.
 2. During the second academic year:
 - a. The remaining 800 program hours are proportionately divided into at least two equal payment periods.
 - b. The first payment period begins after the completion of 900 clock hours from the first academic year and consists of 400 clock hours (clock hours 901 to 1,300).
 - c. The second payment period consists of the final 400 clock hours in the remaining portion of the program (clock hours 1,301 to 1,700). The second payment period begins after the student completes the clock hours from the first payment period.

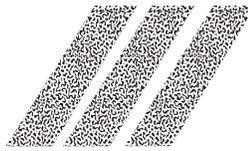
NONTERM CREDIT-HOUR PROGRAMS AND ALL CLOCK-HOUR PROGRAMS (cont'd)

Other Programs Longer Than an Academic Year (cont'd)

Remaining Program Portion Equal to or Shorter Than One-Half Year

- ◆ These programs may include multiple full academic years followed by the remaining portion of the program.
- ◆ Each full academic year is divided into a minimum of two equal payment periods.
- ◆ The remaining portion of the program after the last complete full academic year is the last payment period.
- ◆ However, for FFEL and Direct Loans, a school still has to make two disbursements even if the remaining 200 hours in the following Example comprise a new loan period.
- ◆ **Example**
 - The program is 1,100 clock hours, and the academic year is 900 clock hours and 30 weeks in length.
 - The first two payment periods cover the first academic year and are 450 clock hours each.
 - The third payment period is the remaining portion of the program, 200 clock hours, and begins after the student completes 900 clock hours.

Group Discussion 1



Nonterm Credit-Hour Programs and All Clock-Hour Programs

Objective

To determine the number of clock hours per payment period based on the length of the academic program.



Task

Fill in the blank for each case.

Exercise A

Academic programs that are shorter than one academic year in length.

Background: Morton School of Design has an academic year of 900 clock hours and a Video Graphics program that is 700 clock hours.



1. The first payment period comprises the first _____ clock hours.
2. The second payment period comprises the next _____ clock hours.

Exercise B

Academic programs that are multiples of a full academic year.

Background: Foyer's Business School has an academic year of 1,000 clock hours and a Data Processing program that is 2,000 clock hours.

1. The first payment period comprises the first _____ clock hours.
2. The second payment period comprises the next _____ clock hours.
3. The third payment period comprises the next _____ clock hours.
4. The fourth payment period comprises the next _____ clock hours.

Group Discussion 1 (cont'd)

Exercise C

Academic programs that are longer than an academic year, with the remaining portion longer than half of an academic year.

Background: Ross Community College has an academic year that is 900 clock hours and an Administrative Assistant program that is 1,450 clock hours.

1. The first payment period comprises the first _____ clock hours.
2. The second payment period comprises the next _____ clock hours.
3. The third payment period comprises the next _____ clock hours.
4. The fourth payment period comprises the next _____ clock hours.



Exercise D

Academic programs that are longer than an academic year, with the remaining portion equal to or shorter than half of an academic year.

Background: McCalep Community College has an academic year of 900 clock hours and a Dental Assistant program that is 1,050 clock hours.

1. The first payment period comprises the first _____ clock hours.
2. The second payment period comprises the next _____ clock hours.
3. The third payment period comprises the next _____ clock hours.
4. The fourth payment period comprises the next _____ clock hours.

Exercise E

Academic programs that are multiples of a full academic year, with the remaining portion equal to or shorter than half of an academic year.

Background: Reynolds Academy has an academic year that is 900 clock hours and an Aviation Flight program that is 2,000 clock hours.

1. The first payment period comprises the first _____ clock hours.
2. The second payment period comprises the next _____ clock hours.
3. The third payment period comprises the next _____ clock hours.
4. The fourth payment period comprises the next _____ clock hours.
5. The fifth payment period comprises the next _____ clock hours.

Group Discussion 1 Answers



Exercise A

1. 350
2. 350

Exercise B

1. 500
2. 500
3. 500
4. 500

Exercise C

1. 450
2. 450
3. 275
4. 275

Exercise D

1. 450
2. 450
3. 150
4. There is no fourth payment period

Exercise E

1. 450
2. 450
3. 450
4. 450
5. 200

Notes

Other Payment Period Requirements for Nonterm Credit-Hour Programs



Other Payment Period Requirements for Nonterm Credit-Hour Programs

◆ If school does not award credits until entire program completed, second payment period begins on later of:

- Calendar midpoint between first and last scheduled days of class of program or academic year; or
- Date when student has completed half of academic coursework of program or academic year



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Additional payment period requirements apply for nonterm credit-hour programs if school does not award credits until entire program is completed.

Term “academic coursework” refers to lessons or other measures of learning within a course, but not credits.

Example: Course consists of 40 lessons. Student reaches halfway point of the coursework after completing 20 lessons. If student completes first 20 lessons:

1. *Before* calendar midpoint of the academic year, second disbursement not permitted until the calendar midpoint; or
2. *After* calendar midpoint of the academic year, second disbursement not permitted until student completes the 20 lessons.

Group Discussion 2



Other Payment Period Requirements for Nonterm Credit-Hour Programs

Objective

To determine when the student is eligible for the second disbursement.



Task

Give the correct answer to each question.

Exercise

Background: Aaron and Barry are enrolled at Mars Academy. Their program of study is 24 credit hours. The school's academic year is 30 weeks of institutional time and 24 credit hours. Ten lessons equal 12 credits or one-half of the academic coursework. The calendar midpoint for these students is December 29, 1997. Their courses begin on September 2, 1997, and ends on April 28, 1998.

1. Aaron completes 10 lessons on November 30, 1997. When can Aaron receive the second disbursement of his Pell Grant? _____
2. Barry completes 10 lessons on December 30, 1997. When can Barry receive the second disbursement of his Pell Grant? _____



Answers

1. Aaron can receive the second disbursement of his Pell Grant at calendar midpoint, which is **December 29, 1997**.
2. Barry can receive the second disbursement of his Pell Grant on **December 30, 1997**, after he completes the lessons from the previous payment period.

Group Discussion 3



Establishing Additional Payment Periods

Objective

To illustrate the use of more than two payment periods in an academic year.

- ◆ Nonterm and clock-hour program schools have the option to establish more than two payment periods in an academic year. However, if a school chooses to have more than the minimum number of payment periods, the length of each payment period must be in equal proportion to the number of payment periods within the academic year.

Example

The eligible program is 600 clock hours, and the school's academic year is 900 clock hours. The school established three payment periods within the program.

- ◆ The first payment period is the period of time needed to complete the first 200 clock hours.
- ◆ The second payment period consists of clock hours 201 to 400, and the third payment period consists of clock hours 401 to 600.

Task

Determine the clock-hour requirement for each exercise.

Exercise A

Background: Murray Institute has an academic year that is 900 clock hours. The Chef's Assistant program is a 900-clock-hour program. The school has established 9 monthly payment periods within the program.

Question: How many hours must be completed for each payment period at Murray Institute? _____

Group Discussion 3 (cont'd)

Exercise B

Background: Carver Business School offers a data processing program that is 1,500 clock hours. The school has an academic year of 900 clock hours and has established three payment periods per year, including the remaining portion of this program.

Question: What are the clock hours for each payment period?

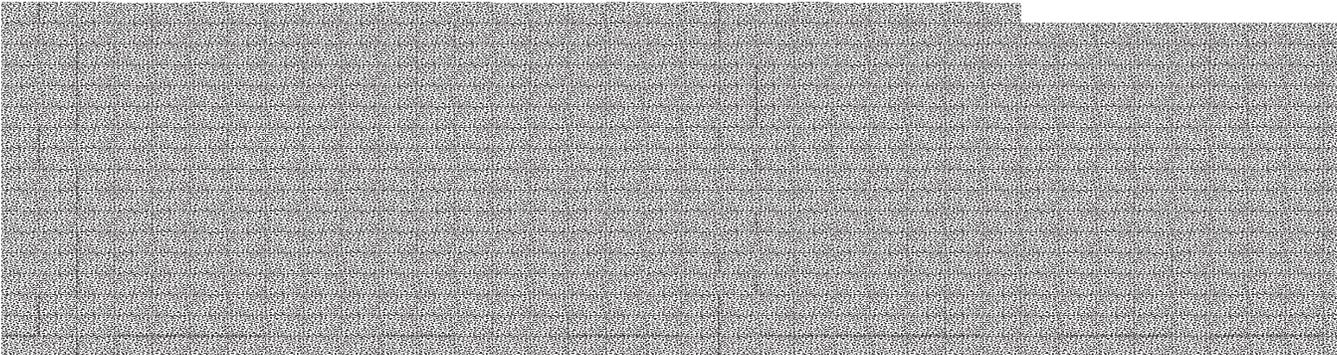
Year 1

1. _____ clock hours in the first payment period.
2. _____ clock hours in the second payment period.
3. _____ clock hours in the third payment period.

Year 2

1. _____ clock hours in the first payment period.
2. _____ clock hours in the second payment period.
3. _____ clock hours in the third payment period.





Effects Period

Example U Pell Grant

- ◆ Eligible p
clock ho
- Progr
- Durin
cons
- Durin
prog
bas
- Dur
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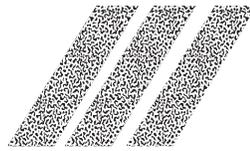
Examp Progra

- ◆ Usin
- A
-
-
-
-
-

begin until student has completed 300 clock hours from the first payment period.



Group Discussion 4



Effects of Standardized Payments Periods

Objective

To review the use of standardized payment periods.

Task

Circle the correct answer for each statement below.

Exercise

1. In the example from the chart on the previous page using the new definition of a payment period, the effects of standardized payment periods are evident during the (**1st / 2nd**) academic year.
2. The change during the second academic year (**reduces / increases**) the amount that the student would receive in the first payment period.
3. The disbursement for the second payment period is a (**lower / higher**) amount and the payment period would be (**later / earlier**) .



Answers

1. 2nd
2. reduces
3. higher, earlier

The Advance Payment Method

Notes

If school chooses to pay students early using institutional funds, it cannot charge ED for interest school loses while waiting to receive the Title IV funds from ED.

The Just-In-Time Payment Method

1. Is an integral part of integrated delivery system still under development by Project EASI;
2. Supplies payment information on or near actual date of disbursement;
3. Enables delivery system to provide most current account status to students and other system users; and
4. Strengthens ED's ability to monitor integrity of Title IV programs by reducing potential for misuse of funds.

The Reimbursement Method

If school placed on Reimbursement Payment Method, ED determines if payment method applies.

New Requirements Related to FFEL Funds



Effective for 1997-98, new requirements will apply to schools that are placed under Reimbursement Payment Method and participate in:

1. Federal Pell Grant, campus-based, and Direct Loan programs; or
2. FFEL Program only.

METHODS FOR REQUESTING TITLE IV FUNDS*

Advance Payment

- ◆ Allows schools to receive advance funds from ED.
 - School submits request for funds to ED.
 - Request for funds cannot exceed amount of funds that the school needs for immediate disbursements to eligible students, but limited by appropriate authorization levels.
 - Upon ED approval, ED generates an electronic funds transfer (EFT) for amount requested into a bank account designated by the school.
 - School must disburse funds no later than 3 business days following date it receives those funds with the exception of those funds that fall into the excess cash tolerances.

Just-in-Time Payment

- ◆ Developed to support Project EASI, Just-in-time provides funds based on student level data provided to ED by school.
 - Schools electronically transmits to ED each eligible applicant's program award record.
 - Record contains date and amount of disbursements that the school will make or has made for an applicant.
 - Each record is reviewed by ED.
 - If ED approves record, it generates an EFT that corresponds to disbursement amount requested by school.
 - EFT is delivered to school on or before disbursement date reported by school.
 - When school receives funds for each record approved by ED, school may disburse those funds based on its student eligibility determination at the time school transmitted eligible applicant's record to ED.
 - After the school requests those funds if applicant subsequently becomes ineligible for funds received by the school, the school must report the adjustment of a previously accepted record to ED within 30 days of the date that the school becomes aware of the change.
 - Schools have the option of making a disbursement to an eligible applicant before submitting a record of that disbursement to ED. If ED accepts the record, it generates an EFT for the corresponding disbursement amount to the school shortly after receiving the record from the school.

* These methods do not apply to FFEL, State Student Incentive Grant (SSIG), and National Early Intervention Scholarship Programs.

METHODS FOR REQUESTING TITLE IV FUNDS* (CONT'D)

Reimbursement Payment

- ◆ Allows a school to be reimbursed by ED for disbursements previously made to eligible students and parents. Generally, ED places a school on the Reimbursement Payment Method if it determines there is a need to monitor strictly a school's participation in the Title IV aid programs.
 - Schools must first make disbursements of Federal Pell Grant, campus-based, and Direct Loan program funds to eligible applicants before it submits a request for cash to ED.
 - Schools are considered to have made a disbursement if they have either credited student's account within the applicable time frame or paid the eligible applicant directly with their own funds.
 - Schools must submit a request to ED for funds that do not exceed amount of actual disbursements that the school has made and that are included in that request.
 - Schools must identify students for whom reimbursement is sought and submit documentation that shows that each applicant included in request was eligible to receive and was disbursed Title IV funds.
 - ED will approve school's request for reimbursement once it ascertains that the school determined applicant's eligibility for Title IV accurately and also submitted appropriate documentation of applicant's eligibility and receipt of Title IV funds.

* These methods do not apply to FFEL, State Student Incentive Grant (SSIG), and National Early Intervention Scholarship Programs.

NEW REQUIREMENTS RELATED TO FFEL FUNDS

- ◆ Schools that use Reimbursement Method and participate in Federal Pell Grant, campus-based, and Direct Loan programs and the FFEL Program, or that participate solely in the FFEL Program may not disburse FFEL program funds to a borrower until ED approves school's request to make disbursement to the borrower.*
- ◆ Schools may be prohibited from certifying applicant's loan application until ED approves school's request to certify application for the borrower.
- ◆ Schools requiring ED approval for disbursement or certification of a FFEL must submit documentation that show the borrower is eligible to receive that disbursement or certification. The documentation must be submitted to ED or an entity approved by ED.
- ◆ For schools awaiting ED approval of a FFEL disbursement and/or certification request, ED may:
 - Prohibit school from endorsing a master check or obtaining borrower's endorsement of any loan check the institution receives from a lender;
 - Require school to maintain loan funds that it receives from a lender via EFT in a separate bank account that contains no other funds; and
 - Prohibit school from certifying a borrower's loan application.

* FFEL-only schools are not officially placed on the Reimbursement payment method. However, they have the same limitations as those school's participating in the Federal Pell Grant, campus-based, or Direct Loan programs that are placed on reimbursement, except that they are not required to disburse funds to students or credit the student's account in advance of receiving the FFEL funds.

Group Discussion 5



Methods for Requesting Title IV Funds

Objective

To review the characteristics of each payment method and new requirements related to FFEL funds.

Task

Select the correct response(s) from the choices below.

Exercise

1. A school under the Advance Payment Method:
 - A. Must submit its request for funds to a third-party servicer.
 - B. Receives funds for FFEL Program borrowers.
 - C. Requests funds that cannot exceed the amount of funds that the school needs for immediate disbursement to eligible students.
 - D. Must participate in the Federal Pell Grant Program.
 - E. All of the above.

2. A school must disburse funds under the Advance Payment Method:
 - A. In three equal installments.
 - B. No later than three business days following the date the school receives these funds.
 - C. After the EDPMS account representative contacts the financial aid administrator at the school and approves the disbursement.
 - D. No later than one business day following the date the school receives the funds.
 - E. None of the above.



Group Discussion 5 (cont'd)

3. The Just-in-time Payment Method:

- A. Was developed to support Project EASI and provide funds based upon student level data provided to ED by a school.
- B. Is used solely by Direct Loan schools to request all Title IV funds.
- C. Requires schools participating in this payment method to report payment data under the Monthly Electronic Expenditure Reporting System (MEERS).
- D. Has schools electronically transmitting to ED each eligible applicant's program award record.
- E. All of the above.

4. The eligible applicant's program award record under the Just-in-time Payment Method:

- A. Contains the date and amount of disbursements that the school will make or has made for an applicant.
- B. Is reviewed by ED.
- C. If approved by ED, generates an electronic funds transfer (EFT) that corresponds to the disbursement amount requested by the school.
- D. Has the EFT delivered to the school generated on or before the disbursement date reported by the school.
- E. All of the above.

5. If a school is under the Reimbursement Payment Method, the school:

- A. Must wait until the end of the academic year to request funds from ED.
- B. Is considered to have made a disbursement if it has paid the eligible applicant directly or credited the student's account with ED funds.
- C. Has the option of choosing this method to receive payment of Title IV funds.
- D. Must identify students for whom reimbursement is sought and submit documentation that shows that each student included in the request was eligible to receive and was disbursed Title IV funds.
- E. All of the above.



Group Discussion 5 (cont'd)

6. A school awaiting ED approval for a disbursement request of a FFEL:
- A. May be prohibited by ED from endorsing a master check or obtaining a borrower's endorsement of any loan check the school receives from a lender.
 - B. Is exempted from ED approval if the school is also participating in the Direct Loan Program.
 - C. May be prohibited by ED from certifying a borrower's loan application.
 - D. May be required by ED to maintain loan funds that it receives from a lender via master check in a separate bank account that contains no other funds.
 - E. None of the above.

Answers

1. C 2. B 3. A and D 4. E 5. D 6. A and C

MAINTAINING TITLE IV FUNDS

Bank or Investment Accounts

- ◆ Schools must maintain Title IV funds, other than those for FFEL program, in a bank or investment account that is federally insured or secured by collateral of value that is the reasonable equivalent of the amount of those funds. 
- ◆ Schools participating in the Federal Perkins Loan Program must establish and maintain a Federal Perkins Loan Fund.
- ◆ Federal Perkins Loan Fund must also be maintained in an interest-bearing bank account or investment account consisting predominately of low-risk, income-producing securities.
- ◆ A school is exempt from maintaining Federal Pell Grant, campus-based, and Direct Loan program funds in an interest-bearing or investment account except Federal Perkins Loan funds if school:
 - Drew down less than \$3 million in the prior award year and anticipates that it will not draw down more than \$3 million in the current award year;
 - Can demonstrate by its cash management practices that it will not earn over \$250 on those funds during the award year; or
 - Will use the Just-in-time Payment Method to request Title IV funds.
- ◆ Schools must identify clearly that Title IV funds are maintained in each bank or investment account that contains Title IV funds. To comply, schools must:
 - Include the phrase “Federal Funds” in each account name; or
 - Notify the bank or investment company of the accounts that contain Title IV funds and retain a record of that notice **and**, unless the school is a public institution, file a UCC-1 statement disclosing that the account contains federal funds.

Separate Accounts

- ◆ Schools are no longer required to maintain FFEL program funds in separate accounts under 34 CFR §682.207(b).
- ◆ ED may require schools to maintain all Title IV funds, including FFEL Program funds, in a separate bank or investment account containing no other funds if ED determines that schools failed to comply with:
 - Title IV cash management requirements;
 - Title IV recordkeeping and reporting requirements; or
 - Applicable program regulations.

MAINTAINING TITLE IV FUNDS (CONT'D)

Separate Accounts (cont'd)

- ◆ If school is not required to maintain separate accounts and chooses not to maintain Title IV funds in separate accounts, it must maintain accounting and internal control systems that identify the:
 - Cash balance of each Title IV program included in school's bank or investment account as readily as if those program funds were maintained in a separate account; and
 - Earnings on Title IV program funds maintained in school's bank or investment account.

Treatment of Earnings on Title IV Program Fund Accounts

- ◆ Schools that maintain Federal Pell Grant, FSEOG, FWS, and Direct Loan program funds in an interest-bearing or investment account may keep the initial \$250 it earns on those funds during an award year. By June 30 of each award year, school must remit to ED all earnings that exceed a total of \$250 on those Title IV funds.
- ◆ For Federal Perkins Loan Program funds, any interest or income earned on the Fund is retained by school as part of the Fund.

Direct Payment

Notes

To disburse by direct payment to student or parent (if PLUS borrower), school:

1. Issues to student or parent FFEL check provided by lender;
2. Issues school check or other instrument that requires student's or parent's endorsement or certification;
3. Initiates an EFT to bank account designated by student or parent; or
4. Dispenses cash for which school obtains signed receipt from student or parent.

School issues a check when it:

1. Releases or mails check to student or parent; or
2. Notifies student or parent that check is available for immediate pick-up.

Crediting a Student's Account

No written authorization from student or parent (for PLUS) is required to credit student's account for current charges for tuition, fees, and contractual charges with school for room and board.

Notes

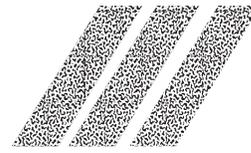
Written authorization is required to use current Title IV funds :

1. To pay current charges for educationally related activities other than tuition, fees, and contractual charges with school for room and board;
2. To pay for minor prior award year charges that:
 - a. Are less than \$100; or
 - b. Do not prevent student from paying current-year educational costs.

If school disburses Direct Loan funds by crediting student's school account, school must use Direct Loan funds to pay for outstanding current charges.

•**Credit Balances.** If amount of Title IV funds credited to student's account exceeds amount of authorized charges, school must pay the resulting balance directly to student or parent (if PLUS borrower).

Credit Balances



No later than 14 days after the first day of class of a payment period if the credit balance occurred *on or before* the first day of that payment period.

Example A

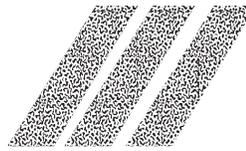
Day Credit Balance Occurred	First Day of Classes	14 Days After Credit Balance Occurred
September 5, 1997	September 10, 1997	September 24, 1997

No later than 14 days after the balance occurred if the credit balance occurred *after* the first day of a payment period.

Example B

First Day of Classes	Day Credit Balance Occurred	14 Days After Credit Balance Occurred
September 10, 1997	September 20, 1997	October 4, 1997

Group Discussion 6



Required Written Authorizations

For Title IV funds that a school receives, regulations allow the school to obtain written authorization from the student or parent (for PLUS loans). The school must provide written notification to the applicant related to the activities the school performs in handling these funds.

Objective

To illustrate school use of written authorizations.

Task

Indicate True or False after each of the following statements.



Exercise A

Schools may obtain from the student or parent (for PLUS loans) written authorization that can permit the school to:

1. Disburse Title IV program funds by EFT to a bank account designated by the student or parent. True False
2. Use Title IV program funds to pay for only minor prior year charges. True False
3. Hold a Title IV credit balance for student or parent use later in a payment period or within the award year. True False

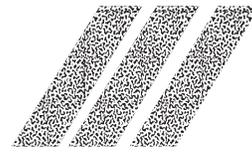
Exercise B

When obtaining written authorizations from Title IV recipients, a school:

1. Cannot require or coerce the recipient to provide authorization. True False
2. Must prevent the student or parent from canceling or modifying the authorization at any time. True False
3. Must explain clearly to the student or parent how it will carry out the activity for which authorization was given. True False

Group Discussion 6

Answers



Exercise A

1. True
2. False. A school may also obtain an authorization to pay for current educationally related activities other than current charges for tuition, fees, room, and board.
3. True

Exercise B

1. True
2. False. A school must allow the student or parent to cancel or modify the authorization at any time.
3. True



Notes

b. Request that school return loan proceeds, except FFEL funds disbursed by EFT or master check, to holder of loan; and

3. Procedures and time frame in which student or parent (for PLUS loans) must notify school to cancel loan or loan disbursement.

School Notifications



- ◆ Written or electronic notice must be sent no earlier than 30 days **before** and no later than 30 days **after** either crediting school account or transmitting funds to student's or parent's bank account
- ◆ Recipients of electronic notice must confirm receipt of notice and school must maintain copy of confirmation
- ◆ School must inform student or parent, in writing or electronically, of outcome of request

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School must return loan proceeds, cancel loan, or both if school receives cancellation request:

1. The first day of the payment period, if the school sends the notice more than 14 days before the first day of the payment period; or
2. Within 14 days after date school sent notice explaining borrower's right to cancel.

If borrower submits cancellation request after deadline, school not required to honor cancellation request. For all cancellation requests received, school must inform borrower, in writing or electronically, of request's outcome.

Group Discussion 7



School Notifications

Objective

To illustrate deadline dates for cancellation requests.

Task

Determine the deadline dates for each question.



Exercise A

Background: The Hill School of Music has a borrower with a loan disbursement date of September 1, 1997, and the borrower's classes start on September 5, 1997. The electronic notice was sent to the borrower on August 10, 1997.

Question: What is the cancellation request deadline date for this borrower?

Exercise B

Background: The Hill School of Music has a borrower with a loan disbursement date of September 1, 1997, and the borrower's classes start on September 1, 1997. The electronic notice was sent to the borrower on August 20, 1997.

Question: What is the cancellation request deadline date for this borrower?

Exercise C

Background: The Hill School of Music has a borrower with a loan disbursement date of September 1, 1997, and the borrower's classes start on September 1, 1997. The electronic notice was sent to borrower on September 10, 1997.

Question: What is the cancellation request deadline date for this borrower?

Answers

Exercise A: September 5, 1997

Exercise B: September 3, 1997

Exercise C: September 24, 1997



CONDITIONS FOR LATE DISBURSEMENTS

- ◆ New regulations consolidate late disbursement provisions for all programs.
- ◆ For purposes of late disbursements, an ineligible student is one who is no longer enrolled at the school for the award year. 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.
- ◆ Late disbursements can be made only if funds are used to pay for educational costs that the school determines the student incurred for the period in which the student was enrolled and eligible.
- ◆ Late disbursements must be made no later than 90 days after the date the student became ineligible.
- ◆ Late disbursements can be made if, before the date the student became ineligible, the school received a SAR or an ISIR with an EFC calculated by the CPS, and the school:
 - For a Direct Loan, created the electronic origination record;
 - For a FFEL Program loan, certified the loan application;
 - For a Federal Pell Grant award, received before the date the student became ineligible, a valid SAR or a valid ISIR; and
 - For a Federal Perkins Loan Program loan or an FSEOG Program award, awarded a loan or grant to the student.
- ◆ Schools may not make a late second or subsequent disbursement of a Direct or Stafford loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended.
- ◆ For a Direct Loan or FFEL Program loan, the student must complete the first 30 days of his or her program of study if the student was subject to delayed disbursement requirements for first-year, first-time borrowers.
- ◆ For the Federal Work Study (FWS) Program, schools must always pay FWS wages earned.

Notes

Returning Undisbursed FFEL Funds to Lenders



Returning Undisbursed FFEL Funds to Lenders

◆ May delay returning FFEL funds for:

- 30 **calendar** days following receipt of paper checks for individual students
- 10 **business** days following date school receives EFT or master check beginning July 1, 1997
- 3 **business** days following date school receives EFT or master check beginning July 1, 1999



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There are three exceptions to deadline for return of undisbursed FFEL proceeds. School may delay returning FFEL funds to lender if school:

1. Determines that student had not, but can, complete required number of clock or credit hours in preceding payment period within ten business days after date school would normally be required to return loan funds; or
2. Student has not met all FFEL eligibility requirements, but the school expects the student to meet those requirements within this ten business day period (such as registering for the required number of hours, completing an entrance interview or being reinstated to Satisfactory Academic Progress.
3. Is placed on Reimbursement Payment Method, in which case school has an additional 30 days to return the loan funds.

**EFFECTIVE DATE FOR UPDATES AND CHANGES
CASH MANAGEMENT AND PROJECT EASI**

Effective Date	Requirement
July 1, 1997	<ul style="list-style-type: none"> ◆ Definition of disbursement revised. ◆ Require schools to return FFEL proceeds received by EFT or master check to lender within 10 business days following date school receives funds. ◆ Require schools to disburse all Title IV funds (except FWS wages) on a payment period basis. ◆ Require schools that use standard academic terms (semesters, trimesters, and quarters) to use academic term as payment period. ◆ Allow schools using nonstandard credit hour programs and all clock hour programs to disburse Title IV funds by later of 10 days before first day of classes of payment period or date student completed clock or credit hours in previous payment period. ◆ Prohibit delivery of FFEL funds to a borrower until ED approves school's disbursement to borrower or may prohibit certification of an applicant's loan application until ED approves school's request to certify application for borrower. ◆ Require schools to send written or electronic notification to students or parent PLUS loan borrowers no earlier than 30 days after crediting school account or transmitting funds to student or parent's bank account. ◆ Consolidation of requirements regarding late disbursements. ◆ Permit borrower to cancel all or portion of loan within 14-day timeframe.
December 1997	<ul style="list-style-type: none"> ◆ Implementation of Grants and Payments System (GAPS).
January 1, 1998	<ul style="list-style-type: none"> ◆ Require all schools to use SFA BBS as part of new electronic process requirement.
TBA in 1997-98	<ul style="list-style-type: none"> ◆ Implementation of Just-in-time Payment Method. ◆ Limitations applied to schools placed on Reimbursement Payment Method and participating in FFEL program. ◆ Prohibit schools placed on Reimbursement Payment Method from holding any remaining balance of Title IV funds on behalf of a student or parent.

**EFFECTIVE DATE FOR UPDATES AND CHANGES
CASH MANAGEMENT AND PROJECT EASI (CONT'D)**

Effective Date	Requirement
TBA in 1997-98	<ul style="list-style-type: none"> ◆ Eliminate annual requirement for school to obtain written authorization from student or parent (if PLUS borrower). ◆ Require schools to release remaining balance on student loan funds and any other Title IV fund by end of loan period or end of last payment period in award year. ◆ Require schools to identify loan funds as subsidized and unsubsidized before disbursing Title IV funds for an award year. ◆ Require schools to obtain confirmation of notice sent electronically to recipients; school must maintain copy of confirmation.
July 1, 1999	<ul style="list-style-type: none"> ◆ Require school to return FFEL proceeds received by EFT or master check to lender within 3 business days following date school receives funds.

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