

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.

IMPORTANT: *As this chapter was being prepared, The Department was negotiating regulations that will determine how schools must manage overpayments containing TEACH Grant funds. ED will issue a Dear Colleague Letter on that subject once final regulations have been issued.*

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.

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.

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.

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. The Cash Management regulations use 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.

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.

Campus-based overawards

34 CFR 673.5

Recovery of fund

Verification 34 CFR 668.61

Ineligible student 34 CFR 668.139

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)

Resolving ACG and National SMART Grant Overawards

If an 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.

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.

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 a 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.

- If these adjustments have been made and an overaward still exists for a Stafford Loan borrower, you must withhold and 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, Guerrero discovered after it received the loan funds that Owen also received an outside scholarship, which created an overaward. Guerrero determines that the overaward is \$800. Guerrero 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 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 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.



Clarification

Overpayments and eligibility

HEA Sec. 484(a)(3)

34 CFR 668.22(h), 668.32(g)(4), 668.35(c)&(e)

Overpayment due to interim disbursement

34 CFR 668.61(a)

Recovery of overpayments

34 CFR 668.139

Time frame for returning funds

34 CFR 668.21(a)(2)(ii)(A)

Time frame for disbursing funds

34 CFR 668.166(a)(1)

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.



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, 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.

Overpayments for which the school is responsible

Your school is liable for any amount of a Pell 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, 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 GAPS, or disburse them to another eligible student.

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 funds for concurrent enrollment at more than one institution. The COD system will identify students who have been reported as Pell 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.

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, 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 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.

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 690.78(b)(1)&(2)

34 CFR 674.16(f)(1)&(2)

34 CFR 676.16(d)(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 to the borrower can be issued.

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)



All schools must return¹ 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.

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, 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, 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*.¹

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.

At all schools, after the start of classes, Title IV funds should not be disbursed without schools confirming that students have begun attendance.

1. For Pell, ACG, National SMART Grant, Perkins, TEACH 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 GAPS**.

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.

For a complete discussion of when Returns are considered to have been made in a timely manner, see *Volume 4, chapter 2*.



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 2004-2005 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 2005-2006 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 2004-2005 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2004-2005 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.

Overpayments for which the student is responsible

In some instances, a student rather than the school is responsible for repaying the overpayment.

If a student has received more Pell funds than the student was eligible to receive because the student's eligibility for Pell decreased, you can try to eliminate the Pell overpayment by adjusting later Pell disbursements for the award year. **You may not reduce a student's correctly awarded and disbursed Pell 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, 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 or, Pell Grant overpayment.

For Perkins Loans, you are not required to refer overpayments to Borrower Service's, 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.

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, ACG, National SMART Grant, TEACH Grant, Perkins Loan or FSEOG overpayment.

Generally a student is liable for any Pell 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.

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.

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.

Clarification

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 online NSLDS screens to report overpayments, which means that your school must have Internet access to NSLDS. (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 ACG, National SMART Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which a data element has changed must be reported.

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>

Referring overpayment cases to Borrower Service's

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.

If you have tried but not succeeded in collecting a Pell Grant, ACG, National SMART Grant, TEACH Grant, or FSEOG overpayment for which the student is liable, you must refer the overpayment to FSA's Borrower 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 Borrower Service's 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 Borrower Service's, 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.

Important

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.

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 Borrower Services has accepted a referred student overpayment, Borrower Services will transmit the information to NSLDS and "ED Region" will replace "School" as the appropriate contact source for information about the overpayment.

Important

During the 2008-2009 award year, on its Overpayment Referral, schools must continue to provide their School's Pell Identification Number. During the 2008-2009 award year, schools should NOT enter their Routing Identifier.

School responsibility after referral

Once you have referred the account to Borrower Service's, you have no further responsibility in the collection of the debt unless the student contacts your school to make a payment or unless Borrower Service's sends the referral back because it is incomplete, in which case 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 Borrower Service's.

You must return to ED any funds accepted from a student who owes an overpayment. Before forwarding the check to Borrower Service's, 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 the

U.S. Department of Education National Payment Center
P.O. Box 4169
Greenville, Texas 75403-4169

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 Borrower Service's by calling

1-800-621-3115

or by E-mailing

dcshelp@vangent.com

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 Borrower 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.

Borrower Service's will then try via letters and telephone to establish a repayment schedule or to secure payment in full. Borrower Service's 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 Borrower Service's instead of the school. Finally, Borrower Service's also communicates Pell overpayment referrals to the COD system. COD will then alert a school of a student's overpayment status if the student submits a future FAFSA.

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.

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 financial assistance, 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 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 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.

Campus-based overawards

34 CFR 673.5(d)

When a student receiving ACG or National SMART Grant, TEACH Grant funds and Campus-Based funds has an overpayment

There is no overaward tolerance in the ACG, National SMART Grant, or TEACH Grant programs. Therefore, if a school discovers that an overpayment was made to a student who is receiving ACG, or TEACH Grant, or National SMART Grant funds and Campus-Based funds, the school must resolve the overpayment.

Information Required when Referring Student Overpayments to Borrower Services – Collections

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	Academic Competitiveness Grant	National Smart Grant	FSEOG ¹	TEACH Grant
Award year in which overpayment was disbursed:	_____	_____	_____	_____	_____
Total grant disbursed:	_____	_____	_____	_____	_____
Dates of disbursement: (Must match NSLDS overpayment record)	_____	_____	_____	_____	_____
Overpayment amount owed by student *	_____	_____	_____	_____	_____
Total grant repaid by student to school, if any:	_____	_____	_____	_____	_____
Date of last payment to school, if any:	_____	_____	_____	_____	_____
Total being referred for collection:	_____	_____	_____	_____ ¹	_____

¹ 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
Greenville, Texas 75403

(903) 454-5398 ⇐ FAX