Scheduling Disbursements

CHAPTER 4

Once your financial aid office has determined the total award amount, based on the annual loan limits and the student’s financial need, it calculates the disbursement amounts and determines the disbursement dates to report to COD. In this chapter, we’ll look at how a school schedules disbursements. For more detail on the requirements of making disbursements, such as notifications, authorizations, disbursing FWS wages, method of disbursement, paying FSA credit balances, and making late disbursements, see The Blue Book, Volume 5.

TIMING OF DISBURSEMENTS—GENERAL RULES

Except for Federal Work Study (FWS) wages, FSA disbursements are made on a payment period basis. The timing of disbursements is especially important for Pell and TEACH Grants and Stafford/PLUS loan funds, because your school must report disbursement dates with the Department (through the COD system).

Checking eligibility at the time of disbursement

Before your school awarded funds to a student, your financial aid office confirmed that he or she was an eligible student and was making satisfactory academic progress (See the FSA Handbook, Volume 1). However, before disbursing FSA funds, your school must determine and document that a student remains eligible to receive them. That is, your school must confirm that:

- the student is enrolled in classes for the period;
- a student enrolled in a non-term program or nonstandard term program with terms that are not substantially equal in length has completed the previous period (credits and weeks or clock-hours and weeks of instruction);
- if the disbursement occurs on or after the first day of classes, that the student has begun attendance;
- for Direct Loans, the student is enrolled at least half-time;
- first-time FSA borrowers have completed entrance counseling, received the required disclosures, and completed the first 30 days of their academic program;
- for TEACH Grants, the student has, for that award year, a) completed the relevant initial or subsequent counseling; b) signed an “Agreement to Serve;” and c) the appropriate GPA, has otherwise met the performance standard through testing, or is a retiree or a current or former teacher.

The most common change that would make a student ineligible for a Stafford or PLUS disbursement is if the student has dropped below half-time.
enrollment, so it is important that the financial aid office have a system to check the student’s enrollment status at the time of disbursement.

If the student has only temporarily dropped below half-time enrollment, you may still make a Stafford or PLUS disbursement after the student resumes at least half-time enrollment.

**Time frames for paying FSA funds**

In general, schools that are not receiving federal cash from the Department through one of the heightened cash monitoring payment methods must make disbursements as soon as administratively feasible but no later than three business days after receiving funds from the Department. The disbursements may be credited to the student’s account or made directly to the student or parent.

In order to comply with the excess cash regulations, when requesting funds with which to make FSA disbursements, schools must ensure they do not draw down more cash than they can disburse over the next three days. Note that these time frames for disbursing to the student’s account (or directly to the student or parent) are different than those for paying FSA credit balances to the student or parent. A school generally has 14 days to pay an FSA credit balance to the student or parent, unless it has written permission to hold the credit balance. For more details on excess cash requirements, see *Volume 4 of the Blue Book*.

In addition, it is important to define the date of disbursement because several regulatory requirements are based on that date. For instance, your school must notify a student of a loan disbursement no sooner than 30 days before the date of disbursement and no later than 30 days after the date of disbursement.

**Submitting disbursement records**

A school must submit Federal Pell Grant, TEACH Grant, and Direct Loan disbursement records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student’s disbursement. A school’s failure to submit disbursement records within the required 30-day time frame may result in an audit or program review finding. In addition, the Department may initiate an adverse action, such as a fine or other penalty for such failure.

**Basic rules for early and delayed disbursements**

In general, the earliest that a school may disburse FSA funds by crediting the student’s account or by paying directly to the student or parent is 10 days before the first day of classes for that payment period. For **credit-hour nonterm and clock-hour programs**, the earliest a school may disburse FSA funds (other than FWS wages) is the later of:

- 10 days before the first day of classes for that payment period; or
- the date the student completed the previous payment period for which he or she received FSA funds.
This disbursement timing limitation is also applicable to Stafford and PLUS disbursements in credit-hour programs with nonstandard terms that are not substantially equal in length. In some cases, as we’ll discuss, other restrictions apply.

If a student is in the first year of undergraduate study and is a first-time Stafford borrower, or if your school’s cohort default rate has been 15 percent or greater for the three most recent years for which data is available, your school may not disburse the first installment of the Stafford Loan until 30 calendar days after the student’s program of study begins.

You are not required to delay disbursement for such students if you have a cohort default rate of less than 15 percent for each of the three most recent years for which data are available, or if your school is a home institution originating a loan to cover the cost of attendance in a study abroad program and have a cohort default rate of less than 5 percent for the single most recent year for which data are available.

If a student is scheduled to begin class in a module of a term-based program that starts after the first day of classes for the semester, you may not make the initial disbursement until 10 days before the start of the first module in which the student is scheduled to begin attendance. Also, if you post a credit to a student’s account before the earliest date permitted by regulation, the date the FSA funds are considered to be disbursed is the earliest date permitted by regulation.

**Retroactive payments when disbursement has been delayed**

Your school must, for Pell, pay a student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if your school doesn’t receive a valid SAR/ISIR for a student until the spring term, but the student was also enrolled and eligible for a disbursement in the previous fall term, that student must be paid retroactively for the fall term.

If your school is paying a Pell or TEACH Grant for a completed term in which no disbursement has been made, the grant must be based on the hours completed by the student for that term. If the student had enrolled full time at the beginning of the fall term but dropped to half-time status by the end of the term, the retroactive disbursement must be based on half-time status. At a term school, all completed coursework counts towards enrollment status, including earned F’s and incompletes that have not converted to “F” grades because the student failed to complete the course work. (This requirement does not apply to any other FSA program.)

For Stafford/PLUS Loans, if any payment period has elapsed before you make your first disbursement to the student, the disbursement for the next payment period may include the amount that would have been disbursed in the completed payment period (provided the student was eligible and enrolled at least half-time in that payment period).
The earliest a school may disburse funds is 10 calendar days before the first day of class in the semester (August 15 is the example).

If your school posts a credit to a student’s account before the earliest date permitted by regulation (August 2nd vs. August 15 in the example), for FSA purposes, the date the aid is considered to be disbursed is the earliest date permitted by regulation: August 15.

**Disbursement rules for terms made up of modules**

When a student is attending a modular program but won’t attend the first module, the date when classes begin for making disbursements is the starting date of the first module that the student will actually attend.

The earliest the school can pay a student who is scheduled to begin attendance in the second of three 5-week modules that make up the payment period is 10 days before the first day of the second module (or 30 days after the second module begins, if the student is a first-time, first-year borrower and the school does not meet the requirements for a waiver in 34 CFR 685.303(b)(4)).

**Module Example:** A 1-year program with no terms awards 24 credit-hours, which are taught in a series of six 4-hour modules. The school groups the modules into two 12-hour payment periods. The first payment period takes 15 weeks to complete. The student cannot progress to the second payment period until the student successfully completes 12 credit-hours and the 15 weeks of instruction have elapsed. If the student fails the first 4-hour module, he or she will still need to successfully complete three modules (for a total of 12 credits) to progress to the next payment period.
For loan purposes, if the student became ineligible for reasons other than withdrawal or graduation—such as dropping below half-time enrollment—your school may make a late disbursement, but is not required to do so.

You may make the retroactive disbursements in one lump sum.

**Multiple disbursements within a payment period**

FSA regulations generally permit schools to pay FSA funds at such times and in such installments within each payment period as will best meet students’ needs. This gives schools the ability to apportion the payment if doing so will be in the best interest of the student. For example, if a payment period is particularly long, a school might choose to pay in multiple installments to the extent program requirements permit to ensure that a student will have funds to pay rent later in the payment period.

Also bear in mind that FSA funds must be provided to students in a timely manner to best assist them in paying their educational expenses. Consequently, a school may not delay the disbursement of funds until after the 60% point, for example, to avoid the administrative burden of performing a Return of Title IV Funds calculation and the requirements that go along with it, or to prevent the student from having to return funds upon withdrawal. For more detail on managing funds and returning Title IV funds, see Volume 5 of the Blue Book.

**TIMING OF FSA GRANT & PERKINS LOAN DISBURSEMENTS**

**Disbursements in credit-hour term-based programs**

For a student enrolled in a credit-hour program that uses any type of academic term, for Pell, TEACH, FSEOG, and Perkins Loan program funds, the payment period is the academic term. Under the advance payment method, FSA grants actual disbursement information can be submitted no earlier than 7 calendar days prior to the disbursement date.

**Disbursements in clock-hour and credit-hour nonterm programs**

For clock-hour programs and nonterm credit-hour programs, a student can receive the first disbursement of FSA grant or Perkins Loan funds when the student begins the program or academic year. The student becomes eligible to receive a disbursement of FSA grant funds for the second payment period when the student successfully completes half of the weeks of instructional time AND half of the credit-hours/clock-hours in the academic year or program or the remaining portion of a program that is more than one-half of an academic year but less than a full academic year.

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**Perkins & FSEOG disbursements**

Payment by payment period: 34 CFR 674.16(b) and 676.16(a)

Uneven costs/uneven payments: 34 CFR 674.16(c) and 676.16(b)

Paying prior to student beginning attendance: 34 CFR 674.16(f) and 674.16(d)

**Submitting disbursement records**

A school must submit disbursement records to the COD system no later than 30 days after making a Pell or Direct Loan disbursement.

**Reporting Perkins Loan disbursements**

34 CFR 674.16(i)

You must report each Perkins Loan and each Perkins Loan disbursement to NSLDS and one of the three national credit bureaus (or a local credit bureau affiliated with one of those three bureaus). You must report the amount and date of each disbursement, information concerning repayment and collection of the loan until its paid in full, and, if applicable, the date the loan was repaid, canceled, or discharged for any reason. Any change to information previously reported must be reported to the same credit bureau(s) to which the information was originally reported.

**Books and supplies Pell disbursement**

34 CFR 668.164(d)

You must provide a means by which a Pell recipient can obtain or purchase, by the seventh day of a payment period, books and supplies for the payment period (assuming the student has a credit balance to be disbursed and you could disburse funds 10 days before the beginning of the payment period).
Additional grant disbursement notes

Disbursements exceeding 50 percent of award
If you use Formula 3 to calculate a Pell or TEACH Grant, the student’s total payment for a payment period may exceed 50 percent of the student’s annual award. However, the disbursements of the student’s Pell or TEACH Grant in the payment period cannot exceed 50 percent of the student’s annual award until the student completes, in the payment period, at least half of the weeks of instructional time in the academic year. Therefore, you generally must make at least two disbursements to the student in the payment period. You may not withhold funds as an administrative convenience if you wish to make a single disbursement.

Timing of grant disbursements within a payment period
You may time the disbursement of Pell and TEACH Grant funds for a payment period to best meet the needs of students at your school. For instance, some schools credit the student accounts for school charges as soon as is permissible, and then pay the credit balance to students when they begin classes. Other schools wait until the end of the add/drop period to disburse funds, or pay students in monthly installments to help meet living expenses throughout the payment period. (If, as opposed to making multiple disbursements within the payment period, your school rations disbursements to students by crediting the entire disbursement for the payment period to the student’s account and making periodic disbursements to the student from these funds, it must have the student’s voluntary written authorization.)

Uneven disbursements of FSEOG & Perkins
A school that is awarding an FSEOG or a Perkins Loan for a full academic year must disburse a portion of the grant or loan during each payment period. In general, to determine the amount of each disbursement, a school will divide this award amount by the number of payment periods the student will attend.

However, if the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, your school may disburse the additional FSEOG or Perkins amounts to the student in whatever manner best meets the student’s needs.

Stafford/PLUS disbursements
Standard terms and terms that are substantially equal in length
34 CFR 668.4(a) and (c)

Programs without terms, clock-hour programs & terms not substantially equal
34 CFR 668.4(b), (c), and (h)(1)

Scheduling Direct Loan disbursements
Please consult the Direct Loan School Guide for further discussion of DL disbursement issues (available on IFAP).

Multiple loan disbursements within a payment period
A school may schedule multiple disbursements within a payment period, as long as the disbursements in a loan period are substantially equal.

However, for nonterm and clock-hour programs, a school may not elect to have more than two payment periods per loan.

Schools that use payment periods as the basis for their Return of funds calculations should note that making multiple disbursements within a payment period does not create a new or additional payment period. See Volume 5 of the FSA Handbook to see how withdrawal calculations handle multiple disbursements.
TIMING OF STAFFORD/PLUS DISBURSEMENTS

**Standard terms and substantially equal nonstandard terms at least nine weeks in length (SE9W)**

If the program uses standard academic terms (semesters, trimesters, or quarters) or it has nonstandard terms of substantially equal length, at least one disbursement must be made in each term in the loan period. A program is considered to have substantially equal terms if no term in the program is more than two weeks of instructional time longer than any other term in the program.

If there is more than one term in the loan period, the loan must be disbursed over all terms of the loan period. For example, if a loan period is for an academic year that includes three quarters, the loan must be disbursed in three substantially equal disbursements.

If there is only one term in the loan period, the loan generally must be disbursed in two payments. In a credit-hour program that uses a semester, trimester, or quarter system, or is “SE9W,” (see sidebar), the second disbursement may not be made until the student reaches the calendar midpoint between the first and last scheduled days of class of the loan period.

**Clock-hour programs, nonterm credit-hour programs, and programs with nonstandard terms that are not substantially equal**

If the program is one academic year or shorter, the loan period is usually the length of the program. (For more information on nonterm loan periods, see Volume 3, Chapter 5 of the FSA Handbook.) If the program is longer than an academic year, there will usually be another loan period for any subsequent academic year or remaining portion of an academic year.

For each loan period in these programs:

- The loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- The second half of the loan proceeds may not be disbursed until the student has successfully completed half of the coursework and half of the weeks of instructional time in the loan period.

The payment period for the remainder of a program less than or equal to one-half of an academic year is the remainder of the program.

When a Direct Loan is made for one payment period, the loan must be disbursed in two installments, and the second installment may not be disbursed until the student has successfully completed half the number of credit or clock-hours and half the weeks of instructional time in the payment period.

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**Nonstandard “SE9W” terms**

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to as “SE9W.”

The length of terms are measured in weeks of instructional time, as defined in this chapter. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period.

For more detail on SE9W terms, see Volume 3, Chapter 5 of the FSA Handbook.

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**Direct Loans for one payment period**

34 CFR 685.301(b)(3)(ii)

**Low cohort default rate exemptions**

Section 428 G (a)(3) and (b)(1) of the HEA, Direct Loans 34 CFR 685.301(b)(8)

**Single disbursements for study-abroad students**

If a borrower is enrolled in a study-abroad program approved for credit by the home school and the home school had a Stafford Loan default rate less than 5 percent in the single most recent fiscal year for which data are available, the school may make a single disbursement of the loan proceeds.

34 CFR 685.303(b)(6)
Also see Cohort Default Rate Guide.
Exceptions to multiple disbursement loan rules for schools with low default rates

Schools with cohort default rates of less than 15 percent for each of the three most recent fiscal years for which data are available, including eligible foreign schools, may disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. Such schools also are not required to delay the delivery or disbursement of a first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

You may pay a student in an eligible study-abroad program in one disbursement, regardless of the length of the loan period, if your school’s most recently calculated Stafford Loan default rate is less than 5 percent for the single most recent fiscal year for which data are available.

When a school that qualifies for the cohort default rate exemption offers nonstandard term credit-hour programs with:

- terms not substantially equal in length;
- nonterm credit-hour programs; or
- clock-hour programs;

the payment period, for purposes of Direct Loan funds, is the portion of the program to which the cohort default rate exemption applies. For example, if the loan period for a nonterm credit-hour program is three months in length and the institution meets the cohort default rate exemption, the three-month loan period is the payment period, and only one disbursement of the loan is required for that period.
INTERIM DISBURSEMENTS

Under certain limited circumstances, you may make interim disbursements to students. If you have no reason to believe that an applicant’s FAFSA information is incorrect, prior to verification, or, after verification but in the absence of a corrected SAR/ISIR (or if none of the changes to the applicant’s FAFSA data will result in a change in the amount they are eligible to receive under any Title IV program), you may:

- Make one Pell, Perkins, or FSEOG disbursement for the applicant’s first payment period;
- employ or allow another entity to employ the applicant, once he/she is an eligible student, under the FWS program for the first 60 consecutive days after the student’s enrollment in the award year; or
- Originate a Direct Subsidized Loan, but not disburse loan funds.