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Cash Management and Return of Title IV Funds

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Cash Management

- ✓ Requesting, maintaining, disbursing, and managing Title IV funds
 - ✓ (FWS funds have their own rules)
- ✓ Applies to institutions and third party servicers
- ✓ Title IV funds are held in trust for students, the Secretary, lenders, or guarantee agencies



Requesting Funds

- ✓ Schools may receive funds
 - ✓ From the Secretary under
 - ✓ Advance
 - ✓ Reimbursement
 - ✓ Just-in-time or
 - ✓ Cash monitoring payment method
 - ✓ From a lender
- ✓ Immediate needs, excess cash, and tolerances



Maintaining and Accounting

- ✓ Bank account – Federally insured or secured by collateral
- ✓ Sometimes a separate account
- ✓ Some funds in interest bearing accounts
- ✓ Accounting, internal controls, and records
- ✓ Standard of conduct is the level of care and due diligence of a fiduciary



- ✓ Notices
 - ✓ One before disbursing funds
 - ✓ One for crediting account with loan funds
- ✓ Authorizations
 - ✓ To disburse to bank account
 - ✓ To use funds for other educational costs
 - ✓ To hold credit balances



Disbursing

- ✓ Disbursements can come from the Secretary, a lender, or the institution
- ✓ Made by payment period
- ✓ Include credits to the student's account
- ✓ Credit balances
- ✓ Early, regular, and late disbursements



Negotiated Rulemaking

- ✓ Federal Register Notice - Aug. 18, 2006
- ✓ Regional hearings – Sept 19 – Nov 9, 2006
- ✓ Four negotiating committees were established:
 - ✓ General Provisions
 - ✓ Loans
 - ✓ Academic Competitiveness & National SMART Grants
 - ✓ Accreditation
- ✓ Negotiations from December - June



General Provisions Package

- ✓ Consensus reached
- ✓ August 8, 2007 NPRM:
 - ✓ reflected the proposed regulatory language agreed to by committee
 - ✓ 22 public comments received by end of comment period (September 7, 2007)
- ✓ Final rules: November 1, 2007
- ✓ Effective date:
 - ✓ July 1, 2008
 - ✓ Early implementation



Cash Management

- ✓ Excess cash
- ✓ Disbursement by payment period
- ✓ Issuing a check
- ✓ Electronic disbursements
- ✓ Minor prior-year charges
- ✓ Late disbursements
- ✓ Returning unclaimed funds
- ✓ Loan cancellation notice and confirmation of a loan



Excess Cash

- ✓ Includes any title IV funds received from ED that are deposited or transferred into a federal account as a result of an award cancellation, adjustment, or recovery
- ✓ Only the 1% tolerance option is retained
- ✓ Finding may trigger cash monitoring or reimbursement



Loan notice and confirmation

- ✓ If school obtains affirmative confirmation, old loan notice procedures apply
- ✓ Without confirmation:
 - ✓ Must notify student not earlier than 30 days before but no later than 7 days after crediting account
 - ✓ Must give student 30 days to cancel loan
- ✓ Affirmative confirmation is a process where a school obtains written confirmation of the types and amounts of Title IV loans the student wants
- ✓ Must be obtained before loan funds are disbursed
- ✓ Includes signed award letters & web-based processes for accepting awards



Issuing a Check

- ✓ Issued on date mailed or date student notified
- ✓ Student has 21 days to pick up check
- ✓ After 21 days - school must mail check, initiate EFT or return the funds



Electronic Disbursements

- ✓ School may require bank accounts, but....
- ✓ If student does not have or want an account - school must disburse funds in another way
- ✓ If school opens an account or actively assists student - certain conditions apply
 - ✓ Must obtain student's written consent
 - ✓ Must inform student of terms and conditions
 - ✓ May not make any claims against the funds
 - ✓ May not charge student for opening account or receiving debit or stored-value card
 - ✓ Must ensure that student has convenient access to branch office or ATM (no fees for cash withdrawals)
 - ✓ May not limit use of the card to certain vendors
 - ✓ May not market or portray card as a credit card



Minor prior-year charges

- ✓ Amount increases to not more than \$200
- ✓ Do not need to get student's permission for tuition and fees or room and board
- ✓ Cannot use current year funds to cover prior-year charges of more than \$200



Late Disbursements

- ✓ Late disbursement period extended from 120 to 180 days
- ✓ No late disbursements after 180 days



Returning unclaimed funds

- ✓ Uncashed check - \$ must be returned no later than 240 days after check issued
- ✓ If check or EFT is returned - can make additional attempts to re-disburse
- ✓ Attempts must be made no later than 45 days after EFT or check is returned
- ✓ Title IV funds never escheat to the state



Payment period

- ✓ Credit hour with standard terms or terms that are substantially equal
- ✓ Credit hour with terms that are not substantially equal
- ✓ Credit hours w/o terms or clock hours
- ✓ Cohort default rate exemption
- ✓ Excused absences
- ✓ Re-entry w/i 180 days
- ✓ Re-entry after 180 days or transfer



Payment Period

- ✓ For credit hour programs with standard terms or terms that are substantially equal - it's the term
- ✓ For credit hour with terms that are not substantially equal—
 - ✓ Grants and Perkins - it's the term
 - ✓ FFEL and DL - it's ½ the credit hours and ½ the weeks
- ✓ For credit hours w/o terms or clock hours - it's ½ the (credit or clock) hours and ½ the weeks



Payment Period

- ✓ When the cohort default rate exemption applies - it's the loan period
- ✓ Excused absences count if—
 - ✓ Written policy
 - ✓ # does not exceed the lesser of
 - ✓ accrediting agency policy
 - ✓ State agency policy or
 - ✓ 10%



Payment Period

- ✓ Re-entry w/i 180 days - stay in the same payment period

- ✓ Re-entry after 180 days or transfer –
 - ✓ calculate new payment periods or
 - ✓ remain in the same payment period
 - ✓ Continuous enrollment
 - ✓ Substantially similar coursework
 - ✓ Substantially equal payment periods
 - ✓ Little or no changes in charges &
 - ✓ Credits are accepted in new program





Return of Title IV Funds

- ✓ Student never begins attending classes
- ✓ Post-withdrawal disbursements (PWD)
- ✓ Recent Q's and A's
- ✓ Compliance Reminders





Recipient does not begin classes

- ✓ Consolidated Return to Title IV requirements in General Provisions
- ✓ Must return Title IV funds used to pay a student's expenses within 30 days of discovering a student has failed to attend class
- ✓ Institutions restricted from disbursing funds to any student who they know will not be starting classes (i.e., a student who has been expelled)
- ✓ Institutions not required to return funds that are disbursed directly to a student in a study abroad program or who is attending a foreign institution
- ✓ Lenders/DL Servicing must issue a final demand notice to these students



Recipient does not begin classes

- ✓ Institutional actions required to return funds
 - ✓ Deposit or transfer funds into Federal funds account
 - ✓ Initiate an electronic funds transfer (EFT)
 - ✓ Initiate an electronic transaction with lender to downwardly adjust the loan
 - ✓ Issue a check
 - ✓ No later than 30 days from date of determination
 - ✓ Check received by lender or Secretary no later than 45 days from date of determination



Post-withdrawal disbursements

- ✓ HERA
 - ✓ Required notification and confirmation prior to direct disbursement of a Title IV grant (OK to credit student's account for certain costs) and any disbursement of a Title IV loan
- ✓ November 1 Final Regulations
 - ✓ Removed notification and confirmation process for a direct disbursement of a Title IV grant



Post-withdrawal disbursements

- ✓ Timing of PWD
 - ✓ Title IV Grant – as soon as possible, but no later than 45 days from the date of determination
 - ✓ Title IV Loan – as soon as possible, but no later than 180 days from the date of determination (remember - can't appeal to the Secretary for a waiver)



R2T4

- ✓ For credit hour programs with non-standard terms that are not substantially equal in length - if the payment period is used for calculation and the student gets: 1) grants and/or a Perkins (where the payment period is the term), and 2) an FFEL or DL (where the payment period is $\frac{1}{2}$ the hours and $\frac{1}{2}$ the weeks) -
 - ✓ Use the payment period that ends later and
 - ✓ Attribute funds to the payment period that ends later



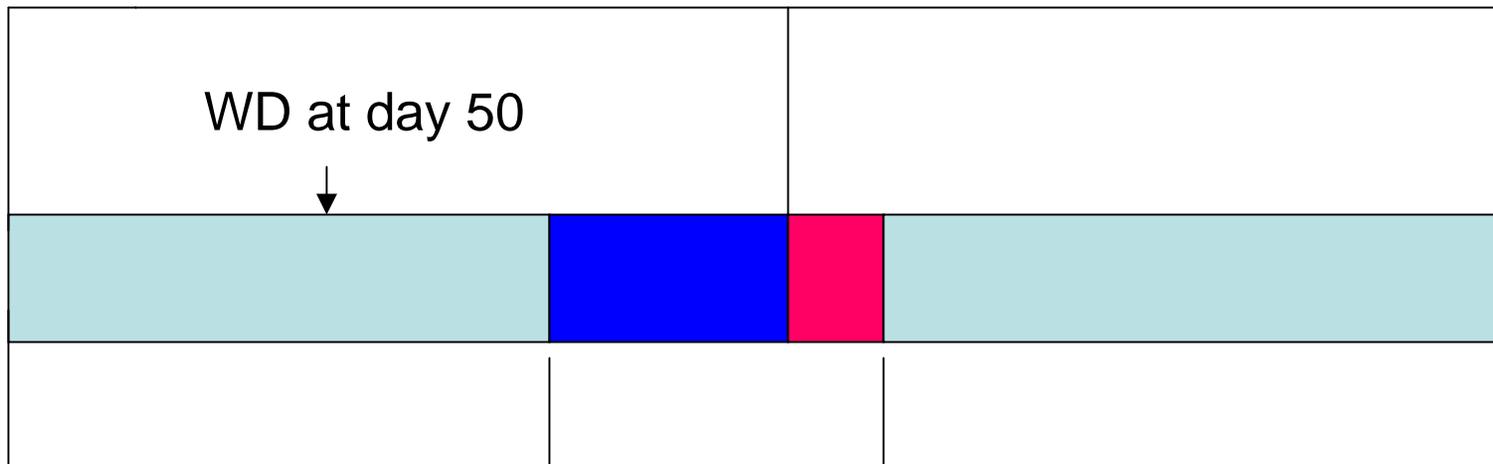
R2T4

Academic Year is 24 credit hours & 30 weeks

Terms: 1 = 10 weeks, 2 = 6 weeks, 3 = 14 weeks.

FFEL (DL) PP1
15 weeks

FFEL (DL) PP2
15 weeks



10 weeks

6 weeks

14 weeks

Grant PP1
(Perkins)

Grant PP2
(Perkins)

Grant PP3
(Perkins)



R2T4

- ✓ The WD was at day 50 (which is in both the FFEL/DL PP1 and the Grant/Perkins PP1)
- ✓ Assume student got an FFEL and a Pell
 - ✓ FFEL/DL PP1 = 15 weeks*
 - ✓ Grant/Perkins PP1 = 10 weeks
- ✓ Determine the payment period that ends later* and use it



R2T4

$$\text{PP 1} = 10/30 \times \$4,310 = \$1,437$$

$$\text{PP 2} = 6/30 \times \$4,310 = \$ 862^*$$

$$\underline{\text{PP 3} = 14/30 \times \$4,310 = \$2,011}$$

- ✓ Attribute the portion of Pell from the Pell PP 2 to be included as Aid That Could Have Been Disbursed (as if Pell was disbursed for the FFEL PP 1)
- ✓ (Attribution for 5 weeks of Pell from PP 2 is:
 $5/6 \times \$862^* = \718)



R2T4

Total Title IV Aid disbursed or could have been disbursed for R2T4 calculation:

FFEL PP 1	= \$1,750
Pell PP 1	= \$1,437
Portion from Pell PP 2	= <u>\$ 718</u>
Total	\$3,905



Recent Q's and A's

Q1: Student received all “F’s” in the four, three-credit classes taken. Only one teacher indicated that the student was in class for one month. (Pell \$2,000, FFELP \$2,750)

A1: Recalculate Pell at the $\frac{1}{4}$ Schedule (\$500); then perform R2T4. Remember COA would change: (remove Miscellaneous and Personal Expenses). School could use midpoint or Last Date of Attendance.



Recent Q's and A's

Q2: School's grading system has a grade of "Z" for students who drop out of the course, therefore a grade of "F" is an earned grade. Do FAAs have to investigate whether "F" grades should have been "Z" grades or visa versa?

A2: The FAA can depend on



Recent Q's and A's

Q3: Student has not completed the loan MPN - is the school required to contact the student to request the signed MPN before performing the R2T4 calculation?

A3: In order for the school to include the Title IV loan in the R2T4 calculation as Aid That Could Have Been Disbursed, the student must have met all the requirements to receive the loan as of the date of the R2T4 calculation.



Recent Q's and A's

Q4: Our school has required health insurance costs - are they included in the R2T4 calculation? The insurance is cancelled when the student withdraws.

A4: If this charge is required for all students in a program and it was used in the COA, then it is included in the R2T4 calculation of institutional charges.



Compliance Reminders

- ✓ Timely return of Title IV funds to the program – made late or not at all
- ✓ Notification and confirmation requirements
- ✓ Timely PWDs
- ✓ Incorrect R2T4 calculations



Compliance Reminders

- ✓ Use of systems reports for timing impacted functions
- ✓ Developing and maintaining a weekly business process
- ✓ Communication with other campus administrators on R2T4 issues



ANNOUNCEMENT

- CCRAA changes to the R2T4 OTW software
 - 07.02.08 Electronic Announcement
 - Changes implemented July 27, 2008
 - Includes TEACH Grants on R2T4 OTW
 - 180 day late disbursement period
 - 45 day PWD of Grant portion



QUESTIONS



Contact Information

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