

Pell Grant Overpayments

Time Estimate:

Lecture 25 minutes

Exercise 25 minutes

Total Time: 50 minutes

By the end of this session, you will be able to :

- *identify circumstances under which Pell Grant overpayments might occur,*
- *correct overpayments,*
- *collect overpayments, and*
- *report overpayments.*

INTRODUCTION

This session will be discussed in four parts:

- In the first part, we'll review the definition of a Pell Grant overpayment and discuss how Pell overpayments might occur.
- Next, we'll discuss what a school must do to correct overpayments.
- Then, we'll briefly look at how schools collect Pell overpayments.
- Finally, we'll touch on how overpayments are reported.

How Federal Pell Grant Overpayments Occur

As we mentioned in Session 10, a Pell Grant overpayment occurs any time a student **receives** a Pell payment that is greater than the amount for which the student is eligible.

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Instructor's Notes

Q: Why is Pell not adjusted to take into account other sources of aid as one does with other Title IV programs?

A: A Pell Grant is an entitlement, so you are not allowed to adjust it. Therefore, it is *not* adjusted to take into account other aid that may exceed the student's need.

Let's review the circumstances under which a Pell Grant overpayment can occur. (OH 1)

There are four common overpayment situations.

■ Overpayments can result from student errors.

Q: What are some examples?

A: (Answers will vary.) One example is a dependent student who fails to report both parents' incomes on the FAFSA. When both parents' incomes are included in calculating Expected Family Contribution (EFC), the student's Pell Grant award might be reduced.

■ Overpayments can also result from school errors.

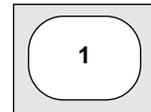
Q: What are some possible types of school errors?

A: (Answers will vary.) A student's award amount is taken incorrectly from the Payment Schedule.

Or the school pays a student who is not maintaining satisfactory academic progress.

■ Overpayments can arise when there are required recalculations of students' grants.

- For example, a student might accept a Pell Grant disbursement for living expenses, but then does not begin attending classes, does not begin attending all classes, or withdraws from school.



Student errors

School errors

Required recalculation

- Overpayments also can arise when a school makes optional payments.
 - For example, the school might make a first payment to a student based on an official EFC before it receives final documentation verifying the information provided on the student’s FAFSA. If the school never receives this final documentation from the student, it is unable to determine the student’s eligibility, and the school has made an overpayment.

No matter what the reason for the overpayment, it must be repaid. If the overpayment is the school’s fault—the result of a school error or an optional payment made without valid documentation—the school must repay its Pell Grant account with ED whether or not it succeeds in collecting the overpayment from the student.

Do you have any questions so far?

Correcting Federal Pell Grant Overpayments

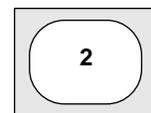
An overpayment can be resolved in four ways: (OH 2)

- The student completely repays the overpayment to the school.
- The student makes satisfactory repayment arrangements with the school.
- The school itself repays the overpayment. The student then owes an institutional debt, not a Pell overpayment, and is eligible for further Pell payments.
- The school eliminates the Pell Grant overpayment by reducing the student’s subsequent Pell payments during that award year.

Under any of these four circumstances, the school may continue to make payments of Title IV aid.

Instructor’s Notes

Optional payments



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Otherwise, the school must **discontinue** any Federal Pell Grant or other Title IV payments to the student. (OH 3)

If a student owes money on an overpayment, the school will need to report the Pell Grant overpayment to ED's National Student Loan Data System (NSLDS), which contains the student's financial aid history. It also must report the debt on the student's financial aid transcript (FAT), if and when one is requested.

- The FAT notation is important, because if the student transfers to another school while owing an overpayment, and that fact is not included on the FAT, the school from which the student transferred is liable for that amount.

Q: Diane attended Hillside College in the fall, but transferred to Kershaw University in the spring. While at Hillside, she was overpaid for the Pell Grant due to a school error. The overpayment wasn't included on the FAT. Who is liable for the overpayment?

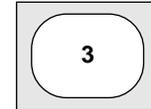
A: Hillside College is liable for the amount because it did not report the overpayment on Diane's FAT.

A student who owes a Pell overpayment and who subsequently submits a FAFSA or Renewal FAFSA will be informed that he or she is not eligible for additional federal aid until the overpayment is repaid in full. For all such students, the NSLDS data match shows that a Pell overpayment is owed to ED. A "C" will be printed next to the EFC on the Student Aid Report (SAR), Institutional Student Information Record (ISIR), or SAR Information Acknowledgment to indicate that the school must resolve the issue before paying the student.

Exercise—Correcting Pell Grant Overpayment Situations

Now please turn to the exercise on page 7 of your Workbook and answer the questions.

Instructor's Notes



✓ 34 CFR 668.61
DCL-P-94-2

Reporting Overpayments

Note to Instructor:
The NSLDS screens for reporting overpayments should be available sometime during the 1997-98 award year.

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Instructor's Notes

Q1: If the overpayment is not the student's fault, does the student owe a repayment?

A1: Yes.

Q2: If the overpayment is not the school's fault, is the school required to make an effort to obtain repayment?

A2: Yes.

Q3: If the Pell Grant overpayment amount can be eliminated within the award year by reducing the student's subsequent Pell Grant payments during that award year, is the school permitted to continue making payments of Title IV aid to the student?

A3: Yes.

Q4: If the Pell Grant overpayment cannot be eliminated within the award year by reducing subsequent payments, under what circumstances is the school permitted to continue making payments of Title IV aid to the student?

A4: There are three ways:

- **The student repays the overpayment in full.**
- **The student makes satisfactory repayment arrangements with the school. Note: To be satisfactory, these arrangements must adhere to 34 CFR 668.35. You'll find this citation listed in the resource section for this session.**
- **The school repays the overpayment in full. The student would then owe an institutional debt, not a Pell overpayment.**

Instructor's Notes

Collecting Federal Pell Grant Overpayments

It must now be clear to everyone here that a school is **liable** for Pell Grant overpayments resulting from school error.

- You also know that if the student does not repay an overpayment resulting from a school error, the school must promptly make the repayment from its own funds.
- If a school makes optional payments under verification rules, the deadline to reimburse the Pell Grant account is within 60 days following the student's last day of enrollment or by the last day of the award year, whichever comes first.

Once again, a school is **not liable** to ED for Pell Grant overpayments that are **not** its fault.

- However, the school must make a reasonable effort to contact the student and collect the overpayment.
- If the school is unable to recover or eliminate an overpayment, the school must refer the student's case to ED's Debt Collection Service (DCS) for collection. Referral procedures are discussed in the Verification Guide.
 - The school must forward the student's name and Social Security number to DCS.
 - The school must also tell DCS the amount of the overpayment and any other relevant information.
- ED will notify the school by letter about collection results.

Now turn to pages 8 and 9 in your Workbook and complete the case study.

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CASE STUDY

- » Give participants 7 to 10 minutes to complete the case study, then review it with them.

The case study tells you that Jill received a Pell Grant before the school obtained her final verification documents. When these documents arrived, they showed that Jill was no longer eligible for a Pell Grant. She had failed to report her husband's income, which raised her EFC. Furthermore, Jill withdrew from classes on April 5. The award year ends on June 30.

Q1: The overpayment is the result of:

A1: (b) School error. The school chose to do a first disbursement on the Pell Grant before the verification process was completed. The school was allowed to make this optional payment, but an overpayment resulted.

Q2: Who is responsible for reimbursing the Pell Grant account?

A2: (d) The school is responsible, because the liability falls with the school.

Q3: Should the school attempt to collect the money from Jill?

A3: (a) Yes. The student must *always* repay a Pell overpayment.

Q4: The Pell Grant account must be reimbursed by what date?

A4: (b) June 4.

Q5: What's the reason for this answer?

A5: The school must reimburse the Pell Grant account within 60 calendar days following Jill's last day of enrollment, if Jill doesn't repay the overpayment before then.

Q6: What two steps does the school have to take if the Pell Grant overpayment occurred because Jill's husband's income wasn't reported on the FAFSA?

- A6:**
- **The school must try to recover the overpayment from Jill.**
 - **If the school isn't successful, it must provide ED's Debt Collection Service (DCS) with information required by regulations about Jill and the overpayment.**

Remember, until the student repays the overpayment, the school must note on any financial aid transcripts generated for that student that the student owes a repayment.

Reporting Collected Overpayments

A school may collect or repay an overpayment for the current award year or for a prior award year.

Schools must report changes to individual student awards, as well as changes to overall expenditures.

If a school collects or repays an overpayment for the current award year, it reports the decrease in the student's award using its normal reporting method: Electronic Data Exchange [EDE], Recipient Data Exchange [RDE], or the Floppy Disk Data Exchange.

- In general, decreased-award reports using these methods must be submitted by September 30 following the end of the award year.

For decreases reported after September 30, the school may use the "Decreased Award Report" provided in "Dear Colleague" Letter P-97-3, dated October 1997.

- The school may also use EDE, RDE, or the Floppy Disk Data Exchange (up to a specified date, currently July 1, 1999).

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Instructor's Notes

The school should use a separate “Decreased Award Report” for each award year it needs to report an award reduction.

- The school’s total Pell Grant expenditure figure must always be included.

If a student repays a Pell overpayment for a prior award year, the school must:

- deposit the funds in its institutional federal funds or Pell Grant account and
- report the decrease in the student’s award to the Federal Pell Grant Program.

The funds may then be used for current-year disbursements.

If the school is unable to collect the overpayment, the debt should be referred to ED. See *The 1998-99 Verification Guide* for instructions on how to do this.

Are there any questions?

REVIEW QUIZ

Please turn to the Review Quiz on page 10 of your Workbook.

Instructor's Notes

- Q2: If a student owes money on a Pell Grant overpayment, where does a school report this information?**
- A2: The student's financial aid transcript (FAT), if and when one is requested, and to NSLDS.**
- Q3: A _____ printed next to the EFC on a SAR, ISIR, or SAR Information Acknowledgment indicates that the student may owe a Pell overpayment to ED.**
- A3: "C"**
- Q4: The school may use _____, _____, or _____ to report a decrease in a student's award after the school collects or repays an overpayment.**
- A4: EDE, RDE, Floppy Disk Data Exchange**
- Q5: What is the general submission deadline for reporting decreased Pell Grant awards?**
- A5: September 30 following the end of the award year.**

BACK AT THE OFFICE

Once you return to your office, you should review or create procedures for contacting students to collect overpayments. Also, find out if your school uses EDE, RDE, or the Floppy Disk Data Exchange to report decreased awards.

What else should you do when you return to your office?

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