

Overawards and Overpayments

CHAPTER 3

In this chapter, we will discuss a student's and a school's responsibility for resolving overawards and overpayments. This chapter does not cover returning funds when a student withdraws.

Please see Volume 5 for a discussion of returning funds when a student withdraws.

OVERAWARDS

An overaward exists when a student's aid package exceeds his or her need. While your school must always take care not to overaward a student when packaging his or her aid, circumstances may change after you have packaged the student's aid that result in an overaward. (Please see *Volume 3* for a discussion of avoiding overawards during the packaging process.) For instance, the student may receive a scholarship or grant from an outside organization. When an overaward situation arises, you may be required to adjust the federal student aid (FSA) in the student's package in order to eliminate the overaward.



Overawards only become overpayments if a school cannot correct them before funds are disbursed to a student. That is, an overpayment exists when some or all of the funds that make up an overaward have been disbursed to the student. An overaward exists whenever a:

- ◆ school awards aid either to a student who is ineligible for a specific program or to a student who is ineligible for any FSA program assistance;
- ◆ student's award in an individual program exceeds the regulatory maximum, e.g., lifetime limit for Pell, annual or aggregate loan limits, annual limit on Federal Supplementary Educational Opportunity Grant (FSEOG) awards, or a Pell award based on the wrong payment schedule/enrollment status;
- ◆ student's aid package exceeds his or her need (including when the student's Expected Family Contribution [EFC] is revised upward after initial packaging);
- ◆ student's award exceeds his or her cost of attendance (COA); and
- ◆ student is receiving a Pell or Iraq and Afghanistan Service Grant at multiple schools for the same period.

In general, unless a school is liable, a student is liable for any overpayment made to him or her that is greater than \$25.00.

When There Are Different 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**.

Overpayments

FSA debts 34 CFR 668.35
Pell Grants 34 CFR 690.79
DL 34 CFR 685.303(e)

Overpayments and eligibility

HEA Sec. 484(a)(3)
34 CFR 668.22(h), 668.32(g)(4), 668.35(c)&(e)

Recovery of interim disbursements

34 CFR 668.61

Recovery of loan disbursements to ineligible students

34 CFR 668.139

Pell Grants

A Pell Grant is determined by using the Pell Payment Schedule appropriate for the student's enrollment status, as well as the correct EFC and COA. A correctly determined Pell Grant is never adjusted to take into account other forms of aid. Therefore, if a student's aid package exceeds his or her need, you must attempt to eliminate the overaward by reducing other aid your school controls. A Pell Grant awarded to an ineligible student is an overaward, as is a grant based on an enrollment status greater than that for which the student is enrolled.

Iraq and Afghanistan Service Grants

The following situations are considered Iraq and Afghanistan Service Grant overawards and must be corrected:

- ◆ an award made to an ineligible student;
- ◆ an award based on a Pell Grant Payment Schedule for an enrollment status greater than that for which the student is enrolled; and
- ◆ an award that by itself exceeds a student's COA.

Iraq and Afghanistan Service Grants, like Pell Grants, are not adjusted to take into account other forms of aid. So, if a student's aid package includes an Iraq and Afghanistan Service Grant and the aid package exceeds his or her need or cost of attendance, but the Iraq and Afghanistan Service Grant was determined correctly and by itself does not exceed the student's need, you must reduce other aid in your effort to eliminate the overaward.

If an Iraq and Afghanistan Service Grant recipient becomes Pell eligible

If an Iraq and Afghanistan Service Grant recipient becomes eligible for a Pell Grant during the award year, then the school must treat the Pell Grant as Estimated Financial Assistance and may need to adjust the student's aid package.

Schools should have a process to identify Iraq & Afghanistan Service Grant recipients who on ISIRS reporting subsequent transactions become Pell Grant eligible during the year.

TEACH Grants

When a student has no need-based aid

TEACH Grants are not considered to be need-based aid. However, a student's **TEACH Grant in combination with a student's other non-need-based** estimated financial assistance (EFA) may not exceed the student's COA.

If a student is **not** receiving need-based financial assistance, the EFC is not included in determining whether a student is in an overaward status. If you discover a situation where for a student who is not receiving any need-based financial assistance the TEACH Grant in combination with other **non-need based** EFA exceeds the student's COA, the TEACH Grant must be reduced.

When a student is receiving need-based aid

For a student who is receiving need-based federal student aid, a student's EFC, plus the student's TEACH grant, plus the student's other EFA, may not exceed the student's COA.

As with Unsubsidized Stafford Loans, PLUS loans, and nonfederal education loans, TEACH Grants may be used to replace a student's EFC. If a TEACH Grant exceeds a student's EFC, the excess TEACH Grant is considered financial assistance for other FSA programs.

If a student's EFC, plus the student's TEACH Grant, plus the student's EFA exceeds the student's COA, the school should first apply the TEACH Grant to finance the EFC. (Remember, any TEACH Grant above the EFC is considered financial assistance for other FSA programs.) If the EFC plus any excess TEACH Grant, plus any other EFA still exceeds the student's COA, the student is in an overaward status that the school must resolve.

Before reducing a student's need-based aid the school should reevaluate the student's COA to determine whether the student has increased costs that the school did not anticipate when the school originally awarded aid to the student. If the student's costs have increased, and the student's total aid package does not exceed the revised COA, the school is not required to take further action. If the school determines that the student's aid package still exceeds the student's COA, the school must resolve the overaward.

COA may not be exceeded

Federal Register / Vol. 73, No. 121 / June 23, 2008 / page 35483

TEACH Grant maximums

34 CFR 686.21(c)

TEACH may replace EFC

34 CFR 686.21(d)

Reminders

1. If a school chooses not to use the TEACH Grant to finance the EFC, then all of the TEACH Grant is considered EFA for the other FSA programs.
2. If a TEACH Grant overpayment exists, beginning with any unsubsidized loans, the school should first reduce a student's level of borrowing. Once a student's loans have been reduced, or if the student has no loans, it may be necessary for the school to reduce the student's TEACH Grant or other aid.
3. If a school fails to follow required procedures, it must repay any FSA overpayment. If the school followed the required procedures and the FSA overpayment is \$25.00 or more, the student must repay the overpayment.

TEACH Grant Overpayments—Examples

Example 1

When a student is not receiving need-based aid

Rule: The TEACH Grant, in combination with other non-need-based EFA, may not exceed COA, and any EFC is ignored.

COA	\$9,000.00	TEACH Grant	\$4,000.00
EFC (ignore)	1,000.00	Other non-need-based EFA	6,000.00
		Total EFA	\$10,000.00

A student receives a \$6,000.00 **non-need-based** scholarship after beginning class and after his TEACH Grant has been posted to his account. The student is not receiving any need-based EFA, and therefore the EFC is ignored. The TEACH Grant plus the other non-need-based EFA exceeds the COA by \$1,000.00 (\$10,000.00 – \$9,000.00). The \$1,000.00 is a TEACH Grant overpayment the school must resolve.

Example 2

When a student is receiving need-based aid

Rule: The student's EFC plus the Teach Grant, in combination with any other EFA, may not exceed COA. However, the TEACH Grant may be used to replace the EFC. If a school elects this option, the amount by which the TEACH Grant exceeds the EFC is considered EFA for FSA purposes.

A student receives a \$6,000 **need-based** scholarship after beginning class and after his TEACH Grant has been posted to his account. The student is receiving need-based EFA. Therefore, the EFC must be considered. The total of the EFC (\$1,000.00), the TEACH Grant (\$4,000.00), and other EFA (\$6,000.00), is \$11,000.00 and exceeds the COA by \$2,000.00 (\$11,000.00 – \$9,000.00). The \$2,000.00 is an overpayment the school must resolve.

COA	\$9,000.00	TEACH Grant	\$4,000.00
		Need-based EFA	6,000.00
		EFC that must be included	1,000.00
			\$11,000.00

If the school elects to use \$1,000.00 of the TEACH Grant to *replace* the EFC, only \$3,000.00 of the TEACH Grant will be included as financial assistance, and the overpayment that must be resolved by the school will be reduced to \$1,000.00 (from \$2,000.00 because the total aid will now total only \$10,000.00).

Campus-Based Programs

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 resulted in the student's total financial assistance exceeding his or her financial need by more than \$300.00, 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 \$300.00, 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 exceeds his or her need by more than \$300.00, 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 \$300.00 threshold.

FWS Program

Because a student can't be required to repay wages earned, you can only adjust FWS by reducing the hours a student can work in the future and thus the student's future earning. 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.**

FSEOG Overpayments

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.

Campus-Based overawards

34 CFR 673.5(d)

Campus-Based overaward tolerance

The \$300.00 overaward tolerance/threshold for the Campus-Based Programs 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.

Direct Loans

Overaward Tolerance for Stafford Loans

In general, there is no tolerance when determining an overaward in the Direct Loan Program. However, if a student's financial aid package contains a 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 Direct Loan and Campus-Based awards, unless the Direct loan has been fully disbursed, the Direct Loan must be reduced before the Campus-Based awards are adjusted or canceled.

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.

TIP

If a school wants to replace a Direct Subsidized Loan with a Direct Unsubsidized Loan, (since COD reporting and interface information is so closely tied to the award type as identified in the award ID) a school must cancel the Direct Subsidized Loan and originate a new Direct Unsubsidized Loan.

If you discover that a student has been overawarded and your school has already received and disbursed Direct Stafford or PLUS loan funds, you have a number of options:

- ◆ If the package includes an Unsubsidized Direct Loan, a Direct PLUS Loan, or a nonfederal education 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 Direct Stafford Loan, a Direct PLUS Loan, or a nonfederal education loan can be canceled or reduced.
- ◆ If the aforementioned adjustments have been made and an overaward still exists for a Direct Loan borrower, you must withhold and promptly return to the Department 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 Direct 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 the overaward situation occurs after Direct Loan funds have been fully disbursed, you do not need to adjust it. 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 Direct Stafford Loan, Direct PLUS Loan, or nonfederal education 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.

A resolved overaward may become an overpayment

TIP

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 *Volume 5*.

If a 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 the Department's Debt Resolution 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* (see *Volume 5*). 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.

WHEN A STUDENT FAILS 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 674.16(f)
34 CFR 676.16(d)
34 CFR 685.303(b)(4)
DCL GEN-13-02

Time frame for returning funds for students who fail to begin attendance

34 CFR 668.21(b)

When a Student Withdraws After Starting Classes but Before a School's Census Date

A student begins earning FSA 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.

Recalculating Pell eligibility when a student's enrollment status changes before beginning attendance in all classes

34 CFR 690.80(b)(2)(ii)

If your school disburses Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan 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.¹ If the student begins attending some but not all of his or her classes, you will have to recalculate the student's Pell or Iraq and Afghanistan Service Grant award based on the student's actual enrollment status (see *Volume 3*).

If a school disburses Direct Loan funds but the student does not begin attendance, the school must return all Direct Loan funds that were credited to the student's account at the school 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 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).

A school may not ignore information available to any office at the school indicating that a student failed to begin attendance.



For any remaining loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan funds that are outstanding, so that the Department can issue a 30-day demand letter to the student. To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds. Click on the servicer name to access the NSLDS Organizational Contact List page. Additional contact information for the loan servicers is available on IFAP under the Help menu (Contact Information / Service Centers for Schools / Loan Servicing Centers for Schools).

1. 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 FSA program using the refund function in G5.

Schools must return funds disbursed to students who failed to begin attendance as soon as possible but no later than 30 days after the date that the school becomes aware that a 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 is reasonable to expect the school to return funds as soon as possible, but no later than 30 days after the census date.

A school that draws down FSA grant or Direct Loan 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 FSA grant 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 unless it can disburse them to another eligible borrower or as described under *Excess Cash* in Chapter 1.



After the start of classes, FSA funds should not be disbursed without schools confirming that recipients have begun attendance.

When a student begins attendance on a less than half-time basis



If a student who received a Direct Loan disbursement begins attendance for the loan period but does so on a less than half-time basis despite having originally enrolled (registered for classes) on at least a half-time basis, neither the school nor the student is required to return any loan proceeds. However, the school must not make any subsequent disbursements of the loan unless the student resumes enrollment on at least a half-time basis.

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 does the following:

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 a 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 a student will not or has not begun attendance; or

Reporting enrollment changes in NSLDS

If a student who received a Direct Loan disbursement either fails to begin attendance or begins attendance on a less than half-time basis, the school must report the change in the student's enrollment status to the Department using the NSLDS enrollment reporting process.

Upon receiving the revised enrollment status from NSLDS, the student's Federal loan servicer will change the student's loan status as follows:

- In-school status will change to grace period status.
- In-school deferment status will change to repayment status.

34 CFR 685.309(b)
DCL GEN-13-02



When a Student's SAR/ISIR Contains a Disqualifying Comment Code

If a student's SAR/ISIR contains a Comment Code that requires resolution (e.g., 100 - Perkins Overpayment, 132 - Default), the underlying issue must be resolved before any funds may be disbursed to the student.

In addition, if a school disburses Title IV funds to a student with a SAR Comment Code that requires resolution and the student withdraws before the school has resolved the underlying issue, any funds disbursed must be returned to ED. See *Volume 5* for more information about a student who withdraws.

3. issues a check no later than 30 days after the date the school becomes aware that a student will not or has not begun attendance. A school 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 Department 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.

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 \$600.00 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

Overpayments for which the school is responsible

Please also see the discussion later in this chapter under “Overpayments for which the student is responsible.”

Your school is liable for any amount of a Pell Grant, Iraq and Afghanistan Service 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 Grant, Iraq and Afghanistan Service Grant, and TEACH Grant overpayments, you must make a downward adjustment to the student’s award in COD, and either return the funds through G5 or disburse them to another eligible student. For a description of overpayments for which students are responsible, see the discussion later in this chapter.

A school may attempt to collect from a student funds it has returned. However, this is not an FSA debt because an overpayment for which a school is responsible can never become an FSA debt for a student. Therefore an overpayment for which a school is responsible can never result in a student’s losing FSA eligibility and should never be reported to NSLDS or referred to the Department for collection.

Recovery of funds from interim disbursements

34 CFR 668.61

If an overpayment is the result of an interim disbursement of Pell, Perkins Loan, or FSEOG funds (see the AVG) to the extent that the overpayment is not recovered by reducing subsequent disbursements to the student for the award year or by a payment made by the student, the school must eliminate the overpayment by reimbursing the appropriate account by:

- ◆ requiring the student to return the overpayment, or
- ◆ making restitution from its own funds

by the earlier of 60 days after the applicant's last day of attendance, or the last day of the award year.

If an overpayment is the result of an interim disbursement of FWS Program funds, the school must eliminate the FWS overpayment by adjusting the applicant's other financial aid or reimbursing the FWS Program account from its own funds. If the school cannot correct the overpayment by adjusting the student's other financial assistance, the student must still be paid for all work performed.



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 an FSA overpayment, the student should not be reported to NSLDS or referred to the Department for collection.

Prohibition on receiving funds for enrollment at more than one school

A student may not receive Federal Pell Grant or Iraq and Afghanistan Service Grant funds for concurrent enrollment at more than one school (nor both at the same school). **The COD system will identify students who have been reported as Pell Grant recipients by multiple schools as potential overpayments (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 the Department's involvement.

Note: COD will not automatically notify schools if a student is receiving an Iraq and Afghanistan Service Grant at multiple schools. Rather, the Department will monitor Iraq and Afghanistan Service Grants, and inform schools of students who are overawarded or incorrectly awarded.

Overpayments for which the student is responsible

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 aid office 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 \$100.00. Sarven allowed Chavo to make an agreement to repay \$25.00 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 his 2013–2014 application, Meurig didn't report any assets for his father, and Brust Conservatory used the information from that application to award FSA aid. However, his 2014–2015 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 2013–2014 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2013–2014 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.

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

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

For TEACH Grant, FSEOG, and Perkins Loan 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 FSA 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 TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant, and Pell Grant funds, you must refer the overpayment to the Department with the required information (see *Referring overpayments to Debt Resolution Services* 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 TEACH Grant, FSEOG, Iraq and Afghanistan Service Grant, or Pell Grant overpayment.

For Perkins Loans, you are not required to refer overpayments to Debt Resolution Services, 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 \$25.00. A student is liable for an overpayment of less than \$25.00 when that \$25.00 is a remaining balance. That is, when the overpayment amount was originally \$25.00 or more but is now less than \$25.00 because the student has made payments.

TIP

A student is also liable for overpayments of less than \$25.00 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 \$314.00, the \$314.00 is an overaward. When the school applies the \$300 overaward tolerance, the student only has a Campus-Based overpayment of \$14.00. The student is responsible for repaying the \$14.00 because the initial amount of the overpayment (before the \$300.00 tolerance was applied) was \$314.00 (which is in excess of the less than \$25.00 *de minimis* amount).

Your school may decide to pay a student's obligation by returning to the appropriate FSA program account the amount overpaid to the student. Once your school makes the appropriate return, the student will no longer owe an FSA debt, but rather a debt to your school that you can collect according to your procedures. The student's eligibility for FSA funds is restored as long as the student meets other FSA eligibility criteria.

A student who receives an overpayment of an FSA program loan, or an FSA program grant, may re-establish eligibility for FSA program assistance by repaying the excess amount or by making arrangements satisfactory to the holder of the overpayment debt to pay the excess

When a Student Takes Action With a School to Restore the Student's Eligibility

TIP

If a student (through the school) or a school (with its own funds) satisfies the student's overpayment, the school must update the student's overpayment information in NSLDS as discussed in later in this chapter under *Reporting Overpayments to NSLDS*.

amount.

Though the *de minimis* threshold for overpayments due to withdrawal has increased, the *de minimis* amount for all other overpayments remains less than \$25.00.

Exceptions to student liability

There are some exceptions to holding a student liable for a Pell Grant, Iraq and Afghanistan Service Grant, TEACH Grant, Perkins Loan, or FSEOG overpayment.

Generally, a student is liable for any Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or Perkins Loan 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 \$25.00 and is not a remaining balance or, in the case of a Perkins Loan or FSEOG, is the result of the application of the \$300.00 overaward threshold.

Such overpayments do not affect the student's FSA 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.

Overpayments created by inadvertent overborrowing

Another kind of overpayment occurs when a student inadvertently has received FSA loan funds in excess of annual or aggregate loan limits and is no longer eligible for FSA funds.



A school must determine that a borrower's receipt of loan funds in excess of an annual or aggregate loan limit was inadvertent before the borrower may regain Title IV eligibility.

Examples of circumstances that may have resulted in a student inadvertently exceeding an annual or aggregate loan limit include, but are not limited to: school processing errors, missing or incorrect National Student Loan Data System (NSLDS) information (e.g., capitalized interest incorrectly included in a borrower's aggregate outstanding loan balance), or unintentional student error or omission.

Borrowing in excess of annual or aggregate loan limits is not considered to have been inadvertent if there is any evidence that the overborrowing was the result of deliberate action on the part of the school that determined the borrower's eligibility for the loan or on the part of the borrower who received the loan. If the school determines that the overborrowing was the result of deliberate action on the part of another school or the borrower, it must notify its Federal Student Aid School Participation Team and provide the necessary evidence. If the school suspects fraud involving federal student aid, it should call the Inspector General Hotline at 1-800-MIS-USED (1-800-647-8733).



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. Note that a student who lost eligibility because he or she exceeded the undergraduate aggregate maximum loan limit does not automatically regain eligibility if he or she advances to the graduate level. Rather, the student must resolve the previous overpayment in order to regain eligibility for FSA funds.

A student who is not in default on an FSA program loan but who has inadvertently obtained FSA program loan funds in an amount that exceeds the annual or aggregate loan limits is ineligible for any further FSA 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.

Regaining Title IV eligibility after exceeding loan limits

DCL: GEN-13-02



A student who received subsidized loan funds in excess of the applicable subsidized annual or aggregate loan limit can no longer regain Title IV eligibility by having the excess subsidized loan amount changed to an unsubsidized loan.

If a student who has inadvertently received loan funds in excess of an annual or aggregate loan limit wishes to receive additional Title IV aid, the school where the student wishes to receive the aid must identify the loan(s) that resulted in the overborrowing, discuss the overborrowing with the student, and resolve any discrepancies in the information that is obtained.

If the loan that caused the inadvertent overborrowing is a Direct Loan or a Federal Family Education Loan (FFEL) Program loan that is held by the Department, the student must contact the federal loan servicer that services the loan to resolve the inadvertent overborrowing. If the loan that caused the inadvertent overborrowing is a FFEL Program loan held by a loan holder other than the Department (a “commercially held” FFEL Program loan), the student must contact the FFEL loan holder or the servicer for the loan to resolve the inadvertent overborrowing.

Repayment of the excess loan amount

If a student who has inadvertently overborrowed wishes to regain Title IV eligibility by repaying the excess loan amount, the student must contact the applicable servicer and comply with the servicer’s repayment instructions. The school may assist the student in identifying and contacting the servicer, but the student, not the school, must make the payment of the excess loan funds in accordance with the servicer’s instructions. Once the student has repaid the excess loan amount in full, the servicer will send the student confirmation that the excess loan amount has been repaid. The student or servicer must provide a copy of the repayment confirmation to the school. The inadvertent overborrowing is considered to have been resolved as of the date the servicer received the borrower’s full payment of the excess loan amount.

Satisfactory repayment arrangements

A student who has inadvertently overborrowed may regain Title IV eligibility by making satisfactory repayment arrangements acceptable to the servicer of the loan. The satisfactory repayment arrangement requirement can be met if the student agrees, in writing, to repay the excess amount according to the terms and conditions of the promissory note that supported the loan. This is called “reaffirmation.” The reaffirmation process includes the following five steps:

1. Either the school or the student contacts the servicer and explains that the student has inadvertently overborrowed and wishes to reaffirm the debt.
2. The servicer sends the student a reaffirmation agreement.
3. The student reads, signs, and returns to the servicer the reaffirmation agreement.
4. The servicer sends the student confirmation that the reaffirmation agreement has been accepted. The student or servicer must provide a copy of the reaffirmation confirmation to the school.

5. The inadvertent overborrowing is considered to have been resolved as of the date the servicer receives the student's signed reaffirmation agreement.

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 FSA 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 FSA 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 Social Security number (SSN). (See *Volume 1* for a description of how the NSLDS postscreening and transfer monitoring processes can help prevent these kinds of overpayments.)

A student who inadvertently overborrowed and who has regained Title IV eligibility by either repaying the excess loan amount or by signing a "reaffirmation agreement" may receive additional Direct Loan funds.

A student who regains Title IV eligibility after having exceeded an annual loan limit for an academic year is not eligible to receive additional Direct Loan funds for that same academic year, but could receive other types of Title IV aid for the year.

The student may be eligible to receive additional Direct Loan funds for subsequent academic years if the student has remaining eligibility under the aggregate loan limits, depending on which aggregate limit was exceeded. A student who had inadvertently exceeded the combined subsidized/unsubsidized aggregate loan limit may not receive any additional Direct Subsidized Loans or Direct Unsubsidized Loans (though a dependent student's parent or a graduate or professional student could receive Direct PLUS Loans). However, if the student exceeded only the subsidized aggregate limit, the student could receive Direct Unsubsidized Loans up to the annual and aggregate maximums.

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 constitutes a satisfactory repayment agreement. For students who have exceeded loan limits or owe an overpayment of an FSA grant, the law and regulations do not specify what makes a repayment agreement satisfactory. The Department or the school determines whether the repay-

Effective Date for Regaining Title IV Eligibility

When an otherwise eligible student resolves an inadvertent overborrowing issue by one of the methods discussed above, the student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq and Afghanistan Service Grant programs beginning with the payment period in which the issue was resolved and regains Direct Loan Program eligibility retroactive to the beginning of the academic year in which the issue was resolved.

TIP

TIP

TIP

Recording student payments and reductions in the Direct Loan Program

If, through its Return calculation, a school determines that a student has received an overpayment of Direct Loan funds, the school should reduce the student's award/disbursements by making a downward adjustment in COD.

Schools can report current year adjustments for awards/disbursements either through their loan processing software or by using the COD website at:

<https://cod.ed.gov>

Returning Direct Loan funds

If a school is required to return DL funds to comply with a regulatory or statutory requirement—even if more than 120 days have elapsed since the disbursement date—the school must return DL funds through G5. The school returns DL funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

If a school needs to process data after closeout, extended processing is available on a limited basis for authorized reasons. A school that needs to request extended processing should contact COD School Relations at 1-800-848-0978 or CODSupport@ed.gov.

For more information on returning FSA funds, see Chapter 4.

Recording student payments and reductions in the Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant programs

For reductions to awards and payments, schools should record reductions and payments by entering a replacement value in the COD system. **The replacement value will be the original value less only the amount the school has returned** (the sum of: (a) that amount the school is responsible for returning + (b) any portion of the grant overpayment that otherwise would be the responsibility of the student but which the school has chosen to return for the student + (c) any portion of the grant overpayment the school has collected from the student). **Do not reduce the award/disbursement by the amount the student must return (unless the student has made a payment to the school).**

If a school receives a payment for a current-year overpayment that has not been referred to Debt Resolution Services, the school should NOT send the payment to Debt Resolution Services. Instead, after you have reduced the student's disbursement in COD, return the unearned funds as follows:

- ◆ If your school has made repayment arrangements with a student and received a payment on a current-year overpayment, the school should deposit the funds in its Pell, Iraq and Afghanistan Service Grant, or TEACH Grant account and make the appropriate entry in the COD system.
- ◆ If a student makes a payment on any previous year's Pell Grant, Iraq and Afghanistan Service Grant, or TEACH Grant overpayment, a school makes the aforementioned COD system entry using the same software the school used to create the award. The school then returns the funds to the Department using the Electronic Refund function in G5 following the same procedures the school follows when making other G5 refunds or returns.

If, through its Return calculation, a school determines that a student has received an overpayment of FSEOG funds, the school must adjust its institutional ledgers, financial aid records, and the student's account by subtracting the amount the school must return (the FISAP filed for the year will reflect the net award to the student). If a student makes a payment on an FSEOG overpayment made in the current award year, the school should deposit the payment in its *federal funds account* and award the funds to other needy students.

If the school collects an overpayment of an FSEOG for an award made in a **prior award year**, the funds recovered should be returned to the Department using the Electronic Refund function in G5. Payments should be applied to the award year in which the recovered funds were awarded.

Importance of Making Timely Adjustments

Since each disbursement transaction (positive or negative) to a student's Pell Grant in COD affects a student's lifetime eligibility for Pell funds, schools should ensure that adjustments are made in a timely manner.

See *Volume 3* for a discussion of the Pell Lifetime Eligibility.

Removal of Pell Grant Data from COD

Pell Grant data is usually available on the COD production environment for five years after the end of the award year. Once a closed year's data has been removed from the production environment

TIP

- All records for the closed years that are submitted to the COD System will be rejected. Schools will receive COD Edit 996 (Invalid Value).
- Data for the closed years will not be available via the COD website. The closed years will not appear in drop-down menus on the COD website.

REPORTING OVERPAYMENTS TO NSLDS

Reporting Overpayments to NSLDS

DCL GEN-98-14, July 1998

All new Perkins, Pell Grant, Iraq and Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant, and FSEOG overpayments and previously reported FSEOG overpayments for which an NSLDS data element has changed must be reported.

Perkins and other data providers must meet all NSLDS reporting requirements as detailed in the appropriate operating manuals.

NSLDS reference materials are available on IFAP in our iLibrary at:

ifap.ed.gov

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 a 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 *Volume 5*).

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 NSLDS Professional Access Website to report overpayments. To do so, your school must have Internet access, and your Primary Destination Point Administrator (PDPA) must have signed up at least one user for Overpayment Updates for NSLDS online services at **<https://fsawebenroll.ed.gov>**.

Once the overpayment is reported to NSLDS, the student's future output documents will show that he or 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.

REFERRING OVERPAYMENTS

Referring overpayments to Debt Resolution Services

If you have tried but not succeeded in collecting a Pell Grant, Iraq and Afghanistan Service Grant, ACG, National SMART Grant, TEACH Grant or FSEOG overpayment for which the student is liable, you must refer the overpayment to FSA’s Debt Resolution Services. To be referred, the **initial amount** of the overpayment must be at least \$25.00.

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* for more information.

You would still refer a student debt of less than \$25.00 to Debt Resolution Services 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 Debt Resolution Services, 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 data to the address at the bottom of that page. Each referral must be typed or printed and must be submitted on school letterhead.



In order to avoid creating a double record for a single overpayment, the school must populate its Overpayment Referral Form: Dates of Disbursement with the exact same dates the school used when it created the NSLDS record. In addition, a school must ensure that it enters the year the disbursement was made in the award year field.

In addition, when referring the overpayment, you should update the overpayment information previously reported to NSLDS by changing the “Source” field from SCH-SCHOOL to TRF-TRANSFER. Once Debt Resolution Services has accepted a referred student overpayment, Debt Resolution Services will transmit the information to NSLDS and “ED Region” will replace “School” as the appropriate contact source for information about the overpayment.



On its Overpayment Referral, schools must provide their school’s Pell Identification Number. Schools should NOT enter their Routing Identifier.

Schools Must Resolve Student Concerns

If a student claims that a school’s overpayment determination is erroneous, the school must consider any information the student provides and determine whether the objection is warranted before referring the case for collection.

School responsibility after referral

Once you have referred the account to Debt Resolution Services, you have no further responsibility in the collection of the debt unless the student contacts your school to make a payment or Debt Resolution Services sends the referral back because it is incomplete. If Debt Resolution Services sends the referral back to you because it is incomplete, you'll need to supply additional information and resend the referral.



If a student wishes to make a payment, you may (but are not required to) accept it on behalf of the Department and forward it to Debt Resolution Services.

A school that accepts a check made out to the Department on an overpayment that has been referred to Borrower Services must:

- ◆ note the student's name and SSN on the check;
- ◆ indicate that the payment is for an overpayment of an FSA grant; and
- ◆ forward the payment to Debt Resolution Services at:

National Payment Center
P.O. Box 105028
Atlanta, Georgia 30348-5028

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 D-U-N-S number.



If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact Debt Resolution Services by calling:

1-800-621-3115

A student can contact us by going to: www.myeddebt.com, and selecting the *Borrower* tab, *Contact Us*, and *Secure email*.

Accepting payments on referred overpayments

A school may continue to accept payments on FSA grant overpayments after those overpayments have been referred to the Department. A school that accepts a check on an overpayment that has been referred to Debt Resolution Services must:

- ◆ note the student's name and SSN on the check;
- ◆ indicate that the payment is for an overpayment of an FSA grant; and
- ◆ forward the payment to Debt Resolution Services at:

National Payment Center
P.O. Box 105028
Atlanta, Georgia 30348-5028

If a school accepts a cash payment from one or more students who owe overpayments and who have been referred to Debt Resolution Services, the school should write its own check to the Department and attach a letter indicating that the check is for an FSA grant overpayment. The school must include in its letter a roster that includes, for each student who made a payment, the student's name, social security number, and amount paid.

If a school receives a payment for an overpayment **previously referred to** Debt Resolution Services and if:

- ◆ the overpayment was made in the current award year, and
- ◆ the payment will retire the student's debt in full,

the school must:

- ◆ deposit the payment in its appropriate institutionally maintained federal funds account;
- ◆ for Federal Pell Grant overpayments, make the appropriate entry in the student's record on the COD system (either on COD or via Common Record) and
- ◆ send a letter or fax to Debt Resolution Services identifying the student and indicating that the student's overpayment has been completely repaid. This will allow the Department to properly update its records in both the Debt Resolution Services system and NSLDS.

The fax number for this purpose and **school use only** is

1-903-454-5398



Note: This process cannot be performed via email.

Payment in full

Anytime a school receives a payment (including the application of an FSA credit balance) that will repay an overpayment in full, the school must also update its original submission to NSLDS by changing the entry on the "Overpayment Update Screen" for the Indicator Field to "Repaid."

In the fax or letter, a school must include the:

- ◆ award year of the overpayment (current award year only);
- ◆ student's Social Security number;
- ◆ student's last name, first name, and middle initial;
- ◆ student's date of birth;
- ◆ type of overpayment—Federal Pell Grant, Iraq and Afghanistan Service Grant, FSEOG, or TEACH Grant; and
- ◆ the disbursement date the institution used to create the overpayment record in NSLDS.

Responsibilities of Debt Resolution 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.

Debt Resolution Services will then try via letters and telephone to establish a repayment schedule or to secure payment in full. Debt Resolution Services 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 Debt Resolution Services instead of the school. Finally, Debt Resolution Services also communicates Pell Grant overpayment referrals to the COD system. COD will then alert a school of a student's Pell Grant overpayment status if the student submits a FAFSA in the future. A student's Iraq and Afghanistan Service overpayment status will be tracked and reported manually.

Information Required when Referring Student Overpayments to Debt Resolution Services

Student Information

Name (Last, First, MI): _____ Address: _____

Telephone Number: _____

Social Security Number: _____ Date of Birth: _____

If the overpayment includes an Academic Competitiveness, National SMART 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	ACG or National SMART Grant <small>(Specify)</small>	Iraq & Afghanistan Service 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:	_____	_____	_____	_____	_____

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

1-903-454-5398 ⇐ FAX

