

# Overawards and Overpayments



*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. (Please see |Volume 3 for a discussion of avoiding overawards during the packaging process.)*

## 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. 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.

**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 restrictive requirements.



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.

### 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 loan disbursements to students ineligible due to immigration status

34 CFR 668.139

### Recovery of interim disbursements

34 CFR 668.61

## *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 that is 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 must have a process to identify those Iraq & Afghanistan Service Grant recipients who 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 in which a student who is not receiving any need-based financial assistance has a TEACH Grant that 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 Direct 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	<u>\$10,000.00</u>

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	<u>1,000.00</u>
			\$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 \$300.00 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.

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#### Campus-Based overawards

34 CFR 673.5(d)

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#### 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.

### Overaward Tolerance for Direct 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.

### 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.

## Direct Loans

If you discover that you have budgeted a student to receive more Direct Subsidized Loan funds than the student is eligible to receive, so long as the student has remaining annual and aggregate eligibility for Direct Unsubsidized Loans, you may resolve the overaward by replacing the undisbursed Direct Subsidized Loan funds with Direct Unsubsidized Loan funds.

**Note:** The guidance in Dear Colleague Letter GEN-13-02 that prohibits replacing a Direct Subsidized Loan with a Direct Unsubsidized Loan as a means of resolving prior inadvertent overborrowing does not apply to the situation described here.



If you discover that a student has been overawarded and your school has already received and disbursed some or all of the Direct 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.
- ◆ If you have not yet made the second or subsequent disbursement of a Direct Loan, the second or subsequent disbursement can be reduced or cancelled.
- ◆ If you determine that the loan was made to an ineligible student, the school must return any amount it retained, and for any loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan of funds that are outstanding, so that the Department can issue a 30-day demand letter to the student.

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 or the aid package exceeding the student's need.

Although a school isn't required to return Direct 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*



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 Default Resolution Group.

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.

#### **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 Direct Loan of \$5,000 and an unsubsidized Direct 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.

## 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.<sup>1</sup> 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; or
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.

### **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.

## 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.”*

#### 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.

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.

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 either 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.

#### Recovery of funds from interim disbursements

34 CFR 668.61

## Prohibition on receiving funds for enrollment at more than one school and Potential Overawards (POP)



A student may not receive more than 100% of their scheduled award for a Pell Grant during an award year. Moreover, a student may not receive a Pell Grant for concurrent attendance at two or more schools.

If a student has identified himself or herself as a transfer student, or if a school has any information that indicates the student might have previously attended another postsecondary school, the school should request Transfer Monitoring of the student on NSLDS. A school's coordinating official (See *Volume 2.*) is responsible for ensuring that a school does not ignore information the school has about a student's prior or concurrent enrollment.



If a student has not self-identified, information on the student's SAR/ISIR can sometimes alert a school to the fact that a student has already received a Pell Grant during the current award year. Schools should examine the *Pell Payment Data* on the SAR/ISIR generated from the student's most recent transaction to see if the percentage of the scheduled award used for the award year (% Sch Used) is greater than 0, and examine the *As Of* date (MM/DD/CCYY) to see if the information is current. If the SAR/ISIR is the most recent and the percentage of the scheduled award used for the award year is greater than 0, the school should request Transfer Monitoring of that student, and wait until it has received the results of that process before creating a PELL award for that student in COD.

In their award of Pell funds to a student, schools are required to ensure that they do not originate awards that would result in a student receiving more than 100% of the student's scheduled award for the year.

### Concurrent Enrollment

When multiple schools report disbursements for a student and the enrollment dates reported are within 30 calendar days of each other, the COD System identifies a potential concurrent enrollment and sends a warning message to all schools involved.

COD sends the school that submitted the second or subsequent disbursement information a Response Document that contains Warning Edit 069. COD also sends all the schools with accepted disbursement information in COD for the student and that award year, a Multiple Reporting Record (MRR) alerting the schools to a possible overlap in enrollment.

The Department expects all schools involved to cooperate in resolving the concurrent enrollment issue. To help facilitate resolution, the MRR contains the Pell contact information, as reported by the schools to COD, for the schools involved.

### Pell Grant payment from more than one school

34 CFR 690.11

### Calculating remaining eligibility

34 CFR 690.65

#### Warning Edit 69

The edit informs schools that submit second or subsequent disbursement information that Pell disbursements for a student have been received from two or more schools, and the enrollment dates for the student are within 30 days of one another.

#### Iraq and Afghanistan Service Grant at multiple schools

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.

**Warning Edit 68**

The edit informs the school that submitted the disbursement that caused the student to exceed the 100% TEU for the year that

1. Pell disbursements for a student have been received from two or more schools.
2. The student's Total Eligibility Used (TEU) is greater than 100.000%.
3. The POP situation must be resolved within 30 calendar days.

**COD Processing and POPs**

1. The COD System accepts Disbursement Information from a maximum of three schools for a student in a POP situation.
2. COD does not prevent the same schools from creating another POP situation for the same student.
3. Schools do not need to request post-deadline processing (Extended Processing) to submit upward adjustment records after the end of the processing year in order to correct a POP situation.
4. The COD System accepts downward adjustments to disbursement or award information at any time.
5. Disbursement information can be submitted via the COD Website for those schools that do not wish, or are not able, to reopen any software they may have used to process the affected award year.

**Pell Potential Overaward Process (POP)**

A student may receive disbursements from more than one school during the course of an award year. When more than one school reports disbursements for a student, COD checks to make sure that the student has not received more than 100% of his/her eligibility for a Federal Pell Grant.

If COD receives disbursement information that will cause a student to receive more than 100% of his or her TEU, the student has entered a Potential Overaward (POP) situation. COD will accept the disbursement, and notify the schools involved in the POP in the following three ways:

1. COD sends the school that submitted the disbursement that caused the student to exceed the 100% TEU for the year Warning Edit 068 in the response document.
2. Weekly, COD sends all schools that have accepted and posted disbursements for students in a POP status a Pell POP report that will identify the student and schools involved.
3. COD sends all schools that have accepted and posted disbursements for the student in the award year an MRR containing the Pell contact information for the schools involved.

During the 30-day period, the Department expects each school involved in the Potential Overaward to review the student's award and disbursements and perform the proper eligibility calculations. If the schools (working with COD School Relations ) do not resolve the POP situation during the 30-day period, COD will reduce all schools' authorization for the student to zero, and the issue will have to be addressed with the Department's involvement.

**Schools must work together and with the student involved to resolve the POP before contacting COD School Relations for assistance.**

Schools should document any phone calls, emails, and letters that were part of their attempts to resolve the POP with the student, and the other schools involved, and be prepared to provide that documentation to COD School Relations if requested.

During the 30-day period, COD will accept and post disbursements that decrease or increase the amount of the student's year-to-date disbursement. Students will be removed from POP status within 30 days of the date the student was initially placed in the POP if the student's TEU becomes 100% or below based on downward disbursement adjustments submitted by the schools.



If after 30 calendar days the situation has not been resolved, COD generates a negative disbursement that reduces all accepted and posted disbursements to \$0.00 for the student in the award year in question at all schools involved.

A school that has attempted to resolve an Overaward Situation with the other schools that have submitted disbursement records for the student and has been unable to arrive at a satisfactory solution should call the COD School Relations Center to request *escalated mediation*.

A school that calls the COD School Relations Center to request escalated mediation should be prepared to provide the name and social security number of the student involved.

The COD School Relations Center will review the POP situation and, if necessary, refer the case to the Department for additional action.



Schools should remember that failure to

- ◆ take action when they receive warning notices from COD;
- ◆ correct overaward situations;
- ◆ ensure that students do not receive Pell awards for concurrent enrollment at two or more schools; and
- ◆ prevent repeated POP situations from occurring;

may call into question a school's administrative capability and fiscal responsibility, and might eventually result in ED's taking action to limit, suspend, or terminate a school's participation in the Federal Student Aid programs.

### 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 2016–2017 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 2016–2017 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 2015–2016 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2015–2016 award year. Because he's already received all his aid for the year, he has to either pay the overpayment or negotiate a satisfactory repayment agreement.

## Overpayments for which the student is responsible

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

If a student has received more Pell 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 Default Resolution Group* 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 Default Resolution Group, 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.



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 amount.

### 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.

**TIP**

#### When a School Takes Action to Restore a Student's Eligibility

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*.

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.

**Clarification****Actions A School Must Take Upon Discovering That It Has Disbursed A Title IV Grant To An Ineligible Student**

If a school discovers that because of an error made by a student, the school has disbursed a Federal Pell Grant or FSEOG to an ineligible student (e.g., because the student provided false information on a FAFSA), the school must take the following action.

Immediately after discovering that it has paid an ineligible student a Title IV grant, the school must report the overpayment to NSLDS on the NSLDS Professional Access Web site under the AID tab, “Overpayment List” menu option entering “School” in the Source Field, and “Overpayment” in the Indicator Field.

After making the appropriate change in NSLDS the school must send the student a letter informing the student that he or she must repay the grant overpayment within 30 days or the school will refer the student to the Department’s Default Resolution Group for collection and to the Department’s Office of the Inspector General for possible legal action.

In the notification to the student, the school must inform the student of the following three items:

1. The student owes an overpayment of Title IV grant funds.
2. The student’s eligibility for additional Title IV funds has been suspended.
3. If the student fails to repay the debt in full within 30 days, the student will be referred to the Department’s Default Resolution Group for collection and to the Department’s Office of the Inspector General for possible legal action.

Remember that referring overpayments for collection is a separate process from reporting overpayments to NSLDS. Reporting is the process of creating within NSLDS a record of a student’s overpayment. Referring is the process of turning over a student’s debt to Default Resolution Group.

If the student fails to repay the grant overpayment in full within 30 days, the school must refer the grant overpayment to the Default Resolution Group by following the instructions in Chapter 3 under Referring overpayments/Referring overpayments to the Default Resolution Group.

In addition, if the student fails to repay the grant overpayment in full within 30 days, the school must update the student’s record in NSLDS by entering “TRF-Transfer” in the Source field and “Overpayment” as the overpayment status in the Indicator Field.

If the student repays the debt in full within 30 days, the school must update the student’s record in NSLDS by changing the overpayment status to “Repaid” in the Indicator Field.



### *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 (Federal Family Education Loan [FFEL] or Direct Loan) 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.

See the subsection on Direct Loans under *Overawards* earlier in this chapter for the treatment on correcting an overaward of Direct Subsidized Loan funds in the current award year.

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 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.

#### 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 loan holder determines whether the repayment arrangement is satisfactory.

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, 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. If the student exceeded only the annual subsidized limit and has regained eligibility, the student might be eligible to receive Direct Unsubsidized Loans up to the appropriate annual maximum.

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). A student who has regained eligibility might be eligible to receive Direct Loan funds for subsequent academic years if the student has remaining eligibility under the subsidized or unsubsidized aggregate loan limits as long as the new loan does not result in the student's exceeding the combined aggregate limit.

#### 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.

**Clarification****When a School Needs to Update Direct Loan Disbursement Data in COD After a Deadline Has Passed**

If the COD Data Submission Deadline has not yet passed, but school has confirmed close out needs to submit additional student level data to COD, the school contacts COD Customer Support and asks that the year be reopened.

If a COD Data Submission Deadline has passed, a school uses Request Post Deadline/Extended Processing screen in COD to request relief from the data submission deadline. If the school is notified its request has been granted, the school may submit data to COD through the end of the granted extension period.

If a Direct Loan Award Year has been archived. (*All Direct Loan Award Years prior to 2011–2012 have been archived.*) and a school needs to report a decrease to a student-level disbursement record, the school sends an email to [schoolreconciliation@ed.gov](mailto:schoolreconciliation@ed.gov).

In the email school provides its full school name as it appears in COD, DL ID Number, the Award Year and the number of records it needs to process. The school will receive back an email telling them how to submit the necessary data and how that data should be processed.

**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.

Direct Loan processing for an award year generally remains open in COD for 13 months following the end of the award year (until July 31 of the year following the end of the award year). A school should be able to submit data via batch or web processing through that time unless it has already confirmed closeout for the impacted award year. If a school finds the year is closed in COD before the 13-month period is over, the school should contact COD School Relations for assistance in reopening the award year.

Once the 13-month period is over and COD has closed the year, a school may request Extended Processing through the COD website at <https://cod.ed.gov>.

Toward the end of each award year, the Department publishes an Electronic Announcement containing information on the closeout deadline and instructions on how schools can request Extended Processing for Direct Loans after the closeout deadline.

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 Default Resolution Group, the school should NOT send the payment to Default Resolution Group. 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



- all records for the closed years that are submitted to the COD System will be rejected, and 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, 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.

If you report a Pell Grant overpayment in NSLDS, do not reduce the award/disbursement in the COD System by the amount the student must return (unless the student has made a payment to the school). For additional information, please see the discussion earlier in this chapter under *Recording student payments and reductions in the Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant programs* and later in this chapter under *School responsibility after referral and accepting payments on referred overpayments*.

**Reminder**

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 Default Resolution Group*

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 Default Resolution Group. 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 Default Resolution Group 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 Default Resolution Group, 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 Default Resolution Group has accepted a referred student overpayment, Default Resolution Group 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 and 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 Default Resolution Group 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 Default Resolution Group 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 Default Resolution Group, 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 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 a school receives a payment for an overpayment **previously referred** to Default Resolution Group 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 Default Resolution Group 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 Default Resolution Group system and NSLDS.



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

**1-903-454-2248**

**Note:** This process cannot be performed via email.

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.

#### **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."

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

**1-800-621-3115**

A student can contact us by going to: **[www.myeddebt.ed.gov](http://www.myeddebt.ed.gov)**, and selecting the *Borrower* tab, *Contact Us*, and *Secure email*.

### *Responsibilities of Default Resolution Group*

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.

Default Resolution Group 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 Default Resolution Group instead of the school. Finally, Default Resolution Group 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 Default Resolution Group

## Student Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

**If the overpayment includes a TEACH Grant, enter the Award Identifier (ID) used when the award was created in COD.**

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

<sup>1</sup> 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.

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SEND INFORMATION TO ➡ Student Loan Processing Center-Overpayments  
P.O. Box 4157  
Greenville, Texas 75403

(903) 454-2248    ⬅ FAX

