

Disbursement and Credit Balances

Disbursements and  
Credit Balance Refunds  
Kansas Spring Conference

David A. Bartlett | April 2018  
U.S. Department of Education

FederalStudentAid | PROUD SPONSOR of  
the AMERICAN MIND®

---

---

---

---

---

---

---

---

Agenda

- Disbursement Overview
- Early Disbursements
- Credit Balances

2

FederalStudentAid | PROUD SPONSOR of  
the AMERICAN MIND®

---

---

---

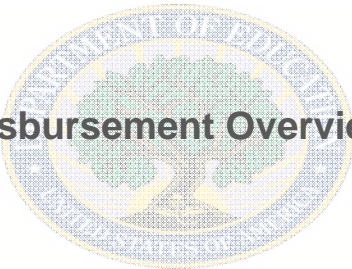
---

---

---

---

---



Disbursement Overview

3

FederalStudentAid | PROUD SPONSOR of  
the AMERICAN MIND®

---

---

---

---

---

---

---


---

For Discussion Purposes Only

### Disbursement and Credit Balances

**Funding Basics**

- G5, ED's payment system, is specific for each program and for each award year
  - Funding is not student specific
- Timelines and deadlines for reporting disbursements to Common Origination and Disbursement (COD)
  - Actual disbursements may be reported up to seven days prior to disbursement date and must be reported no later than 15 days after the disbursement date

4 

---

---

---

---

---


---

---


---


**Program Funding**

**Pell Funds**



**Direct Loan Funds**



5 

---

---

---

---

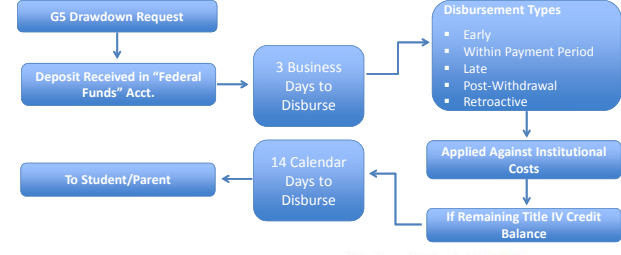
---


---

---

---

**Disbursement Overview**



6 

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Disbursement and Credit Balances

**Requesting Funds from G5**

- Schools must not request funds that exceed their **immediate need** for those funds
  - Funds received from G5 must be disbursed to students within three business days of receipt
- Excess Cash
  - Any amount of Title IV funds not disbursed to students by the end of the third **business** day after receipt

7 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

**Disbursement**

- Defined as the date a school credits a student's account at the school or pays a student or parent directly with:
  - Funds received from the Department
  - School funds used in advance of receiving funds from the Department within regulatory timeframes
- Disbursement date reported to COD **must** be the actual date of disbursement to the student's account

8 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

**Notification of Disbursement**

- School must notify the student of the amount of funds expected to receive from each FSA program
  - Must be provided prior to disbursement
  - Must include how and when disbursement will occur
- If award contains Direct Loans or Teacher Assistance for College and Higher Education Grant (TEACH) the notification must include:
  - Anticipated Date and Amount of Disbursement
  - Student's/Parent's right to cancel all or portion of loan or TEACH
  - Procedure to cancel all or portion of the loan or TEACH

9 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---


---

For Discussion Purposes Only

### Disbursement and Credit Balances

**Authorizations**

- The school must obtain authorization from the student before performing any of these activities:
  - Use FSA funds to pay for allowable educationally related charges **other than** tuition, fees, and room and board (if the student contracts with the school)
  - Credit FWS wages to a student's account to pay any educationally related charges
  - Disburse Federal Work-Study (FWS) wages by Electronic Fund Transfer (EFT) to a bank account designated by the student or parent
  - Hold an FSA credit balance

10  PROUD SPONSOR OF THE AMERICAN MIND™

---

---

---

---

---


---

---

---

**Determining Eligibility Before Disbursement**

- Before disbursing FSA funds, you must determine and document that the student remains eligible to receive the type and amount of FSA funds that you expect to disburse
  - Institutional Student Information Record (ISIR) Determined Eligibility (Citizenship, Drug Related, etc.)
  - School Determined Eligibility (Regular student, SAP, etc.)
- Both you and your Third-Party Servicer must have a process in place to make this determination

11  PROUD SPONSOR OF THE AMERICAN MIND™

---

---

---

---

---


---

---

---

**30 Day Delay for Direct Loan Borrowers**

- A student who is a first-time, first-year borrower cannot receive a Direct Loan disbursement until 30 days after the payment period start date
  - Exception: A school with a cohort default rate of less than 15% for the three most recent fiscal years
  - Exception: A school with the most recent cohort default rate of less than 5% that is originating loans to cover the cost of attendance in a study abroad program

12  PROUD SPONSOR OF THE AMERICAN MIND™

---

---

---

---

---

---

---

---

For Discussion Purposes Only

### Disbursement and Credit Balances

#### Single Payment Period Disbursements

- When a Direct Loan is made for one payment period, the loan must be disbursed in two installments, and the second installment may not be disbursed until the student has completed half of the payment period.
- Exception: A school with a cohort default rate of less than 15% for the three most recent fiscal years
- Exception: A school with the most recent cohort default rate of less than 5% that is originating loans to cover the cost of attendance in a study abroad program

13

FederalStudentAid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

#### Disbursements in Modules

- A student who is enrolled in a module within a payment period is enrolled for the entire payment period
- The loan period includes the entire payment period
- The cost of attendance excludes periods of non-attendance
- Disbursements cannot be scheduled during periods on non-attendance

14

FederalStudentAid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

#### Disbursements in Modules

- A school can make a single disbursement based on the enrollment status for the entire term
- Student must begin attendance in all credits used to establish enrollment status or Pell recalculation required
- Change in enrollment status to less than half-time results in cancellation of subsequent loan disbursements
- A school can schedule multiple disbursements throughout the payment period not to exceed the permitted amount

15

FederalStudentAid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

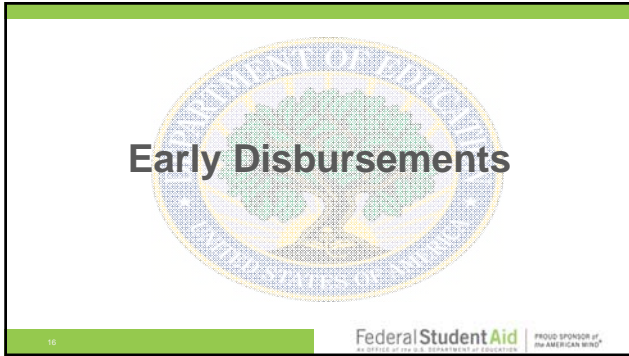
---

---

---

For Discussion Purposes Only

Disbursement and Credit Balances




---

---

---

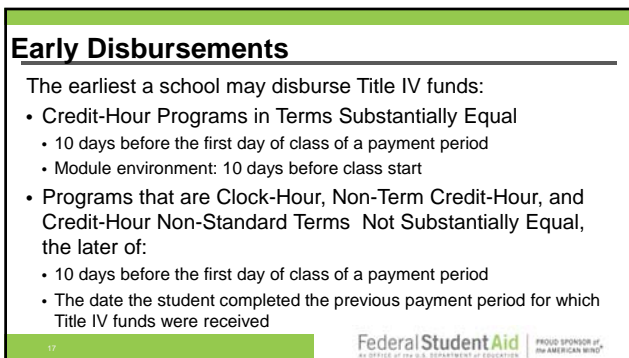
---

---

---

---

---




---

---

---

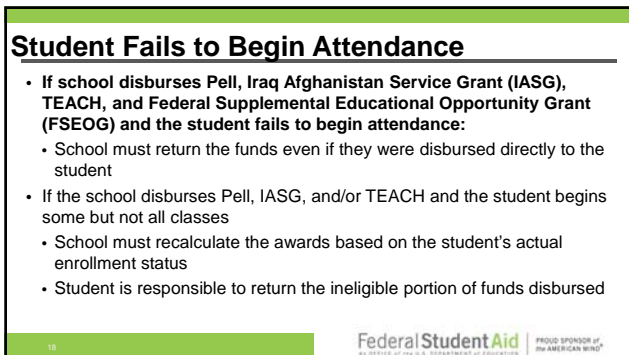
---

---

---

---

---




---

---

---

---

---

---

---

---

For Discussion Purposes Only

Disbursement and Credit Balances

**Student Fails to Begin Attendance**

- If student does not begin attendance, the school must return any Direct Loan funds credited to the student's account
- 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

19 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

**Begins Attendance Less than Half-Time**

An institution that disburses Direct Loan funds up to 10 days prior to enrollment start date must ensure student is scheduled to attend at least half-time prior to disbursement.

- If student begins attendance as less-than-half-time (starts a class), the disbursement is eligible
- Subsequent disbursements within term cannot be made unless student reestablishes ½ time status
- Repaid in accordance with terms/conditions of the Master Promissory Note (MPN) UNLESS required to return loan funds under Return of Title IV (R2T4) if student withdraws

20 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

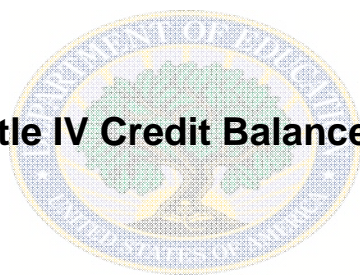
---

---

---

---

---



**Title IV Credit Balances**

21 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

For Discussion Purposes Only

### Disbursement and Credit Balances

**Title IV Credit Balance Definition**

A Title IV credit balance occurs whenever the amount of Title IV funds credited to a student's account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period.

22

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND®  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

**Title IV Credit Balance 34 CFR 668.164 (e)**

Title IV funds credited exceed total allowable charges assessed by the institution

<b>Institutional Charges</b>	<b>= \$ 3,000</b>
<b>Credits to account</b>	<b>= \$ 6,172</b>
Pell	\$1,900
Direct Loans	\$3,272
Scholarship	\$1,000
<b>Title IV Credit Balance</b>	<b>= \$ 2,172</b>

23

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND®  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

**Paying Title IV Credit Balances**

- School must pay credit balance to student or parent no later than
  - 14 calendar days after balance occurs if it occurs after first day of classes of payment period
  - 14 calendar days after first day of classes if it occurs on or before the first day of classes of payment period

24

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND®  
U.S. DEPARTMENT OF EDUCATION

---

---

---

---

---

---

---

---

For Discussion Purposes Only



Disbursement and Credit Balances

**Paying Credit Balance: Check**

- Considered paid on date
  - School mails check
- Notifies student within 14 day timeframe that funds are available for immediate pick-up and provides specific location
  - Can hold for 21 days from notification
  - If student doesn't pick up within 21 days from notification, must immediately mail or EFT, or return to ED

25 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

**Holding Title IV Credit Balances**

- Student or parent may voluntarily authorize school to hold credit balance
- School must
  - Identify amount of funds held for each student and/or parent in a subsidiary ledger account
  - Maintain cash equal to credit balances held
- School may retain interest earned on funds

26 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

**Holding Title IV Credit Balances**

- School must release any remaining Title IV credit balance
- Loan funds by end of the loan period and
- Other FSA program funds by end of last payment period in award year for which they were awarded

*Note: May not go beyond these deadlines even with student or parent authorization!*

27 Federal Student Aid PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

For Discussion Purposes Only

Disbursement and Credit Balances

28

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND®

---

---

---

---

---

---

---

---

**Resources**

Federal Student Aid Handbook

Volume 4, Chapter 1 Requesting FSA Funds  
 Volume 4, Chapter 2 Disbursing FSA Funds  
 Volume 5, Chapter 2 Post-Withdrawal Disbursements

Federal Regulations – 34 CFR

668.165(a) Notifications  
 668.165(b) Authorizations  
 668.164(j) Early Disbursements  
 668.164(m) 30-Day Delay for DL Borrowers

29

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND®

---

---

---

---

---

---

---

---

**Resources (cont.)**

Federal Regulations – 34 CFR

668.164(j) Late Disbursements  
 668.164(k) Retroactive Disbursements (General)  
 690.76(b) Retroactive Disbursements (Pell)  
 685.303(d)(4) Retroactive Disbursements (DL)  
 690.79 Overpayments

30

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND®

---

---

---

---

---

---

---

---


For Discussion Purposes Only

Disbursement and Credit Balances

**Contact Information**

Contact me with follow-up questions about this session:

David Bartlett, FSA Trainer  
 david.bartlett@ed.gov | (816) 268-0434



31

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

**Contacts**

- Kansas City School Participation Team
  - Main Number: 816-268-0410
  - IIS – Jim Wyant: 816-268-0431  
[jim.wyant@ed.gov](mailto:jim.wyant@ed.gov)



32

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

---

---

---

**Training Feedback**

To ensure quality training we ask all participants to please fill out an online session evaluation

- Go to: <https://s.zoomerang.com/s/DavidBartlett>
  - Evaluation form is specific to David A. Bartlett
- This feedback tool will provide a means to educate and inform areas for improvement and support an effective process for “listening” to our customers
- Additional feedback about training can be directed to Mark Gerhard at [mark.gerhard@ed.gov](mailto:mark.gerhard@ed.gov)

33

Federal Student Aid | PROUD SPONSOR OF THE AMERICAN MIND

---

---

---

---

---

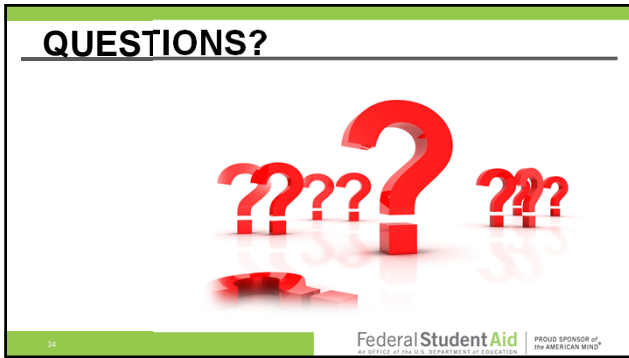
---

---

---

For Discussion Purposes Only

Disbursement and Credit Balances



---

---

---

---

---

---

---

For Discussion Purposes Only