



Cash Management – An Overview

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February 2017



2017 SASFAA Annual Conference

Cash Management

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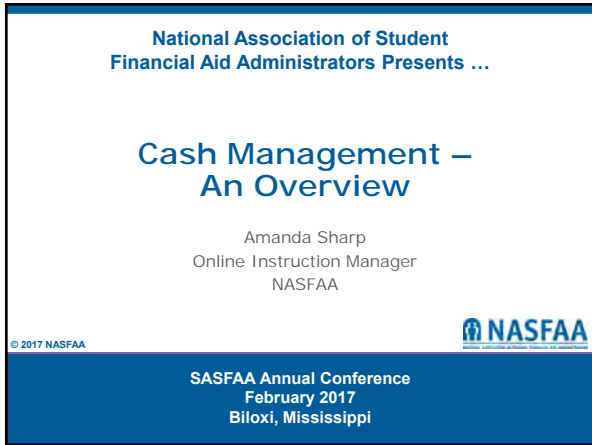
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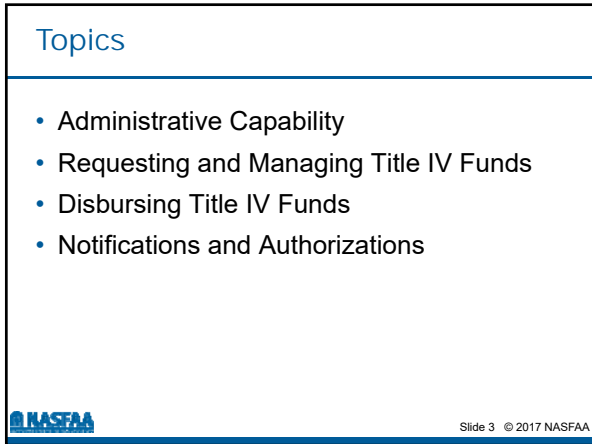
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Cash Management – An Overview





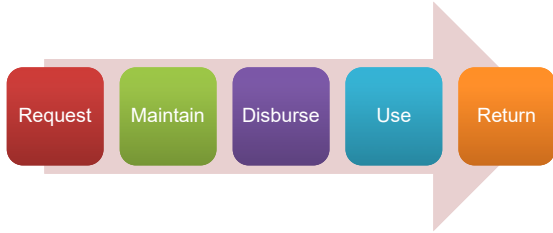




Cash Management – An Overview

Effective Cash Management

- Rules and procedures related to managing federal financial aid funds



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Effective Cash Management



Eligible students only

Timely delivery

Allowable expenses

Avoid overpayments



Cash flow

Avoid excess cash

Appropriate accounting

Clear audit trail



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Administrative Capability

- Ability a school must demonstrate in providing the education it promises and properly managing the federal student aid programs
- Institutional responsibility carried out by multiple campus offices



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Cash Management – An Overview

Administrative Capability



Separation of functions

- Awarding and disbursing of aid functions
 - No single office
 - Must be organizationally independent
 - May not be family members
 - May not exercise substantial control together



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Administrative Capability

- 34 CFR 668.16 Student Assistance General Provisions



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Requesting and Managing Title IV Funds



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Requesting Title IV Funds

Depository Account:

A bank or investment account into which ED deposits all Title IV funds requested by the school.

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Title IV Funds

The diagram illustrates the flow of Title IV funds. On the left, a green icon of a classical building represents the 'G5 Payment System'. Two arrows point from this system to a central vertical bar labeled 'Payment Methods'. From this bar, three arrows point to three stacked blue boxes: 'Advanced', 'Reimbursement', and 'Heightened Cash Monitoring'.

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Advance Payment Method

- School requests and receives funds needed for disbursement the school will make or has made to students and/or parents
- Request cannot exceed the amount of funds school needs immediately for disbursements
- School must disburse funds no later than three business days following date school received

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Reimbursement and HCM

Reimbursement/HCM2	HCM1	Reimbursement – Voluntary by School
<ul style="list-style-type: none"> • Must pay any credit balances due to the students for whom it seeks reimbursement • Must provide *documentation as part of its request that the credit balances were paid • May not obtain authorization to hold credit balance funds 	<ul style="list-style-type: none"> • Must pay any credit balances due to the students for whom it intends to draw down funds • May not obtain authorization to hold credit balance funds 	<ul style="list-style-type: none"> • Reimbursement method requirements do not apply when school chooses to use own funds to disburse, i.e. not required by ED

*Specific documentation requirements differ between Reimbursement and HCM2 cash monitoring methods.

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Maintaining Title IV Funds

Federal and nonfederal funds may be in same depository account unless ED requires separate accounts

- Must identify account as containing federal funds
- If revenue earned on held funds:
 - Maintain Federal Perkins Loan earnings in Perkins Loan Fund
 - Return other earnings > \$500 to ED annually by June 30

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Risk of Loss

- Schools may not engage in any practice that risks the loss of Federal funds
- May not use Title IV funds as collateral
- Includes funds held in a Title IV depository account or a school's operating account
- Nothing prohibits a school from sweeping its own funds, but it must ensure that any Title IV funds are not part of the sweep

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Use of Title IV Funds

- Make disbursements
- Other program-specific uses (e.g., FWS Job Location Development Program)
- Administrative cost allowance (ACA)
 - Pell Grant: \$5/recipient, when funding available
 - Campus-based programs: regulatory formula



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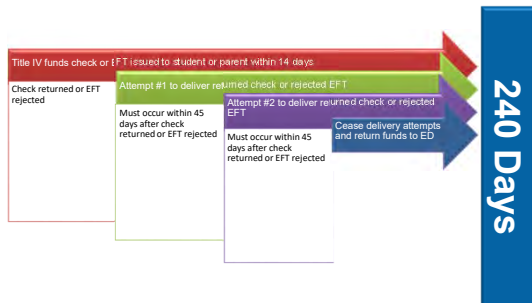
Excess Cash

- Any Title IV funds (except Perkins Loan funds) not disbursed after 3 days of date funds drawn down or received
- Tolerance: May retain (up to 7 days) amount \leq 1% of total Title IV funds drawn down in prior award year
 - After 7-day period, return any remaining amount
 - Business office is generally responsible for this task



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Returning Undeliverable Title IV Funds



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Escheat Prohibition

- Regardless of the circumstances or time frames, the institution must have a process in place to ensure that Title IV funds never escheat to the school, the state, or any other third party.
- Escheatment is the reversion of funds to an unintended third-party, such as when a Title IV credit balance check sent to a student is not cashed, and the funds remain in the school's depository account or are transferred to the state's escheatment account.



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Disbursing Title IV Funds



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Definitions



Disburse: Making a payment of Title IV funds to a student's ledger account or directly to the student or parent PLUS borrower

Student's ledger account: Recordkeeping system used to record institutional charges, cash payments, and payments from Title IV funds

Financial account: Checking, savings, prepaid card, or other consumer asset account held directly or indirectly by a financial institution

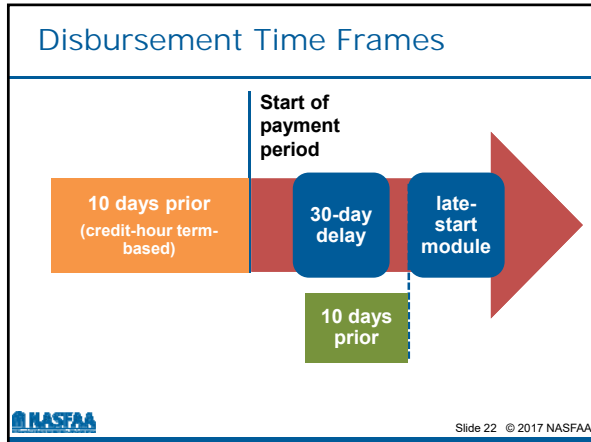
Financial institution: Bank, savings association, credit union, or other entity that holds a financial account for the student, issues an access device associated with the account, and agrees to make EFT services

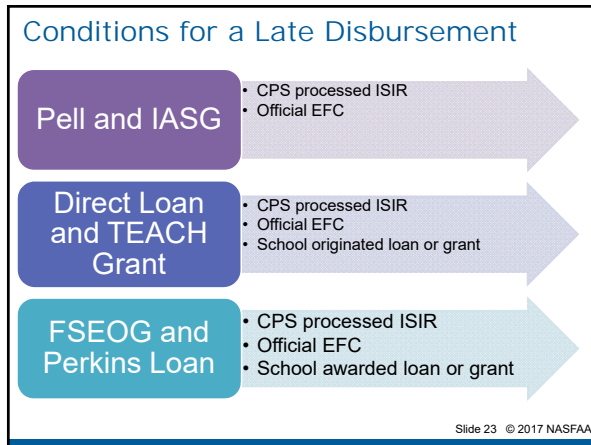


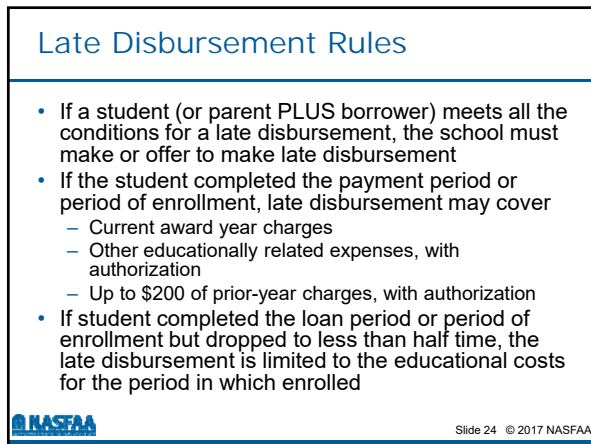
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Cash Management – An Overview

Late Disbursements Not Allowed

Without valid SAR or ISIR before deadline

For first-time, first-year borrower < 30 days

- unless school exempt from 30 day delay

For second or subsequent disbursement

- unless student successfully completed period of enrollment
- or school exempt from multiple disbursement of Direct Loan funds in a single payment period

Later than 180 days after last date of eligibility

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Post-Withdrawal Disbursements

- A type of late disbursement
- Made after a student has withdrawn (or dropped out) before completing the payment period or loan period.
- Must meet the conditions for a late disbursement
- References
 - 34 CFR 668.22(a)(6)
 - 34 CFR 668.164(j)
 - *FSA Handbook*, Volume 4
 - *FSA Handbook*, Volume 5



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Title IV Credit Balances

Title IV funds exceed allowable institutional charges

- Portion that is not yet paid to the student
- Excludes non-Title IV funds



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Scenario

Jasmine is an off-campus student whose allowable institutional charges at the beginning of the winter quarter are \$7200. The dates of the winter quarter are November 28 – February 17. Jasmine signs an authorization to have her Federal Work-Study (FWS) payments credited to her student account. Here is a synopsis of Jasmine's ledger account:

Date	Charges	Payments	Notes
November 14	\$7,200		Tuition and fees-winter quarter
November 14		\$ 300	Student paid enrollment deposit
November 27		1,000	Institutional scholarship applied
November 28		7,046	Total amount Title IV aid applied
December 15		460	FWS wages credited
January 2	360		Commuter meal plan
January 16		480	Parent PLUS Loan applied



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Tuition and Fees
\$7,200

What is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of November 28?

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Tuition and Fees
\$7,200

Payment from student
\$300

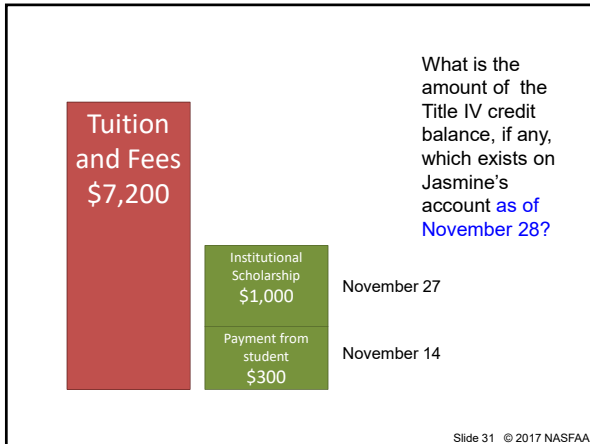
November 14

What is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of November 28?

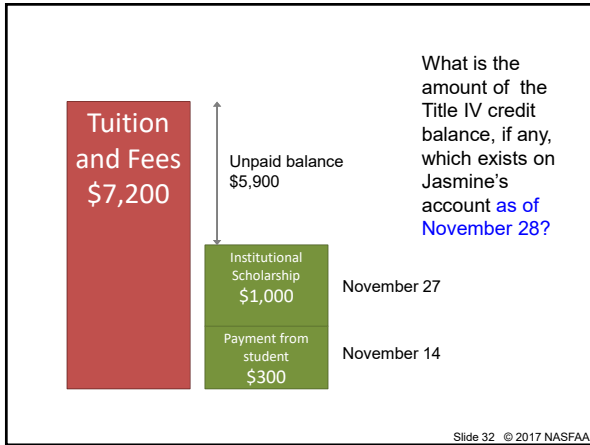
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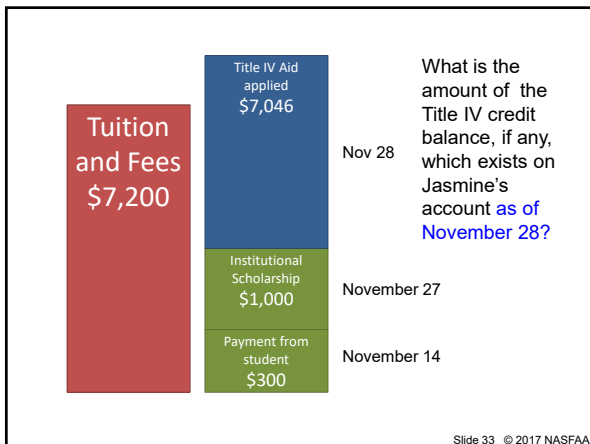
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What is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of November 28?



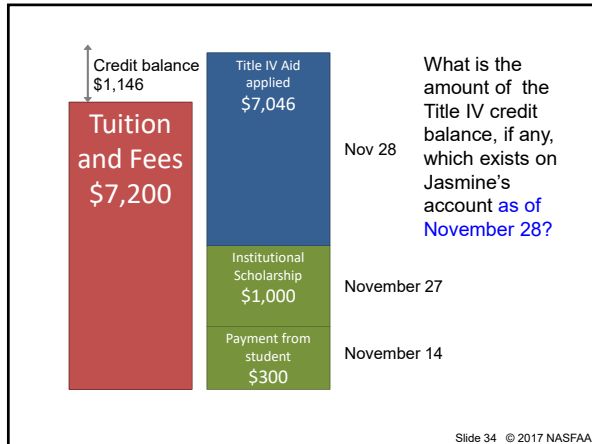
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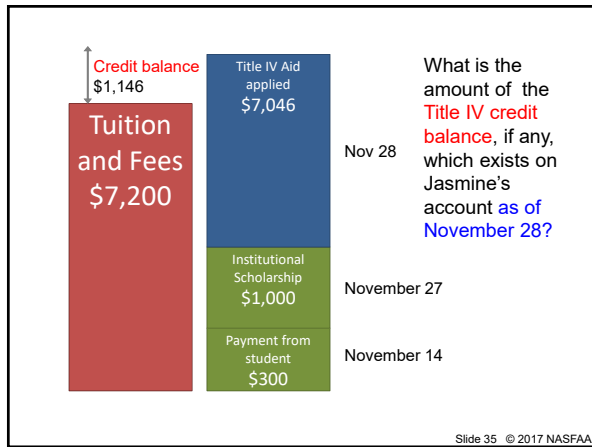


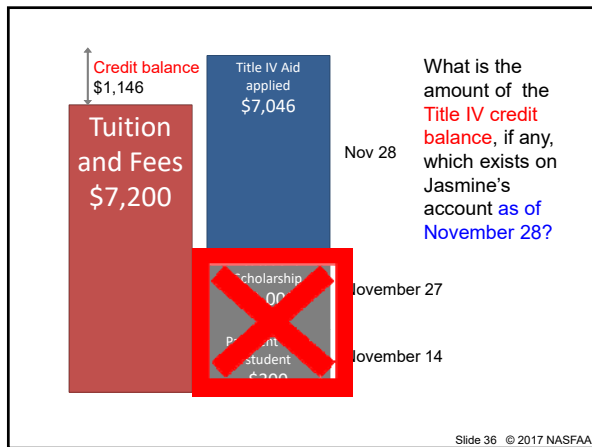
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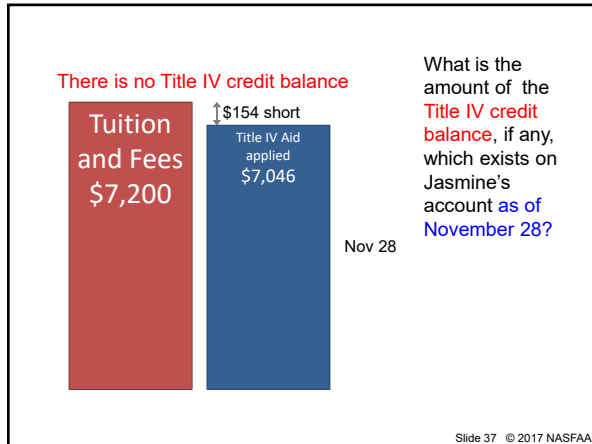




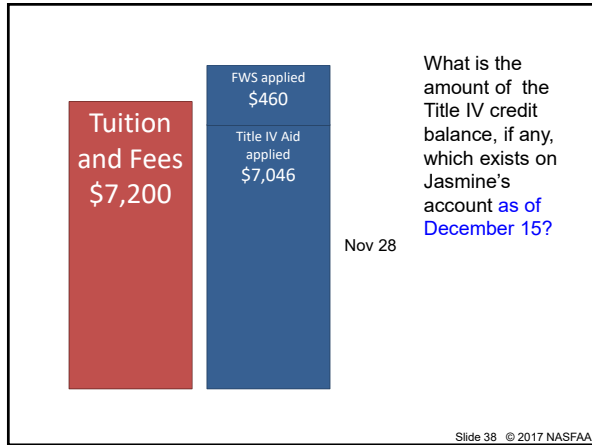




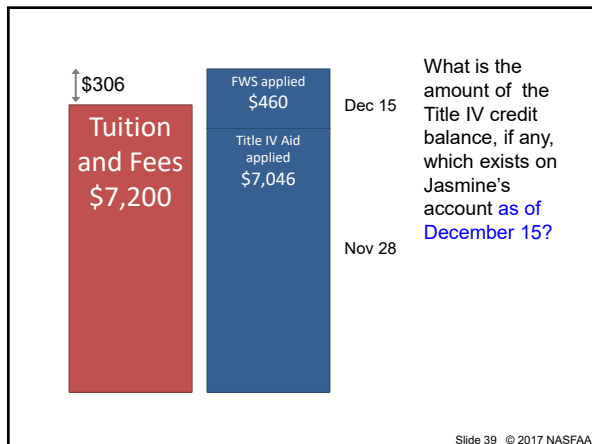
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What is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of November 28?



What is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of December 15?



What is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of December 15?



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Tuition and Fees	Title IV Aid applied
\$7,200	\$7,200

Assuming any prior credit balances were issued to Jasmine within required timeframes, what is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of January 16?

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Jan 2

Commuter Meal Plan - \$360	
Tuition and Fees	Title IV Aid applied
\$7,200	\$7,200

Assuming any prior credit balances were issued to Jasmine within required timeframes, what is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of January 16?

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Jan 2

Commuter Meal Plan - \$360	
Tuition and Fees	Title IV Aid applied
\$7,560	\$7,200

Assuming any prior credit balances were issued to Jasmine within required timeframes, what is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of January 16?

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Jan 2 **Tuition and Fees \$7,560** Jan 16 **PLUS \$480 Title IV Aid applied \$7,200**

Assuming any prior credit balances were issued to Jasmine within required timeframes, what is the amount of the Title IV credit balance, if any, which exists on Jasmine's account **as of January 16?**

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Jan 2 **Tuition and Fees \$7,560** Jan 16 **PLUS \$120 Title IV Aid applied \$7,680**

Assuming any prior credit balances were issued to Jasmine within required timeframes, what is the amount of the Title IV credit balance, if any, which exists on Jasmine's account **as of January 16?**

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Example—Lena

Cost of Attendance	=	\$18,460	
Institutional charges	=	15,550	
Federal Pell Grant		\$1,832	
FSEOG		500	
Federal Perkins Loan		575	
Total Title IV Aid	=	\$2,907	
Balance Due on Account		\$12,643	} Not a Title IV credit balance
Outside scholarship	-	15,550	
Balance Due on Account		(\$2,907)	

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Example—Frank

Cost of Attendance	=	\$18,460
Institutional charges	=	15,550
Federal Pell Grant		\$2,500
Federal Direct Loan		4,500
Federal Direct PLUS Loan		10,385
FSEOG		500
Federal Perkins Loan		575
Total Title IV Aid	=	\$18,460
Balance Due on Account		(\$2,910)

Title IV credit balance

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Timeframe for Paying a Title IV Credit Balance

Unless authorized to hold Title IV credit balance, must pay no later than 14 days after:

- Balance occurred, if occurred after 1st day of payment period
- 1st day of classes for payment period, if balance occurred on or before that date

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AskRegs Knowledgebase

 We were wondering about students who have past due balances and are scheduled to have refund checks for the upcoming semester/term. Our billing office would like to create two refund checks—one to cover the past due balance (which would require signatures of both the student and the college) and then a second that would be made out just to the student for any difference. I don't think this is allowable, but cannot find anything to confirm or deny this option.

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Cash Management – An Overview

AskRegs Knowledgebase



By creating two checks, one that must be endorsed by the school and the student, you are placing restrictions on a student's credit balance that are not allowed.

Under [668.164\(h\)](#), a school must disburse a Title IV credit balance, as applicable, to the student or the parent PLUS borrower within 14 days. If the past due balance is for the current award year, the school may use Title IV funds to satisfy it. However, if the past due balance is for current award year charges that are not tuition and fees or contracted room and board, the student's or parent PLUS borrower's authorization is required to pay it (i.e., other educationally-related charges).



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AskRegs Knowledgebase



Can the Bursar's Office Hold a Title IV Credit Balance Based on a Student's Class Attendance?

My institution uses an "early alert" process for academic reasons. If the student hasn't been going to classes, they reach out to the student to say "go to class" or "help is available". This information is provided by professors. A few years back, our Bursar's office started using information from this early alert process to determine whether or not to issue a credit balance check.



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AskRegs Knowledgebase



For example, a professor indicates that the student hasn't been showing up for the last few weeks. The student has started attendance in the class, but has been sporadic since then. Our Bursar will hold the student's credit balance check until they find out what's going on with the student. In some cases, the check is held until the end of the semester when we review students who received all F grades and look at their last dates of attendance. We will then do the return of Title IV funds (R2T4) calculations on the students. In some cases, even after the aid is adjusted, they still receive some credit balance.



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Cash Management – An Overview

AskRegs Knowledgebase



If a Title IV federal student aid disbursed to a student's account creates a Title IV credit balance, the school **must** pay the credit balance directly to the student or parent as soon as possible, but no later than 14 days after:

- 1) The date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period, or
- 2) The first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period.



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AskRegs Knowledgebase



Exception: School obtains a voluntary authorization from the student (or parent, in the case of a parent PLUS) to hold the credit balance. However, even if you have the authorization to hold the credit balance, Title IV funds are awarded to pay current-year charges. Therefore, you must still pay any remaining balance on Title IV loan funds by the end of the loan period, and any other remaining Title IV program funds by the end of the last payment period in the award year for which they were awarded.



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AskRegs Knowledgebase



Your institution is in violation of the Title IV credit balance regulations if it is holding Title IV credit balances without the written authorization of the student beyond the above referenced timeframes. Furthermore, it is also in violation if it has obtained the written authorization to hold the credit balance but is doing so beyond the end of the loan period for loan funds or the end of the last payment of the award year for any other Title IV program fund (e.g., it is holding the balances until all grades and attendance for the term have been reviewed after the term has ended).



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Cash Management – An Overview

Provision for Books & Supplies

Provide way to obtain required books and supplies by 7th day of payment period, if 10 days before payment period:

- School could disburse Title IV aid for which student is eligible
- Student would have Title IV credit balance



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Notifications and Authorizations



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Notifications

- Make Title IV aid recipients aware of:
 - Upcoming disbursements
 - Right and responsibilities
- Before disbursing Title IV funds, provide written notification of:
 - Student eligibility
 - Payment information



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Cash Management – An Overview

PART 668—STUDENT ASSISTANCE GENERAL PROVISIONS

Subpart K—Cash Management
Sec. 668.165 Notices and authorizations.

(a) *Notices.* (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans, and which are from unsubsidized loans.


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Subpart A—Federal Work-Study Program
Sec. 675.16 Payments to students.

(a) *General.* (1) An institution must follow the disbursement procedures in this section for paying a student his or her wages under the FWS Program instead of the disbursement procedures in 34 CFR 668.164(a), (b), and (d) through (g), and 34 CFR 668.165. The institution must follow 34 CFR 668.164(c) on making direct FWS payments to students and 34 CFR 668.164(h) on handling the return of FWS funds that are not received or negotiated by a student.


(2) An institution must pay a student FWS compensation at least once a month.

(3) Before an institution makes an initial disbursement of FWS compensation to a student for an award period, the institution must notify the student of the amount of funds the student is authorized to earn, and how and when the FWS compensation will be paid.

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Credit Title IV Loan Proceeds to Student's Ledger Account

- Borrowers must receive notification upon payment of:
 - Regularly scheduled loan disbursements
 - Late disbursements
- Timeframe depends on whether confirmation of intent to borrow was:
 - Active
 - Passive


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Active vs Passive Confirmation


- Active confirmation
 - Obtain written confirmation of types and amounts of Title IV program loans that a borrower accepts, for example:
 - ✓ Signed award letter
 - ✓ Secure access website



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Active vs Passive Confirmation


- Passive confirmation
 - Does not obtain written confirmation of types and amounts of Title IV program loans that a borrower accepts:
 - ✓ Assumes student (or parent) wants to borrow all the funds offered unless informs school otherwise



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Active vs Passive Confirmation

- Active confirmation
 - May provide notification 30 days before or within 30 days after crediting the student's account with loan funds
- Passive confirmation
 - Must send notification no earlier than 30 days before; or
 - Within 7 days after crediting the student's account with loan funds



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Loan Cancellation or Reduction Requests

- If received:
 - By school's deadline, must honor request
 - After school's deadline, school option to honor request
- School must inform borrower, in writing, of outcome of any request



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Loan Cancellation or Reduction Requests

- Active confirmation
 - By the later of
 - ✓ The first day of the payment period; or
 - ✓ 14 days after the date of the school's notification
- Passive confirmation
 - Within 30 days after the date the school sent the confirmation



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Loan Cancellation or Reduction Requests After the Deadline

- School may, but is not obligated, to honor the borrower's request
- School must inform borrower, electronically or in writing, of the outcome of the request
- If more than 120 days after disbursement date, school should direct borrower to the servicer



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TEACH Notification

- Notification required because of the nature of the grant
- Must provide
 - Anticipated disbursement date and amount;
 - Student's right to cancel all or a portion of the TEACH Grant; and
 - Procedures and deadline for canceling any or all of the TEACH Grant
- Always considered active confirmation
 - Must provide notice to recipient no earlier than 30 days before and no later than 30 days after crediting the student's account with funds



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TEACH Cancellation

- You must return or cancel a TEACH Grant upon the student's request by the later of:
 - The first day of the payment period; or
 - 14 days after the date of the school's notification
- After school's deadline
 - Not obligated to do so
 - Within 120 days of the grant's disbursement date



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Authorizations

- Students and parents may authorize the school to proceed with certain services
 - Use of Title IV funds to pay certain current-year and prior-year institutional charges
 - Use of FWS earnings to pay certain current-year and prior-year institutional charges
 - Holding Title IV funds




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Current Award Year

- No Direct Loans Disbursed**
 - The current award year
- Only Direct Loans Disbursed**
 - The current loan period
- Direct Loans and Other Title IV Aid Disbursed**
 - Either the current award year or the current loan period
 - At the school's discretion
 - Can determine on per student basis

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Prior Award Year Charges

- \$200 cap
- Charges a school applied to a student's ledger account for any award period or loan period prior to the current award year or loan period

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Federal Work Study

- If nonfederal share of FWS is a noncash contribution for tuition, fees, services, or equipment
 - No authorization required
- Otherwise, school must obtain student's authorization to credit account with FWS funds including \$200 in prior award year charges

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Authorization Contents

- Obtain before carrying out authorized activity
- Student and parent borrowers provide separate authorizations
- Schools cannot coerce student or parent PLUS borrower to provide authorization
- May be for specific period or entire period of student's enrollment
- Written clearly in plain language



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Cancellation of Authorization

- Student or parent PLUS borrower may cancel or modify authorization, effective on date school received notice
 - Not required to reverse any Title IV funds credited before notice received
 - Must pay within 14 days any Title IV funds held under prior authorization



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Scenario

Angie attends National College of the Americas. NCA allows students to either have FWS paid directly to them or have it applied to charges on their student account. Students may provide or withdraw authorization at any time during the academic year. Angie has provided authorization for her FWS earnings to be applied directly to any outstanding charges on her account. Angie received a late dorm utility charge from last year for \$150. She has no other outstanding charges on her account.

Can her current FWS earnings be used to pay her utility charge?



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Cash Management – An Overview

Scenario

- Yes, Angie's FWS earnings can be used to pay her utility charge.
- Angie provided authorization for current award year aid to be used to pay prior-year educationally-related charges and the amount is less than \$200



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Scenario

Bernard has library fines of \$250 on his ledger account from previous years. He is able to register for spring courses, but this is Bernard's last semester and per NCA's policy, he will not be able to receive his degree or his final transcripts until his ledger account is paid in full. Bernard has a Direct Unsubsidized Loan and a parent PLUS Loan. The loan period includes the fall and spring semesters. Bernard expects to receive a Title IV credit balance of \$500 after his spring Direct Loans are disbursed. He and his parents both signed written authorization to pay current-year and prior-year charges with Title IV aid.

Can Bernard's spring credit balance be used to pay the fall library fees?



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Scenario

- No.
- Bernard and his parents provided authorization to pay current-year and prior-year charges with his Title IV funds.
- The library fees are not allowable current-year or prior-year charges.
- Written authorization would be required to pay for other educationally-related charges. The provided authorization does not extend to those charges.



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Cash Management – An Overview



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Cash Management Scenario

Jasmine is an off-campus student whose allowable institutional charges at the beginning of the winter quarter are \$7,200. There is an additional allowable institutional charge in the amount of \$360 for a meal plan on January 2. The dates of the winter quarter are November 28 – February 17. Jasmine signs an authorization to have her Federal Work-Study (FWS) payments credited to her student account. Here is a synopsis of Jasmine's ledger account:

Date	Charges	Payments	Notes
November 14	\$7,200		Tuition and fees-winter quarter
November 14		\$ 300	Student paid enrollment deposit
November 27		1,000	Institutional scholarship applied
November 28		7,046	Total amount Title IV aid applied
December 15		460	FWS wages credited
January 2	360		Commuter meal plan
January 16		480	Parent PLUS Loan applied

1. What is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of November 28?
 - a. \$1,146
 - b. \$300
 - c. \$146
 - d. \$0

2. What is the amount of the Title IV credit balance, if any, which exists on December 15?
 - a. \$1,606
 - b. \$606
 - c. \$306
 - d. \$0

3. Assuming any prior credit balances were issued to Jasmine within required timeframes, what is the amount of the Title IV credit balance, if any, which exists on Jasmine's account as of January 16?
 - a. \$480
 - b. \$360
 - c. \$120
 - d. \$0

4. If a Title IV credit balance exists due to the parent PLUS Loan, the school
 - a. may issue a check to Jasmine for the amount of the credit balance as long as she is enrolled at least half-time.
 - b. must obtain authorization from Jasmine before releasing the balance to her parent.
 - c. must allow 14 days from the date of the credit balance in case the borrower wishes to cancel the loan.
 - d. must obtain authorization from the parent borrower before releasing the balance to Jasmine.

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Title IV Funding Methods Comparison

The following chart details the various funding methods used by the U.S. Department of Education (ED) to deliver Title IV funds to schools. Under these methods, schools request and receive Title IV funds to cover:

- Federal Pell Grant, Iraq and Afghanistan Service Grant (IASG), and Teacher Education Assistance for College and Higher Education (TEACH) Grant disbursements;
- The federal share of Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan disbursements; and
- The net amount of Federal Direct Student Loan (Direct Loan) disbursements (i.e., gross loan amount minus fees).

	Definition	Limitations	Time Frames	Delivery of Funds
Advance Payment Method	<ul style="list-style-type: none"> • School requests and receives funds for disbursements it has made or will make to students or to parent PLUS borrowers. • Federal Pell Grant, IASG, TEACH Grant, and Direct Loan funds are requested by submitting origination and disbursement data to the Common Origination and Disbursement (COD) System. • Federal share of campus-based funds is drawn down via G5. 	Request for cash may not exceed the amount of funds for disbursements school has made or will make to students and parents.	<ul style="list-style-type: none"> • School must make disbursements: <ul style="list-style-type: none"> ➤ As soon as administratively feasible; but ➤ No later than 3 business days following the date it received the funds. • Actual Federal Pell Grant, IASG, TEACH Grant, and Direct Loan disbursements may be submitted to COD no earlier than 7 calendar days prior to the disbursement date. <ul style="list-style-type: none"> ➤ Disbursement records must be submitted within 15 days of the actual disbursements or adjustments. 	<ul style="list-style-type: none"> • School must initiate a draw down request through G5. • For the Federal Pell Grant, IASG, TEACH Grant, and Direct Loan programs, the school must substantiate the amount drawn down with actual disbursements. <ul style="list-style-type: none"> ➤ School's access to additional funding may be restricted if prior drawdowns are not substantiated in a timely manner.

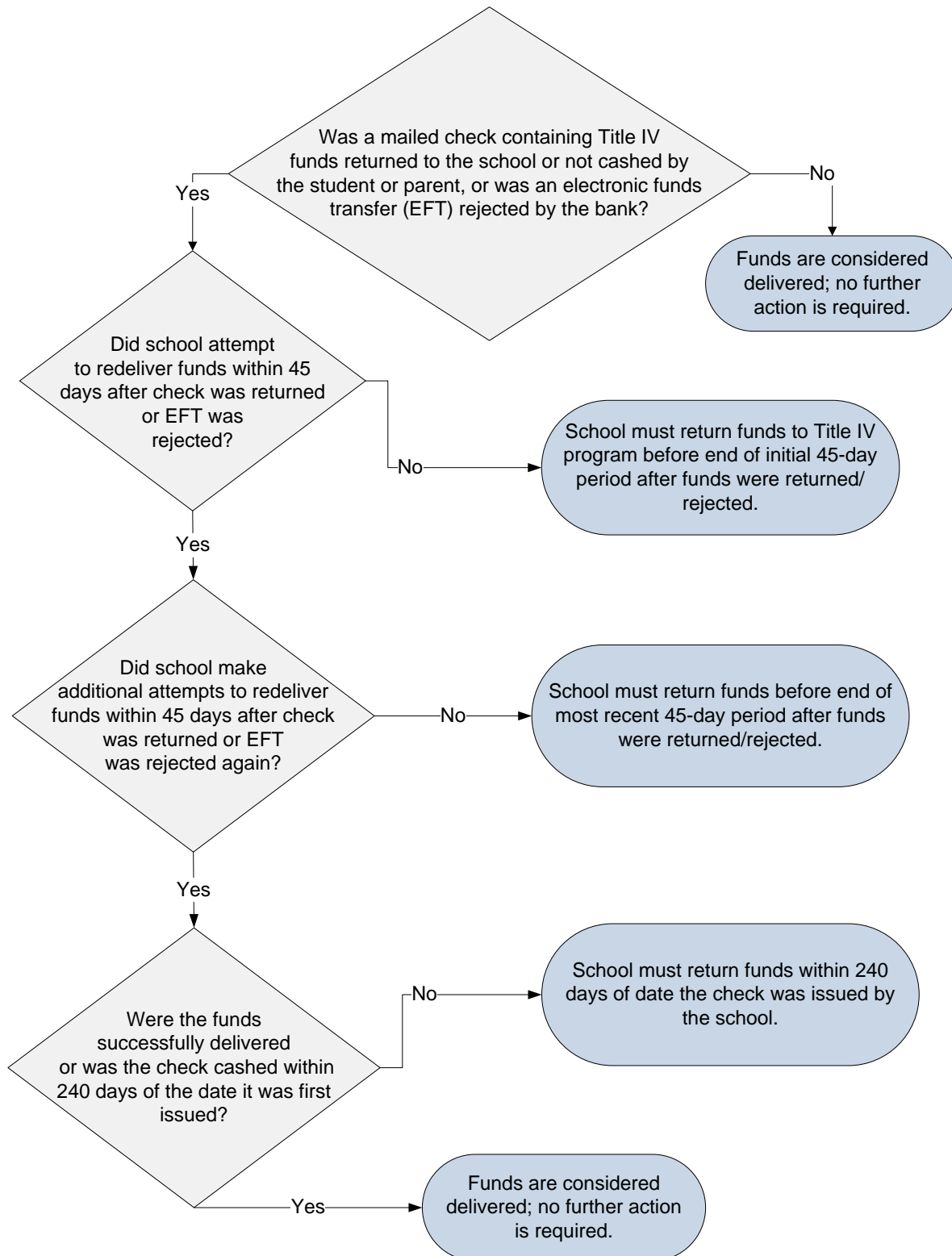
	Definition	Limitations	Time Frames	Delivery of Funds
Reimbursement Payment Method	<ul style="list-style-type: none"> • ED determines it needs to increase the monitoring of the school's participation in the Title IV programs. • School must make Title IV disbursements and pay any Title IV credit balance using institutional funds before it can request and receive funds from ED. • ED requires documentation of disbursements. • For the Federal Pell Grant, IASG, TEACH Grant, and Direct Loan programs, school only receives funds after COD has accepted and posted actual disbursement records. 	<p>Before receiving funds, the school must:</p> <ul style="list-style-type: none"> • Make Title IV disbursements and pay any Title IV credit balance to students and parents out of institutional funds; • Identify students and parents for whom it seeks reimbursement by submitting a Student Data Spreadsheet to ED; and • Complete and submit Office of Management and Budget (OMB) 1845-0089, Standard Form 270; and • Submit documentation supporting each student's and parent's eligibility for disbursed funds, the correct amount(s) of funds were disbursed, and any Title IV credit balance was paid directly to the student or parent PLUS borrower. 	<ul style="list-style-type: none"> • After the school's reimbursement request is approved, ED transfers the appropriate amount of funds to the school's depository account in which it maintains its federal funds. • School may submit only 1 reimbursement request within any given 30-day period. 	<ul style="list-style-type: none"> • For Federal Pell Grant, IASG, TEACH Grant, and Direct Loan funds, ED transfers the funds to the school's depository account after: <ul style="list-style-type: none"> ➤ Reviewing the required documentation; ➤ Approving the request for funds; and ➤ Accepting actual disbursement records in COD. • For the campus-based programs, ED reviews and approves disbursements, and then transfers funds to the school's depository account.

	Definition	Limitations	Time Frames	Delivery of Funds
Heightened Cash Monitoring Payment Method Heightened Cash Monitoring 1 (HCM1)	<ul style="list-style-type: none"> • ED determines a school is financially weak or has failed financial responsibility standards. • School must make Title IV disbursements and pay any Title IV credit balance before it can receive Title IV funds from ED. • ED establishes documentation requirements depending on its cash monitoring focus—HCM1 or HCM2. • ED tailors each school's documentation requirements. 	<ul style="list-style-type: none"> • HCM1 school draws down funds after it: <ul style="list-style-type: none"> ➤ Makes disbursements to eligible students and parents from institutional funds; and ➤ Submits, for the Federal Pell Grant, IASG, TEACH Grant, and Direct Loan programs, disbursement records to COD. • HCM1 school draws down funds the same way as a school on the advance payment method. 	<ul style="list-style-type: none"> • School must make disbursements: <ul style="list-style-type: none"> ➤ As soon as administratively feasible; but ➤ No later than three business days following the date it received the funds. • Actual Federal Pell Grant, IASG, TEACH Grant, and Direct Loan disbursements may be submitted to COD no earlier than 7 calendar days prior to the disbursement date. <ul style="list-style-type: none"> ➤ Disbursement records must be submitted within 15 days of the actual disbursements or adjustments. 	<ul style="list-style-type: none"> • School must initiate a draw down request through G5. • For the Federal Pell Grant, IASG, TEACH Grant, and Direct Loan programs, the school must substantiate the amount drawn down with actual disbursements. <ul style="list-style-type: none"> ➤ School's access to additional funding may be restricted if prior drawdowns are not substantiated in a timely manner.

		Definition	Limitations	Time Frames	Delivery of Funds
Heightened Cash Monitoring Payment Method	Heightened Cash Monitoring 2 (HCM2)	<ul style="list-style-type: none"> • ED determines a school is financially weak or has failed financial responsibility standards. • School must make Title IV disbursements and pay any Title IV credit balance before it can receive Title IV funds from ED. • ED establishes documentation requirements depending on its cash monitoring focus—HCM1 or HCM2. • ED tailors each school's documentation requirements. 	<p>Before receiving funds, HCM2 school must:</p> <ul style="list-style-type: none"> • Make Title IV disbursements and pay any Title IV credit balance to students and parents from institutional funds; • Submit a Reimbursement Payment Request, which includes: <ul style="list-style-type: none"> ➤ A completed OMB 1845-0089, Standard Form 270; and ➤ Documentation demonstrating that each student and parent PLUS borrower was eligible for and received the funds. 	<ul style="list-style-type: none"> • After the school's reimbursement request is approved, ED transfers the appropriate amount of funds to the school's depository account in which it maintains its federal funds. • School may submit only 1 reimbursement request within any given 30-day period. 	<ul style="list-style-type: none"> • For Federal Pell Grant, IASG, TEACH Grant, and Direct Loan funds, ED transfers the funds to the school's depository account after: <ul style="list-style-type: none"> ➤ Reviewing the required documentation; ➤ Approving the request for funds; and ➤ Accepting actual accepted disbursement records in COD. • For the campus-based programs, ED reviews and approves disbursements, and then transfers funds to the school's depository bank account.

Returning Undeliverable Title IV Funds

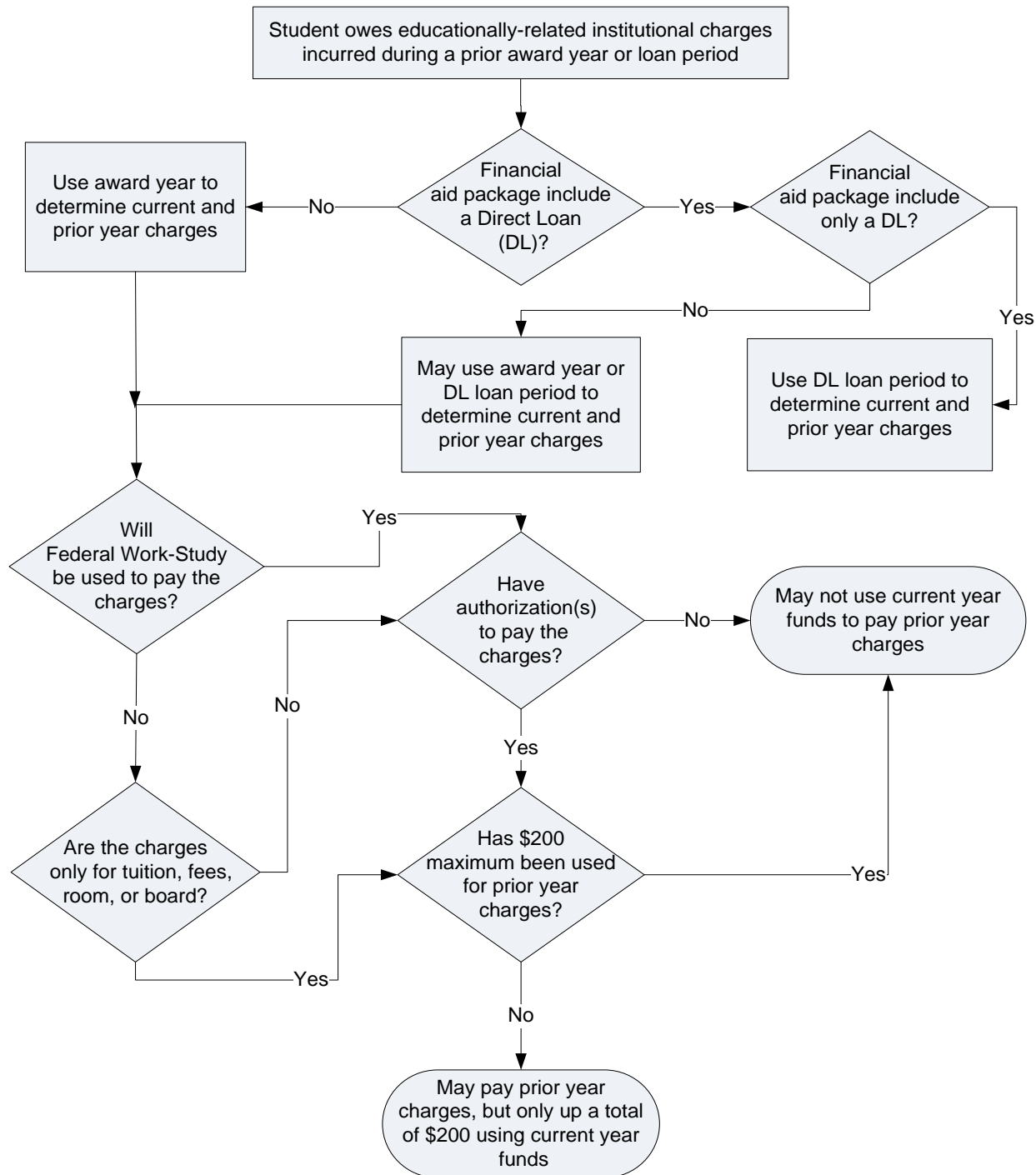
Title IV credit balances are considered undeliverable if a check is sent by mail and it is returned or not negotiated (cashed) by the student or parent, or an electronic funds transfer (EFT) is rejected by the student's or parent's bank. Use the following flowchart to determine if Title IV funds are considered to be delivered and, if not, when the funds must be returned to the Title IV program account(s) by the school.



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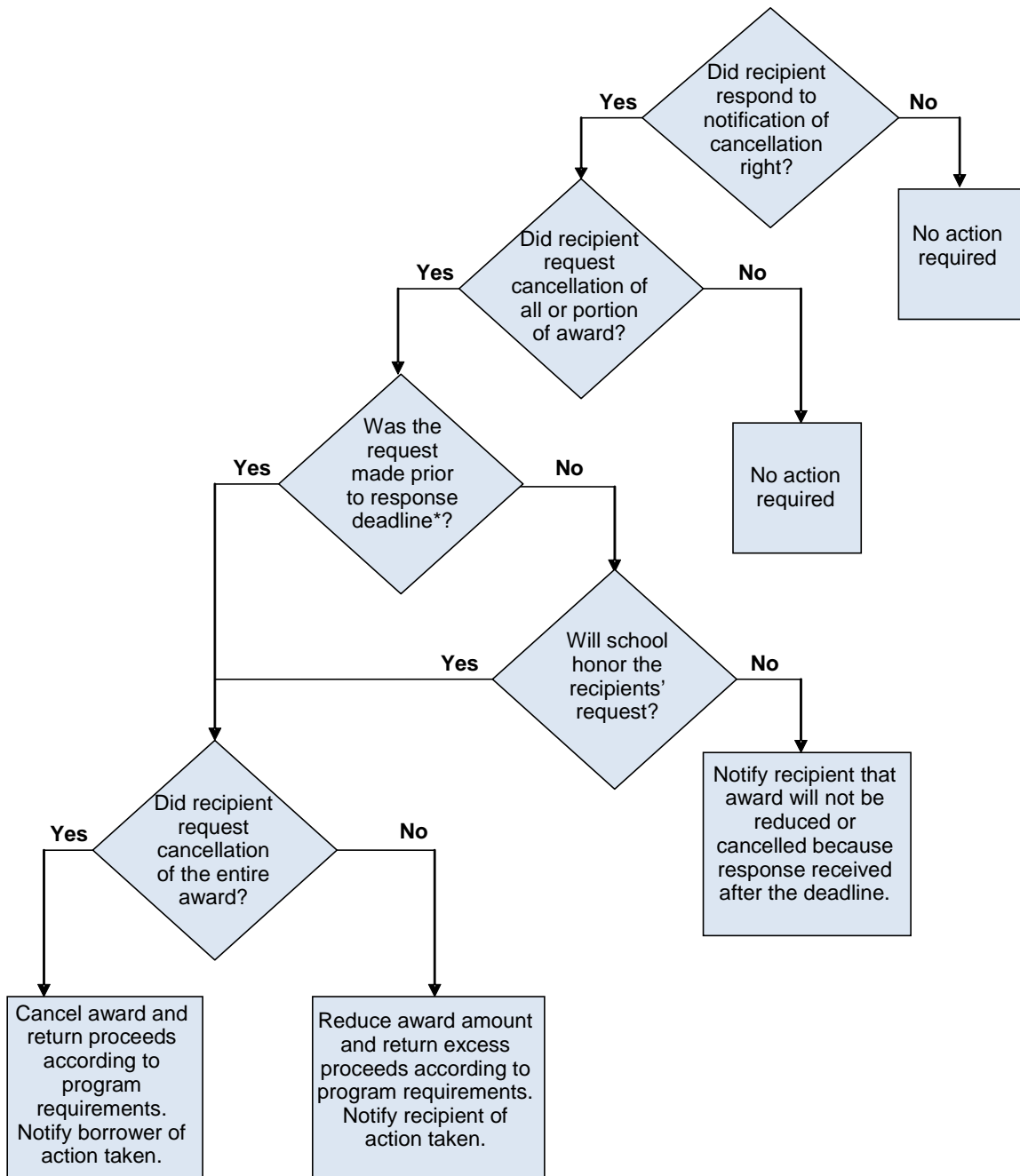
Prior Year Charges Flowchart

The following chart illustrates the various steps for determining whether prior year charges can be paid with current year Title IV funds. Note, the school has the choice of using either the award year or loan period when the funds to be disbursed include Direct Loan and other Title IV funds. In all cases, the appropriate student or parent PLUS borrower authorization always must be obtained to pay any prior year educationally-related institutional charge that is other than for tuition, fees, room, or board.



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School Requirements After Notifying Recipient of Title IV Loan or TEACH Grant Cancellation Right



*To cancel all or a portion of a Title IV loan disbursement made to the student's ledger account, the borrower must respond by:

- ◆ The later of the first day of the payment period or 14 days of the date of school's notification if an active confirmation process used; or
- ◆ Within 30 days after school's notification if active confirmation process not used.

To cancel all or a portion of a TEACH Grant disbursement made to the student's ledger account, the student must respond by the later of the first day of the payment period or 14 days of the date of school's notification.

The school may, but is not required to, honor the borrower's cancellation request received after the deadline.

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The National Association of Student Financial Aid Administrators (NASFAA) provides professional development for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues; and is committed to diversity throughout all activities.

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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

1101 CONNECTICUT AVENUE NW, SUITE 1100
WASHINGTON, DC 20036-4303

202.785.0453 FAX. 202.785.1487 WWW.NASFAA.ORG