

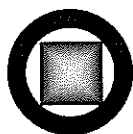
**Region VII
Private Career Colleges & Schools**

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Disbursing FSA Funds

Presented by:
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GEMCOR, Inc.



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Disbursement Notification

- General notification must be made for all FSA funds outlining the anticipated dates and amounts for all types of aid with sub\unsub breakdown prior to disbursement.

Disbursement Notification

- Specific notification that loan funds are being credited using a verifiable method that details:
 - the anticipated dates and amounts.
 - the borrowers right to cancel all or part of the loan disbursements and the procedures for doing so.

Loan disbursement confirmation

- Two types of confirmation for loan disbursements: active and passive.
 - Active – school will not disburse without borrower affirmation.
 - Passive – sends notice before disbursement is to be made with a deadline for borrower to either decline or make adjustment to loan amount or type.

Authorization to disburse

- School must have authorization from student to:
 - Use FSA funds for educationally related charges other than tuition and fees
 - Hold FSA credit balances.
 - Apply FSA funds to prior year charges other than for tuition and fees (\$200 limit)

Confirming eligibility at time of disbursement

- School must confirm that:
 - Student has begun attendance and is still enrolled.
 - Completed credits\hours and weeks of instruction in previous payment period.
 - Enrolled at least half-time for Direct Loans.
 - Completed entrance counseling for first time borrowers.

Leaves of absence and disbursing

- Can disburse Pell\FSEOG but not Direct Loans while student is on leave of absence.
- Must also pay any existing credit balances to students on leave of absence.

Prompt disbursement rules

- School must credit student's account no later than three business days after receiving the funds from the Department

Submitting disbursement records

- Disbursement records must be submitted to the COD no later than thirty days after making a disbursement or other adjustment

Disbursement date

- Disbursements occur when the school credits the student's account or pays the student or parent directly. The disbursement date must be clearly defined.

Allowable charges

- A school can only credit a student's account for allowable charges:
 - Current year tuition and fees
 - Educationally related charges for which the school has written authorization.
 - Prior year charges not to exceed \$200 (written authorization required if charges are for costs other than tuition and fees)

Allowable charges defined

- **Allowable Charges**
- Educational expenses that a student incurs for which a school may credit a student's account with FSA funds. These charges may be credited to a student's school account and paid using FSA funds. These charges may include current charges for tuition and fees and room and board (if the student contracts with the school for these services). Other current charges that a student incurs for educationally related activities may be considered allowable charges if the school obtains the student's authorization (or parent's authorization for PLUS Loan funds) to have such charges paid with FSA funds. Allowable charges may also include certain minor charges for the previous award year.

Prior year charges

- Prior year charges may occur when a school charges for the entire program up front.
 - Prior year can be defined as either any award year that ended prior to the start of the current award year. (this could include one or more payment periods)
 - or
 - the prior loan period if the student's aid package includes Direct Loans.

Apportioning charges

- Having to apply the prior year charge concept will also result in a school having to apportion charges in order to create a current year charge.
- Apportioning charges has no impact on how a school maintains or should maintain its accounting records.

Apportioning charges (cont.)

- Apportioning charges is about determining when a credit balance exists for the current year. The credit balance is determined by crediting current year FSA funds against current year charges.

Credit balances

- FSA credit balances must be delivered to the student within 14 days after FSA disbursements create the FSA credit balance on the student's account.
- FSA credit balances created by Plus loan funds must be returned to the parent unless the school has authorization from the parent to deliver the funds to the student.

Credit balances (cont.)

- The Department does not specify how a school must determine which FSA funds create the FSA credit balance.
- If issuing a check for the FSA credit balance the school can, within the 14 day period send a notice to the student that the check is available for pickup.

Credit balances (cont.)

- If the check is not picked up within 21 days after the student is notified then the check must be mailed to the student or parent or returned to the appropriate FSA program.
- In order for a school to hold FSA credit balances it must have a voluntary authorization from the student (or parent , in case of PLUS)

Credit balances (cont.)

- Notwithstanding any authorizations the school must pay any remaining credit balance of FSA loan funds by the end of the loan period and any other remaining FSA program funds by the end of the last payment period in the award year for which they were awarded.

Credit balances (cont.)

- If the school has lost contact with the student the credit balance must be returned to the FSA programs

Credit balances (cont.)

- The credit balance authorization must conspicuously include:
- Time frame and funds covered
- The authorization can be cancelled in whole or in part at any time and is not retroactive.
 - An explanation as to how the credit balance will be used.

Voluntary authorization to hold a FSA Credit Balance form

This form is used when all current allowable Federal Student Aid (FSA) charges due to the school have been satisfied and a FSA credit balance exists on a student's account that is not being disbursed within 14 days of its creation to the student or parent (if Plus loan proceeds are part of the credit balance)

FSA credit balance funds are the sole property of the student and/or the parent. Only the student and/or parent can decide how the school will use these funds or if they want the funds given directly to them.

This authorization may be canceled or modified at any time by the student and/or parent(s). The student or parent can also refuse to authorize the use of a credit balance for any individual item if they choose to do so. The cancellation or modification of the authorization must be requested in writing, is not retroactive and is effective the day it is received by the school. Any FSA credit balance the institution is no longer authorized to hold will be disbursed to the student and/or parent(s) no later than 14 days after the school received the cancellation or modification to hold the credit balance.

However, regardless of any authorization obtained by a school, the school must pay any remaining balance on FSA loan funds by the end of the loan period and any other remaining FSA program funds by the end of the last payment period in the award year for which they were awarded.

Voluntary authorization allowing the school to hold a FSA Credit Balance

To be completed by school:

1-The total amount of FSA credit balance funds covered by this authorization \$ _____

2-The FSA funds included in the credit balance amount are: (Circle all that apply) FPELL, FDSL subsidized, FDSL unsubsidized, Plus loans.

3-Time frame covered by this authorization: ___/___/___ to ___/___/___

To be completed by student and/or parent(s):

I (insert name of the individual(s) to whom the credit balance belongs) **hereby authorize** (insert name of school) **to hold \$** (insert amount of credit balance to be held) **to pay for** (insert specific *reasons* the funds are to be used for. Cannot be a blanket statement that states the credit balance will be used to cover *any* charges)

I voluntarily authorize the above mentioned school to hold and manage my FSA credit balance as described above, and I acknowledge that interest will not be earned on these balances.

Student signature _____ date _____

Parent signature (if applicable) _____ date _____

Late disbursements

- Late disbursements for students who withdraw or complete the payment period or period of enrollment
- Cannot be made later than 180 days after the student was determined to be a withdrawal or otherwise became ineligible.
- Must be considered if the Department processed an ISIR before the student became ineligible. In addition for Direct Loans the loan was originated before the student became ineligible. A signed promissory note must exist. For withdrawals only the promissory note must be signed before the school performs a R2T4 calculation.

Late disbursements (cont.)

- A post-withdrawal disbursement is a type of late disbursement
- Students and parents are not required to accept late disbursements.

Late disbursements (cont.)

- Late disbursements that cannot be made:
- For second or subsequent disbursements of loan funds unless the student graduated or successfully completed the loan period.
- To first year first time borrowers who withdraw before the 30th day of study
- If a valid ISIR was not received by the school while the student was enrolled

Late disbursements (cont.)

- Paying late disbursements of :
- Loan funds – must contact student and obtain confirmation that they will accept the loan disbursement.
- Grant funds – no authorization needed for current allowable charges