TG

Questions and answers from TG's webinar *Cash Management* held on September 17, 2009

(Recording available to view at **http://www.tgslc.org/training/webinars/industry091709.cfm**)

Q: Can a school impose a policy by which it delays all disbursements (not just for first-year, first-time borrowers) by 30 days?

A: Yes. There's nothing in the law or regulations that prevents a school from having a policy that imposes a 30-day delay of loan disbursements for all students. However, the school can't penalize students in the form of an interest or finance charge for a tuition installment plan, tuition loan, or emergency loan who are unable to pay their institutional charges to the school because of the school's policy [per 34 CFR 668.14(b)(21)].

Q: What if a school disbursed Stafford funds to a student on 8/24/09 only to discover via a revised Institutional Student Information Report (ISIR) it received on 09/7/09 that the student has defaulted on a loan. What's the school to do?

A: The school does not need to recover or return the 8/24 disbursement because a school is allowed to rely upon the information provided by the borrower and/or the National Student Loan Data System (NSLDS) during the loan process. Further, the school is not required to check for changes to the NSLDS data prior to disbursement as per the *2008-09 Federal Student Aid Handbook*, page 1-44:

> "Once you have received the financial aid history through NSLDS, you aren't required to check for changes to the data before you disburse funds to the student. However, if you learn from NSLDS or another source that he was not or is no longer eligible, you must not deliver or disburse any more FSA funds and must help make sure he arranges to repay the aid for which he wasn't eligible."

The tricky part is to remember that the student is not eligible for any Title IV aid until the loan default is resolved.

Q: You mentioned that in the event you are releasing a late disbursement that consists of a second or subsequent disbursement, the student must have graduated or successfully completed the loan period for which the loan was intended. What constitutes "successfully completed?"

A: Successful completion is defined in the *Common Manual* under section 6.3 and the *2008-09 Federal Student Aid Handbook* on page 3-7.

- The definition from the *Common Manual* is as follows: "Successful completion – a student successfully completes credit hours or clock hours if the school considers the student to have passed the coursework associated with those hours."
- The definition from the *2008-09 Federal Student Aid Handbook* reads as follows: "A student 'successfully completes' credit or clock-hours if your school considers the student to have passed the coursework associated with those hours."

Based on the definitions, it is up to the school to determine if the student passed the course work associated with the hours. However, for a student who makes all F's, the school is supposed to determine if the student successfully completed the period or unofficially withdrew. If the student unofficially withdrew, the student would not be eligible for the second/subsequent disbursement.

Q: What must a school due if it has lost contact with a student that is due a credit balance?

A: A school must use all reasonable means to locate the student and deliver the credit balance. If you are not able to find the student after exhausting all options, the credit balance must be returned to the Title IV programs. The regulations do not set specific rules for determining which funds created the credit balance. The school should return funds to the loan programs first, if applicable, to reduce a borrower's loan debt.

Q: If we receive authorization, can we use current aid to pay for prior-year charges greater than $200?

A: No. The maximum amount of prior year charges that may be paid with current year funds is $200. The final rules that went into effect on July 1, 2008, removed a provision that allowed schools to pay for prior year charges above the maximum threshold under certain circumstances.

Q: Does a school have to collect a student's authorization to pay for minor, prior-year charges?

A: If the school is paying prior-year charges that consist of tuition and fees or room and board contracted with the school, it does not have to collect a student authorization.

The school must collect the student's authorization (or parent's in the case of PLUS loan funds) if the school is paying prior-year charges incurred for educationally related activities other than tuition and fees or room and board contracted with the school. [§668.164(d)(2)]

Q: Can you provide clarification about the initial, conditional, and return periods associated with the delivery of FFEL funds?

A: The delivery timeframes that a school must follow for crediting a student's school account with a FFELP loan disbursement received from the lender via electronic funds transfer (EFT) cover three separate periods as outlined below:

- Initial period — the school must deliver the loan disbursement within 3 business days of receipt.
- Conditional period — the school may deliver the disbursement within this 10-business-day period after the initial period if the school expects the student to meet all FFELP eligibility requirements within this timeframe.
- Return period — the school must return an undeliverable disbursement to the lender within a 10-business-day period following the initial or conditional period, as applicable. If the school determines that the student meets FFELP eligibility requirements during this period, the school may deliver the disbursement to the borrower.

The school is expected to deliver the loan proceeds within the initial period. The school may delay delivery of loan proceeds for a conditional period of 10 business days after the last day of the initial period if the school expects the student to complete the required number of clock or credit hours in a preceding payment period or the school expects the student to meet all FFELP eligibility requirements. The school is encouraged to document the reason for holding loan proceeds for delivery within this conditional period. More information about the initial, conditional, and return periods can be in the *Common Manual*---Section 8.7A and Figure 8-2.

Q: Is the return period 10 business days in addition to the 10 business day conditional period?

A: The return period and conditional period are independent periods of time. The conditional period is applicable only when the student is temporarily not eligible for the disbursement but the school expects the student to meet the eligibility requirements with this 10 business day period. If the school does not expect the student to meet the eligibility requirements in order to receive the loan funds, the conditional period would not be applicable, and the return period would begin immediately after the initial period.

Some scenarios in which the student is not temporarily eligible for funds but the school would expect the student to gain eligibility include the following:

- The student has not completed required entrance loan counseling.
- The student has not enrolled in the required the number of credit or clock hours.
- The student is not making satisfactory academic progress but has submitted an appeal.

Q: Is it 14 calendar or business days to deliver a credit balance?

A: The school must deliver a credit balance as soon as possible but no later than 14 calendar days after:

- The first day of the payment period if the credit balance occurs on or before the first day of the payment period, or
- The date the credit balance occurs if it occurs after the first day of the payment period

In the event a student cancels the authorization for the school to hold a student's credit balance, the school must deliver the credit balance no later than 14 calendar days from the date of the student's cancelation.