


Industry Series

Cash Management


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Outline

- General principles
- FSA funds cash management
- FFELP cash management
- FFELP disbursement
- FFELP delivery and FSA funds disbursement
- Notifications and authorizations




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General principles

What is cash management?

- Obtaining funds from ED and from FFELP lenders
- Holding the funds in the school bank account
- Paying funds to students and borrowers
- Returning any unused funds to ED and/or lenders



General principles

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Cash management does not apply to:

- State grants
- Scholarships
- LEAP/SLEAP
- GEAR UP (if a state is the grantee)
- Robert C. Byrd Honors Scholarships

Blue Book, page 2-82



General principles

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Separation of functions

- No office can have responsibility for both:
 - Authorizing financial aid payments, and
 - Delivering financial aid funds.

Blue Book, page 2-58



Principles of FSA funds cash management



FSA funds cash management

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Disbursement of FSA funds

- The release of FSA funds to a student/borrower/parent
- Except for Federal Work-Study (FWS), schools must disburse all FSA funds on a payment-period basis

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FSA funds cash management

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Three-day rule

School must disburse funds requested as soon as administratively feasible, but no later than three business days following the date the school received those funds.

34 CFR 668.162(b)(3)

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Principles of FFELP cash management

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FFELP disbursement Industry Series

Setting up a disbursement schedule

- As with FSA funds, school must provide for disbursements to be made on a payment-period basis
- For FFELP, lender must abide by schedule set by school or any subsequent modifications made by school

Common Manual, Section 6.4 **TG**

FFELP disbursement Industry Series

Multiple disbursement requirements

- School is required to schedule two or more disbursements per loan period
 - Even if loan period is only one payment period (term), unless school is exempt based on three years of cohort default rates less than 10 percent
- Disbursements must be substantially equal

Common Manual, Subsections 6.4.A and 7.7.B **TG**

FFELP disbursement Industry Series

Disbursement may be made by:

- Electronic funds transfer (EFT)
- Master check
- Individual check

Common Manual, Subsections 7.7.C and 7.7.D **TG**

FFELP disbursement Industry Series

EFT or master check

- Lender sends funds for multiple borrowers in lump disbursement
- Lender provides school with roster of:
 - Names and SSNs of borrowers (and students, for PLUS loans for dependents)
 - Gross amount of each borrower's disbursement
 - Net amount of each borrower's disbursement after loan fees are deducted

Common Manual, Subsection 7.7.D **TG**

FFELP disbursement Industry Series

Individual check

Stafford and Grad PLUS loans

- Payable to borrower, or
- Copayable to borrower and school

PLUS loans for dependents

- Copayable to borrower and school

Common Manual, Subsection 7.7.C **TG**

FFELP delivery and FSA funds disbursement

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Verifying eligibility

- For all FSA programs except FWS, prior to disbursement/delivery, school must verify student is:
 - Eligible
 - Enrolled for classes for the period
 - Enrolled at least half time (for loans)
 - In attendance (if the disbursement occurs on or after the first day of classes)

Methods of disbursement/delivery

- Crediting student's school account
- Releasing funds directly to the student

Creating student's school account

- Allowable charges
- Minor immediate prior-year charges (with student's or parent's written authorization)
 - Charges must be \$200 or less
 - No exception for charges that exceed the maximum

Delivering funds

- FFELP: releasing *lender* check directly to borrower
- Issuing *school* check to borrower in person or by mail
- Initiating a direct deposit into a bank account designated by the student or parent
- Dispensing cash, with signed receipt from borrower
- Issuing a stored-value/debit card

Common Manual, Subsection 8.7.H



FFELP delivery time frames

Schools must deliver or return FFELP loan proceeds within three periods:

- Initial period
- Conditional period
- Return period

Common Manual, Subsection 8.7.A



Initial period

- Standard time frame to deliver loan funds
 - School expected to deliver funds in initial period
- Three business days
 - EFT or master check
- 30 calendar days
 - Individual check

Common Manual, Subsection 8.7.A



Conditional period

- Up to 10 business days after initial period ends
- If school expects student to meet eligibility requirements within conditional period
- School may deliver funds during this period

Return period

- Must return funds promptly to lender after initial or conditional period ends
 - But within 10 business days
- If student becomes eligible, school may deliver funds

Early disbursement of loan funds

School may schedule disbursements no earlier than

- 13 days before the first day of the payment period for funds disbursed by EFT or master check, or
- 30 days before the first day of the payment period for funds disbursed by individual check

Early delivery/disbursement of loan funds

Credit-hour programs with standard terms	Credit-hour programs with nonstandard terms and clock-hour programs
<ul style="list-style-type: none"> • 10 days before payment period 	<ul style="list-style-type: none"> • 10 days before payment period • Date student completes previous payment period for which student received FSA program funds

Common Manual, Subsection 8.7.C



Delayed disbursement/delivery for loan funds

- Applies to first disbursement for first-year, first-time undergraduate Stafford loan borrowers
- Unless school is exempt based on three years of cohort default rates less than 10 percent

Common Manual, Subsection 8.7.D



Delayed disbursement/delivery of loan funds

Lender disbursement	School delivery
<ul style="list-style-type: none"> • 28th day of the first payment period for EFT or master check 	May not deliver first disbursement until student completes first 30 days of program of study
<ul style="list-style-type: none"> • 1st day of the first payment period for individual check 	

Common Manual, Subsection 8.7.D



Late FSA disbursement

- A disbursement of Federal Pell grant, FSEOG, or Federal Perkins loan funds after the student is no longer enrolled

Blue Book, page 2-118



Late disbursement /delivery of loans funds

- A disbursement of FFELP or Direct Loan funds after the student has ceased to be enrolled at least half time
- May deliver funds up to 180 days after:
 - End of loan period, or
 - Date student ceased half-time enrollment

Common Manual, Subsection 8.7.E



Conditions for late disbursement/delivery

- Funds will be used to pay for educational expenses incurred for the period student was enrolled and eligible
- Except for PLUS for dependent student, ED processed SAR/ISIR with an EFC
- For an SEOG or a Perkins loan, the school made the award to the student prior to the date the student became ineligible

Common Manual, Subsection 8.7.E



Conditions for late disbursement/delivery (cont.)

- School certified/originated loan before earlier of end of loan period or date borrower ceased to be enrolled at least half time
- If borrower is subject to delayed disbursement, he or she has completed first 30 days of program of study
- In case of second or subsequent disbursement, the student has completed the loan period

Credit balances

- Excess funds after school applies student's aid toward institutional charges

Credit balances (cont.)

- Must be delivered no later than 14 days after:
 - First day of payment period if credit balance occurs on or before first day of payment period
 - Date credit balance occurs if it occurs after first day of payment period
 - Date borrower cancels authorization for school to hold credit balance on behalf of borrower

FFELP delivery and FSA funds disbursement Industry Series

Credit balances (cont.)

When a school issues a credit balance as a paper check for pick up, the school must notify the student to pick up the check within 21 days. If the student does not pick it up within that time, the school must mail the check, initiate a direct deposit, or return the funds to the appropriate Title IV program.

2009-10 FSA Handbook, page 4-15 **TC**

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Notifications and authorizations

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Notifications and authorizations Industry Series

Award notification

- Notice to student (and parent in the case of a PLUS loan)
- Notice must provide:
 - Type and amount of proceeds student or parent can expect to receive
 - When proceeds will be delivered and by what method
 - For FFELP or DL awards, which proceeds are from subsidized and unsubsidized Stafford loans and PLUS loans

Common Manual, Subsection 8.2.A and 2009-10 FSA Handbook, page 4-3 **TC**

Notifications and authorizations Industry Series

Notice of credit to student account

- To student or parent
- For FFELP/Direct/Perkins, notice must provide:
 - Date and amount of disbursement
 - Statement explaining right to cancel all or portion of disbursement
 - Method and date by which borrower must notify school if he/she wishes to cancel all or portion of loan

Common Manual, Subsection 8.2.C and 2009-10 FSA Handbook, page 4-3



Notifications and authorizations Industry Series

Notice of credit to student account (cont.)

- School must keep copy of notice
- Timing of issuance of this notice depends on confirmation process school has in place

Common Manual, Subsection 8.2.C



Notifications and authorizations Industry Series

One exception to notice of credit to student account:

- Not required to send notice out in cases of post-withdrawal disbursement of loan funds that are applied toward the student's school charges
 - **Reason:** The school must notify the borrower in advance of the post-withdrawal disbursement to get the borrower's permission to deliver the funds

Common Manual, Subsection 8.2.E



Notifications and authorizations Industry Series

Confirmation process

- School has option to implement “active” or “passive” confirmation process
- The process a school chooses to implement determines time frames for certain activities
 - Sending borrower notice of credit to student account
 - Allowing borrower to cancel loan funds as a result of notice of credit to student account



Notifications and authorizations Industry Series

Notice of credit

- School that chooses “passive” confirmation must send notice of credit to student account within 30 days before and 7 days after school credits account
- School that chooses “active” confirmation must send notice of credit to student account within 30 days before and 30 days after school credits account (no change)



Notifications and authorizations Industry Series

Notice of right to cancel

- School that chooses “passive” confirmation must give borrower 30 days to cancel loan funds as a result of notice of credit to student account
- School that chooses “active” confirmation must give borrower 14 days to cancel loan funds as a result of notice of credit to student account



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If borrower decides to cancel:

- Within cancellation period
 - School *must* return loan proceeds
- After cancellation period
 - School has *option* to return loan proceeds
- School must inform borrower of outcome of any cancellation request

Common Manual, Subsection 8.2.D



Notifications and authorizations Industry Series

School must have written authorization to:

- Disburse/deliver to a student's or parent's bank account or stored value/debit card
- Pay for other educational charges in addition to tuition, fees, and school-contracted room and board
- Hold credit balances of Title IV funds

Common Manual, Section 8.3 and 2009-10 FSA Handbook, page 4-6



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School must have written authorization to:

- Use Title IV funds to pay for minor immediate prior-year charges
- Deliver PLUS credit balances to student rather than parent borrower

Common Manual, Section 8.3 and 2009-10 FSA Handbook, page 4-6



References

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- Federal regulations §668.161–167
- *Common Manual*, Chapter 8 — Loan Delivery
- 2009–10 *Federal Student Aid Handbook*, Volume 4 — Processing Aid and Managing FSA Funds
- *The Blue Book*: provides guidance for managing, keeping records of, accounting for, and reporting on Federal Student Aid



Questions

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