

Late Disbursements

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Agenda

- Definition of late disbursements
- Conditions for late disbursements
- Limitations on late disbursements
- Types of late disbursements
 - Payment period completed
 - Post withdrawal
 - Dropping below half time enrollment
- Paying late disbursements
 - Notifying the student and/or family
- Recap
- Discussion/Scenarios

A **late disbursement** becomes possible when an FSA loan had been originated, or an FSA grant awarded, but did not disburse while the student was eligible.

- Unfulfilled requirement(s)
 - MPN or entrance counseling, incomplete verification, or other school based requirement
- Federal Policy or School's Policy
 - Waiting a certain amount of time to disburse loans after requirements are complete
 - First year, first time borrower 30 day waiting period.
- Timing
- Technological issues

Most institutions do a clean up to avoid late disbursements.

Generally, a student becomes **ineligible** to receive Title IV funds on the date that:

- For Direct Loans, student is no longer enrolled at least half-time (ALHT).
- For Pell Grant, FSEOG and Perkins Loan, student is no longer enrolled at the school for the payment period.

If certain conditions are met, a student may qualify for a late disbursement.

Conditions for a Late Disbursement

- SAR/ISIR with an official EFC processed before the student became ineligible for all Title IV aid except parent PLUS
- Direct Loans must have been originated prior to the student's becoming ineligible
- Pell, FSEOG and Perkins awards must have been made prior to the student's becoming ineligible

Limitations on Late Disbursements

- Second or subsequent late disbursement is prohibited unless:
 - Student has successfully completed the loan period, or
 - Student has graduated
- Late disbursement to a first-year, first-time borrower is prohibited if he/she withdraws before 30th day of the program. Institutions with low default rates may be exempt from this policy.
- Late disbursements must be made no later than 180 days after the date a student became ineligible.

Conditions and Limitations on Late Disbursements For students to receive a late disbursement, these conditions must be met before they lose eligibility [34 CFR 668.164(j)(2)]		
Program		
Pell Grant ¹	For all programs, the Department processed a SAR/ISIR with an official EFC.	No additional requirements
FSEOG		Student is awarded a grant.
Direct Loans		A loan record is originated. ²
Perkins Loans		Student is awarded the loan.
TEACH Grants		The grant is originated.
These additional limitations must be satisfied before a school may make a late disbursement [34 CFR 668.164(j)(4)]³		
Program		
Pell Grant ¹	For all Title IV programs, a school received a valid SAR/ISIR by the date established by the Department.	
FSEOG	No additional limitations	
Direct Loans	1 For a first-time, first-year borrower, student completed 30 days of the program. (Subject to waivers discussed in <i>Volume 3</i>) 2 For a second disbursement, student graduated or completed the period for which the loan was intended.	
Perkins Loans	No additional limitations	
TEACH Grants	School received a valid SAR/ISIR by the date established by the Department.	
¹ Within this chart, the rules for a Pell Grant also apply to Iraq and Afghanistan Service Grants. ² A school may not originate a Direct Loan for a loan period in which the student is no longer enrolled on at least a half-time basis, even if the student is otherwise still enrolled at the school. ³ For all programs, the late disbursement is made no later than 180 days after the date of the school's determination that the student withdrew, or, for a student who did not withdraw, 180 days after the student became ineligible.		

Late Disbursement When Payment Period or Period of Enrollment Was Completed

- Must meet the late disbursement conditions.
- The student or parent must be given the choice to receive the Title IV funds for which they were eligible.

Note: If student completes the PP/POE the school may credit the student account for allowable charges but must pay/offer remaining amount to student/parent

Post Withdrawal Disbursements

- Must meet the late disbursement conditions.
- The institution must offer the student or parent their FSA funds eligibility based on R2T4 calculations. The PWD must be made from grant funds before loan funds
- A PWD comprised of grant funds may be used to pay the following current charges:
 - Tuition
 - Fees
 - Room and board, if contracted with the institution

Less Than Half Time Enrollment

If the student did not withdraw or fail to complete the PP/POE but ceased to be enrolled ALHT, the school MAY make a late disbursement of Direct Loan as long as...

- The school confirmed the student began attendance for the PP/POE.
- The school confirmed the student was enrolled ALHT
 - The school is not required to reconfirm his/her attendance before making the late disbursement
- The student has completed the payment period, and the school confirmed that conditions for a late disbursement have been met.

Late Disbursement of Federal Grants

A school may credit a student's account with a late disbursement of FSA Grant funds without the student's permission for...

- Current allowable charges
- Prior year charges of not more than \$200 for tuition, fees, and room/board provided by the school
- Prior year charges of not more than \$200 for educationally related goods and services provided by the school if it obtained the student's or parent's authorization before the student lost eligibility

If grant funds remain to be disbursed from a late disbursement after the outstanding charges on the student's account have been satisfied, the school must...

- Pay the grant funds directly to the student within 14 days

Late Disbursement of a Federal Direct Loan

A school must...

- Contact a student prior to making any late disbursement of Direct Loan funds and explain the obligation to repay those funds if they are disbursed.
 - The notification must include the information necessary for the student or parent to make an informed decision about accepting the disbursement.
- Must give the student or parent at least 14 days to confirm the loan funds are still needed and that they want the school to make the disbursement.

Sample Notification Letter

Brooke Wheeler
10 N Main St
Hanover, NH 03755

Dear Brooke:

A Federal Direct Unsubsidized Loan, awarded to you in the 2016-2017 academic year, was not disbursed to your student account because you did not sign the Federal Direct Loan Master Promissory Note. This letter is notification that you are still eligible to receive this loan even though you are no longer enrolled at our institution.

Should you decide that you want the Federal Direct Unsubsidized Loan disbursed to your account, you must complete the Federal Direct Loan Master Promissory Note, and you must sign this notification.

Please note that you will be obligated to pay this loan back. The amount you are eligible for is \$16,844 (gross)/ \$16,668 (net), but you are not mandated to borrow this full amount; you may borrow all, a portion, or none of the loan.

You have 14 days from the date of this notification to complete the Federal Direct Loan Master Promissory Note and notify us that you want the loan. We will need your response on or before July 21, 2017, if you choose to receive any portion of the loan. If you have any questions, please do not hesitate to let us know.

Sincerely,

Your Favorite Financial Aid Officer

Explain what notification is for.



Explain requirements.



Information to make an informed decision: Amount, requirement to repay, etc.



Set expectations, deadline, etc.



Student Authorization of Late Disbursement

I, _____, authorize my university
(student borrower)

to disburse a Federal Direct Unsubsidized Loan in the **gross** amount of \$_____.
(amount of late disbursement)

I understand that this is a loan, and that I will be required to repay the loan. I understand that I am not required to borrow the full amount offered to me.

Signature

Date

Recap

- School **must** offer a late disbursement of Title IV funds to a student who successfully completes the payment period or period of enrollment
- School **may** offer a late disbursement of a Direct Loan to a student who does not withdraw but ceases to be enrolled at least half time (ALHT).
- Post withdrawal disbursement – the student **must** be offered the Title IV funds per the Return of Title IV funds calculation. (see Volume 5 of the FSA Handbook)
- In any case, the school must confirm eligibility. The student must have had a valid ISIR, a valid loan origination or an award of the FSA Grant or Perkins Loan.

Resources

- 1718 FSA Handbook
 - Volume 4, Chapter 2, pages 39-42

- NASFAA.org
 - Knowledgebase
 - AskRegs

Questions?