

Disbursing Campus-Based Awards

Time Estimate:

Lecture 30 minutes

Exercise 10 minutes

Total Time: 40 minutes

By the end of the session, you will be able to:

- *disburse campus-based student financial aid funds in accordance with Title IV regulations.*

GENERAL PRACTICES

To manage campus-based programs correctly and well, you need good coordination and communication within your school.

Schools should develop a central student-information system that is available to all school personnel. The data in the system should be updated daily.

An effective student-information system is extremely important, especially during heavy workload periods, such as registration, so that a school can confirm student eligibility before disbursing campus-based aid.

We'll discuss the Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Perkins Loan disbursement requirements together, because they are the same. We'll then cover the Federal Work-Study (FWS) requirements.

FSEOG AND FEDERAL PERKINS LOAN DISBURSEMENT REQUIREMENTS

Dividing Awards Among Payment Periods

For both FSEOG and Perkins Loans, schools must disburse the annual award during each payment period in substantially equal portions.

Instructor's Notes

- For term-based programs, payment periods are defined as semesters, trimesters, or quarters.
- For nonterm credit hour and all clock-hour programs, the payment period depends on the length of the program or the amount of time remaining in the program. In Session 18, we discussed payment periods in detail.

With one exception that we'll mention later, a disbursement is calculated by dividing the FSEOG or Federal Perkins Loan annual award equally by the number of payment periods the student will attend during the academic year. This is true for both term and nonterm schools.

Please turn to page 4 in your Workbook and complete the questions in Exercise 1.

» Allow participants 2 minutes to complete Exercise 1.

Martha was packaged to receive a \$1,000 FSEOG award, and her school uses a two-semester academic year—fall and spring.

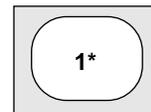
Q: What are her payment periods, and how much will she receive each period?

A: The fall semester and spring semester are the two payment periods at Martha's school. She'll receive \$500 each semester (\$1,000 divided by 2). (OH 1)

Suppose that Diego was also packaged to receive a \$1,000 FSEOG award, and he is enrolled in a 24-credit-hour program with a 24-credit-hour academic year.

Q: What are his payment periods, and how much will he receive each payment period?

A: Using the minimum of two payment periods, Diego's payment periods will be credit hours 1-12 and credit hours 13-24. He'll receive \$500 each payment period (\$1,000 divided by 2).

PW 4

*Reveal answers as you discuss them.

Susan goes to the same school as Diego, but is in a different program. Her program is 1,600 clock hours, and the academic year is defined as 900 clock hours and 30 weeks in length. Susan has been packaged to receive a \$1,500 FSEOG award for each academic year.

Q: What are Susan's payment periods for the first academic year?

A: Susan's payment periods are clock hours 1-450 and clock hours 451-900. (OH 2)

Q: What are Susan's first and second disbursement amounts for the first academic year?

A: Susan will receive \$750 each for the first and second payment period.

Q: What are Susan's payment periods for the second academic year?

A: Susan's payment periods are clock hours 901-1250 and clock hours 1251-1600.

Q: What are Susan's first and second disbursement amounts for the second academic year?

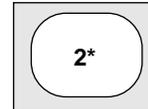
A: Susan will receive \$750 each for both the first and second payment period.

As we said earlier, there is one exception to the rule of dividing the awards by payment period. If the total of a Perkins **or** an FSEOG award for the year is less than \$501, the school may pay it all in a single disbursement for the first payment period.

- However, if a student who received this type of single payment withdraws before the start of later payment periods, the school is liable for the portion of the payment attributed to the later periods.

Let's continue this topic by doing Exercise 2 in your Workbook on page 5. The basic question you need to

Instructor's Notes



*Reveal answers as you discuss them.

Single payment

Note to Instructor: Please make clear that it's a Perkins **or** a FSEOG that is less than \$501, **not** a Perkins **plus** a FSEOG.

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answer is: How soon before the start of classes can you make FSEOG and Federal Perkins Loan disbursements? Please read the first few paragraphs of the section called “Disbursing Funds” on pages 3-62 through 3-66 in the Handbook, which describes Title IV disbursements; then complete the exercise.

» Allow about 3 minutes for them to work by themselves.

There are three ways to disburse FSEOG and Federal Perkins Loan funds. These funds may be paid: (OH□3)

- directly to a student by cash or check,
- directly to a student’s bank account by electronic transfer,
 - To make an electronic funds transfer (EFT) into a student’s bank account, a school must receive the student’s written authorization.
- or indirectly by crediting them to a student’s account at the school.

Now, let’s go over the answers to the disbursement questions.

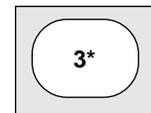
Q1: When can schools disburse FSEOG funds or Federal Perkins Loan proceeds to students?

A1: Schools may pay FSEOG funds or Federal Perkins Loan proceeds directly to an enrolled student no more than ten calendar days before the first day of a payment period or period of enrollment.

Q2: When can schools credit FSEOG funds or Federal Perkins Loan proceeds to a student’s account?

A2: Schools may credit a student’s account at the school for FSEOG or Federal Perkins Loan funds no more than ten calendar days before the first day of a payment period or period of enrollment.

Instructor’s Notes



*Cover overhead and reveal one line at a time.

Note to Instructor:
Schools must notify a Perkins borrower within 30 days of crediting the borrower’s account and give the borrower cancellation procedures.

There may be times when crediting a student's account with campus-based funds and other Title IV funds will create a credit balance on the student's account. A Title IV credit balance occurs when the amount of Title IV funds credited to a student's account exceeds the amount of allowable charges.

If this happens, a school must pay the credit balance directly to the student no later than **14 calendar days**:

- after the date the credit balance occurs if it occurs after the first day of class; **or**
- after the first day of class if the credit balance occurs on or before the first day of class.

A school may retain student funds on the student's school account only if the student voluntarily gives the school written authorization to retain the credit balance funds to assist the student in managing those funds.

Schools must give students written notification of:

- how much FSEOG and Perkins aid they will get;
- when the aid will be paid; and
- whether the payment will be by EFT into the student's bank account, or by credit to the student's account at the school.

Students do not have to sign the award notification.

The Handbook gives further information on some potential problems that might arise.

Q: What happens if you disburse aid and then the student does not attend any classes?

A: All FSEOG and Perkins funds disbursed to the student for that payment period must be returned to FSEOG and Perkins Loan Program accounts.

Instructor's Notes

Note to Instructor:
Cash management issues are covered in Chapter 3, Section Three, of the Handbook.

Instructor's Notes

The school is liable, regardless of whether it can recover the disbursed aid from the student.

Late Disbursements

Under certain conditions, a school may disburse FSEOG and Federal Perkins Loan funds after the student has ceased to be enrolled—this is called a **late disbursement**.

A school may make a late disbursement to a student for an FSEOG or a Federal Perkins Loan if:

- the school awarded the FSEOG or Federal Perkins Loan while the student was still enrolled and eligible;
- the amount of the late disbursement is the amount actually incurred by the student, and it does not exceed the education expenses normally included in the COA for the period during which the student was eligible;
- the school makes the late disbursement no later than 90 days after the date the student ceases to be enrolled at least halftime; and
- the school documents the student's file with the amount of, and reason for, the late disbursement.

Additional Federal Perkins Loan Requirements

The Federal Perkins Loan Program has some additional requirements.

Before making the first disbursement of a Federal Perkins Loan, the school must:

- provide required information to the student in a process called “initial loan counseling” and
- have the student sign the promissory note for the award year. The promissory note that's used must be approved by the U.S. Secretary of Education.

- ✓ 34 CFR 674.16
- ✓ 34 CFR 674.19

Note to Instructor:
The student is often asked to sign a promissory note earlier in the awarding process. That's fine. In any case, a student's signature must be obtained on an approved promissory note before the first disbursement is made.

As with all contracts, if changes are necessary, each change to the promissory note must be initialed by both the borrower and the school.

- Changes not properly initialed by both parties could ultimately result in a school liability if the borrower defaults.

Are there any questions on FSEOG or Federal Perkins Loan disbursements?

We're now going to discuss FWS disbursements.

FWS DISBURSEMENT REQUIREMENTS

As we discussed in the last session, students in Federal Work-Study jobs must be paid at least the federal minimum wage.

Chapter 7, page 7-13, of the Handbook shows the current minimum wage and discusses how to establish an appropriate wage.

Once a student has confirmed a job placement with a FWS employer, established the wage, and begun working, the next step in the process is paying the student.

Regulations require schools to pay students at least monthly. However, many schools actually pay biweekly because it fits students' needs better.

The federal portion of the wages earned may be paid directly to the student by check (or similar instrument that can be signed by the student), or electronically transferred to the student's bank account.

Instructor's Notes

Note to Instructor:
Additional information on Federal Perkins Loan disbursement is found in Chapter 6, Section 2 of the *Handbook*.

✓ 34 CFR 675.16
✓ 34 CFR 675.19

Wage rates

Disbursement

- The employer’s share of FWS wages, however, can be credited to the student’s school account or it can be paid to the student in the same way as the federal portion.

FWS records must be created and maintained in the following manner:

1. Students must complete the weekly, bi-weekly, monthly, or bi-monthly time sheets.
 - These time sheets should include the supervisor’s signature and, of course, should reflect the students’ actual hours worked.
2. Schools must maintain these records, separate from other school payrolls and expenditures, for three years.
3. Schools must also maintain payroll vouchers to support all payroll disbursements for three years.

- The Handbook gives a detailed list of the items that should be included in payroll vouchers.

Do you have any questions about FWS disbursement?

Please turn to pages 2 and 3 of your Workbook. The two-page table summarizes disbursement requirements in the campus-based programs. [IG, pgs. 11-12]

- Use this table to answer the questions in Exercise 3 on page 6 of your Workbook.

» Allow about 5 minutes for completing the exercise before displaying the overhead and discussing the answers. You might want to reveal the answers one at a time. (OH 4)

Let’s quickly go over the answers to the questions in Exercise 3.

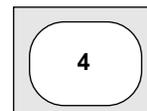
Instructor’s Notes

Payroll time records
(time sheets)

Payroll vouchers

PW 2-3

PW 6



Instructor's Notes

Q1: Which portion of FWS can be credited to a student's school or bank account? (Check all that apply.)

federal portion

employer's (or nonfederal) portion

A1: Employer's (or nonfederal) portion

Q2: If the FSEOG award is less than _____, only one payment is required.

A2: \$501

Q3: FWS students must be paid at least _____ per _____.

A3: The current federal minimum wage; hour (currently \$5.15 per hour)

Q4: Before a student can receive Federal Perkins Loan funds, the student must sign a _____.

A4: Promissory note, approved by the U.S. Secretary of Education. See page 6-15 of the Handbook and "Dear Colleague" Letter CB-96-8.

Q5: Is a school permitted to disburse funds for a payment period if the student is not yet enrolled? Yes or No?

A5: No. A school may never credit a student's account, disburse cash, provide a check, or process an EFT using funds drawn from ED to a student who is not yet enrolled.

A school may disburse cash, provide a check, or process an EFT to a student who is enrolled. But this may not take place more than ten days before the first period of a payment period or period of enrollment.

Instructor's Notes

An institution may, however, bill a student earlier than ten days before enrollment, and the bill may state the expected amount(s) of Title IV funds that will be credited or paid later.

BACK AT THE OFFICE

Back at the office, you should coordinate and communicate with the business office to establish a disbursement timetable for campus-based awards. You should also develop or enhance a central student-information system that is updated regularly and is available to all school personnel.

What else should you do when you return to your office?

PW 7

Requirements For Disbursing Campus-Based Funds

Program Eligibility	Program-Specific Requirements	Methods of Disbursement	First Disbursement Options	Amount of Disbursements	Timing of Disbursements
<p>Federal Perkins Loan Program^{1,2}</p> <p style="text-align: center;">and</p> <p>Federal Supplemental Educational Opportunity Grant (FSEOG)^{1,2}</p>	<ul style="list-style-type: none"> Pre-loan counseling—Rights/responsibilities, loan for education purposes, loan must be repaid, other information Promissory note signed once for each award year prior to disbursement School must notify student of amount of payment and method of payment 	<ul style="list-style-type: none"> Credit to student's account at school Direct payment to student (cash or check) Electronic transfer to student's bank account 	<ul style="list-style-type: none"> First disbursement before verification is complete—School is liable First disbursement before receipt of FAT—School is not liable if FAT requested and no reason to question eligibility 	<ul style="list-style-type: none"> Standard academic term—Equal division among payment periods Nonterm—No more than 1/2 prior to midpoint Program shorter than full academic year—Equal division among payment periods But for uneven costs, may make proportionate payments 	<ul style="list-style-type: none"> Standard academic terms—Once each payment period Nonterm—At least twice during academic year—at the beginning of academic year and midpoint of academic year For six-month training, at least two payments required <\$501 award, only one payment required Credit to account up to 10 business days prior to first day of class Direct payment to enrolled student up to 10 days prior to first day of classes If student never attends, FSEOG and Perkins Loan must be returned to program accounts
<p>Federal Work-Study (FWS)</p>	<ul style="list-style-type: none"> On-campus employment—School or contractors <ul style="list-style-type: none"> Nonprofit schools or for-profit schools with restrictions Federal share cannot exceed 75% of earnings Off-campus employment—Government or nonprofit agencies <ul style="list-style-type: none"> Federal share cannot exceed 75% of earnings Private for-profit organizations 	<ul style="list-style-type: none"> Payment of federal share must be by check or similar instrument School has option to pay nonfederal share with non-cash contribution—Must be credited before final payroll period of award year and student must receive statement of amount of non-cash contribution 	<ul style="list-style-type: none"> Student may work up to 60 days before verification is complete Student may work during periods of nonenrollment if accepted for enrollment in next regular session First disbursement before receipt of FAT—School is not liable if FAT requested and no reason to question eligibility 	<ul style="list-style-type: none"> At least federal minimum wage School has option of payment greater than minimum wage 	<ul style="list-style-type: none"> At least once a month Must be paid at the same time as federal share

continued on next page

Requirements For Disbursing Campus-Based Funds (Continued)

Program Eligibility	Program-Specific Requirements	Methods of Disbursement	Disbursement Options	Amount of Disbursements	Timing of Disbursements
<p>Federal Work-Study (FWS)</p>	<ul style="list-style-type: none"> • Off-campus employment (cont'd) (--Academically related work) -- Federal share cannot exceed 50% of earnings • Must use at least 5% of the federal allocation for compensating students employed in community-service jobs 				
<p>¹ If crediting a student's account creates a credit balance after taking into account allowable charges, a school must pay that balance directly to the student within 14 days of the latest of:</p> <ul style="list-style-type: none"> • the day the credit balance occurs; • the first day of classes of a payment period or period of enrollment; <i>or</i> • the date a student rescinds authorization for the school to hold excess funds. <p>² Schools must inform students in writing about:</p> <ul style="list-style-type: none"> • how much FSEOG and Perkins Loan aid they can expect to receive; • when they will receive it; and • how it will be paid. 					