

Lesson 3 - Principles of Title IV "Aid That Could Have Been Disbursed"

Objective

After completing this lesson, you will understand the impact of:

- 30-day delayed disbursements
- Late disbursements
- Inadvertent overpayments
- Verification not completed before withdrawal
- Unsigned promissory note

Key Terms

Interim Disbursement

An interim disbursement is a payment of Title IV funds to a student who is subject to verification but has not completed the verification process. If there is no conflicting data or reason to believe that the application data is inaccurate:

- For Federal Pell Grant, Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent (SMART) Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Perkins Loan funds – A school may withhold funds or make one disbursement for the student's first payment period.
- For Federal Work-Study (FWS) funds – A school may withhold funds or employ the applicant for the first 60 consecutive days after the student's enrollment in that award year.
- For subsidized Stafford Loan (Federal Family Education Loan [FFEL] and William D. Ford Federal Direct Loan [Direct Loan]) funds – A school may refuse to certify or originate a loan, or originate or certify a loan but not deliver loan proceeds to the borrower.

The school is liable if an interim disbursement causes an overpayment. For more information, see [Title 34 of the Code of Federal Regulations \(34 CcFR\), Section 668.58](#).

Conditions for a Late Disbursement

These conditions, as described in [34 CFR 668.164\(g\)\(2\)](#), include situations where:

- The Department of Education processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student (except in the case of a PLUS Loan); and
- The institution certified or originated a FFEL or a Direct Loan; or
- The institution made an award to the student for a Federal Perkins Loan or FSEOG.

Post-Withdrawal Disbursement

A payment to a student after that student withdraws if the student received less Title IV aid than the amount earned. The grant funds that are available as this payment are first automatically applied to a student's account to cover tuition, fees, and room and board charges. The remaining grant and loan funds that can be offered as this payment first goes through a notification and approval process with the student/parent.

Aid That Could Have Been Disbursed

In addition to the amount disbursed, aid that could have been disbursed is also used in the return of Title IV aid calculation. Title IV Aid That Could Have Been Disbursed is grant or loan funds for which the student meets the conditions for a late disbursement, as described in [34 CFR 668.164\(g\)\(2\)](#), and the student is otherwise eligible to receive such funds.

By the withdrawal date, the following conditions must be met:

- For all Title IV aid programs other than a PLUS loan, the Department processed a SAR/ISIR with an official EFC, and
- For a FFEL or Direct Loan, the institution certified or originated the loan, and
- For a FSEOG or Federal Perkins Loan, the institution made the award to the student.

A school calculates the amount of Title IV aid earned by the student by multiplying the total amount of Title IV aid that was disbursed and that could have been disbursed by the percentage of the period of enrollment or payment period completed.

As illustrated in Step 1 in the following portion of the R2T4 calculation worksheet, a school fills in the net amount of each type of Title IV aid that was disbursed or that could have been disbursed.

STEP 1: Student's Title IV Aid Information			
Title IV Grant Programs		Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant		\$700.00	\$700.00
2. Academic Competitiveness Grant			
3. National SMART Grant			
4. FSEOG			
	A.	\$700.00	C.
		Subtotal	Subtotal
Title IV Loan Programs		Net Amount Disbursed	Net Amount that Could Have Been Disbursed
5. Unsubsidized FFEL/Direct Stafford Loan			
6. Subsidized FFEL/Direct Stafford Loan		\$1,260.00	\$1,260.00
7. Perkins Loan			
8. FFEL/Direct PLUS (Graduate Student)			
9. FFEL/Direct PLUS (Parent)			
	B.	\$1,260.00	D.
		Subtotal	Subtotal
		E. Total Title IV aid disbursed for the payment period or period of enrollment.	
		A.	\$700 .00
		+	B.
			\$1,260 .00
		=	E. \$
			\$1,960 .00
		F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.	
		A.	\$700 .00
		+	C.
			\$700 .00
		=	F. \$
			\$1,400 .00
		G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.	
		A.	\$700 .00
		B.	\$1,260 .00
		C.	\$700 .00
		+	D.
			\$1,260 .00
		=	G. \$
			\$3,920 .00

Figure 1 - Return of Title IV aid calculation worksheet, illustrating Step 1.

Aid That Could Have Been Disbursed (continued)

Title IV Grant Programs	Amount Disbursed	Amount That Could Have Been Disbursed
Pell Grant	\$ 700	\$ 700
Academic Competitiveness Grant	\$	\$
National SMART Grant	\$	\$
FSEOG	\$	\$
Other Title IV Grant Funds* <i>*Do not include FWS, LEAP, or SLEAP</i>	\$	\$
Add Programs		
<hr/>		
A. Total Grant Aid Disbursed: Subtotal	\$ 700.00	
	This is a display field only, it holds a running calculation of the entered values.	
<hr/>		
C. Total Grant Aid that Could Have Been Disbursed: Subtotal	\$ 700.00	
	This is a display field only, it holds a running calculation of the entered values.	
<hr/>		
Title IV Loan Programs	Net Amount Disbursed	Net Amount That Could Have Been Disbursed
Unsubsidized FFEL/Direct Stafford Loan	\$	\$
Subsidized FFEL/Direct Stafford Loan	\$ 1260	\$ 1260
Perkins Loan	\$	\$
FFEL/Direct PLUS (Graduate Student)	\$	\$
FFEL/Direct PLUS (Parent)	\$	\$
<hr/>		
B. Total Net Loan Aid Disbursed: Subtotal	\$ 1260.00	
	This is a display field only, it holds a running calculation of the entered values.	
<hr/>		
D. Total Net Loan Aid that Could Have Been Disbursed: Subtotal	\$ 1260.00	
	This is a display field only, it holds a running calculation of the entered values.	
<hr/>		
E. Total Title IV Aid Disbursed: (Box A + Box B)	\$ 1960.00	
	This is a display field only, it holds a running calculation of the entered values.	
<hr/>		
F. Total of Title IV Grant Aid Disbursed plus the Title IV Grant Aid that could have been disbursed: (Box A + Box C)	\$ 1400.00	
	This is a display field only, it holds a running calculation of the entered values.	
<hr/>		
G. Total of Title IV Aid Disbursed plus the Title IV Aid that could have been disbursed: (Box A + Box B + Box C + Box D)	\$ 3920.00	
	This is a display field only, it holds a running calculation of the entered values.	

Figure 2 - Return of Title IV Funds on the Web using the same worksheet example from previous page. Note that FAAs complete the grey highlighted areas and the Web application calculates the remaining fields.

Impact of 30-Day Delay Disbursement Rule on Aid That Could Have Been Disbursed

A first-year, first-time borrower who withdraws before the 30th day of the program of study is prohibited from receiving any FFEL or Direct Loan funds as a post-withdrawal disbursement. GEN-04-03 provides, however, that FFEL or Direct Loan funds **must** now be included as Aid That Could Have Been Disbursed in the R2T4 calculation if the conditions for late disbursement (listed on page 3-3) were met, even though the 30-day delay rule was not met (the FFEL or Direct Loan funds cannot actually be disbursed).

For example, Becky is a first-time, first-year student. She is eligible for the following aid: \$1,500 from Pell, \$500 from FSEOG, and \$1,240 from a subsidized Direct Loan. The Direct Loan funds were not disbursed because of the 30-day delay rule, but the other funds were disbursed. Becky withdraws from her program after completing the first 25 days of the 100-day payment period. Becky's percentage of aid earned is 25%.

STEP 1: Student's Title IV Aid Information			
Title IV Grant Programs		Amount Disbursed	Amount that Could Have Been Disbursed
1. Pell Grant		\$1,500.00	
2. Academic Competitiveness Grant			
3. National SMART Grant			
4. FSEOG		\$500.00	
	A.	\$2,000.00	C.
	Subtotal		Subtotal
Title IV Loan Programs		Net Amount Disbursed	Net Amount that Could Have Been Disbursed
5. Unsubsidized FFEL/Direct Stafford Loan			
6. Subsidized FFEL/Direct Stafford Loan			\$1,240.00
7. Perkins Loan			
8. FFEL/Direct PLUS (Graduate Student)			
9. FFEL/Direct PLUS (Parent)			
	B.	\$0	D.
	Subtotal		Subtotal
E. Total Title IV aid disbursed for the payment period or period of enrollment.			
		A.	\$2,000.00
		+ B.	\$0.00
		= E.	\$2,000.00
F. Total of Title IV grant aid disbursed + could have been disbursed for the payment period or period of enrollment.			
		A.	\$2,000.00
		+ C.	\$0.00
		= F.	\$2,000.00
G. Total of Title IV aid disbursed + could have been disbursed for the payment period or period of enrollment.			
		A.	\$2,000.00
		B.	\$0.00
		C.	\$0.00
		+ D.	\$1,240.00
		= G.	\$3,240.00

STEP 3: Amount of Title IV Aid Earned by the Student	STEP 4: Aid to be Disbursed or Returned CONTINUED
Multiply the percentage of Title IV aid earned (Box H) times the total of the Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box G).	K. Title IV aid to be returned Subtract the amount of Title IV aid earned (Box I) from the Total Title IV aid disbursed for the payment period or period of enrollment (Box E). This is the amount of Title IV aid that must be returned.
$25\% \times \$3,240.00 = \text{I. } \810.00	$\$2,000.00 - \$810.00 = \text{K. } \$1,190.00$
Box H Box G	Box E Box I

Figure 2 – R2T4 worksheet Steps 1, 3, and 4 demonstrating example.

Note:



- Remember that a signed promissory note is required before loan funds are included as Aid That Could Have Been Disbursed (GEN-05-16) in a return calculation.

Verification Not Completed Before Withdrawal

Return of Title IV Aid Verification Rules

Schools must observe certain deadlines for submitting verification documents. First, the Department of Education establishes a deadline for submitting verification documents that apply to Pell program funds. Second, schools must have an institutional deadline established by which an applicant selected for verification submits all required verification documents for campus-based, FFEL, and Direct Loan Program funds. This second deadline is specified in [34 CFR 668.53\(a\)\(1\)](#).

A school must complete an R2T4 calculation and must notify the student/parent as well as offer the student/parent a post-withdrawal disbursement, within 30 days of the date the institution determines the student withdrew. Schools have 45 days to return any unearned funds due from the school. Schools then apply the rules in this table when completing return calculations.

If all required verification documents...	Then the school...	Pell	ACG	SMART	FSEOG	Unsub FFEL/ DL Stafford	Sub FFEL/ DL Stafford	Perkins	FFEL/Direct PLUS (grad)	FFEL/Directs PLUS (parent)
... are not received before the 30-Day Return of Title IV Funds deadline	... must return these funds disbursed on an interim basis	✓	✓	✓	✓			✓		
... are not received before the initial R2T4 calculation	... only includes these Title IV funds not subject to verification in the R2T4 calculation as Aid That Was Disbursed or Aid That Could Have Been Disbursed					✓			✓	✓
... are received before initial R2T4 calculation	... includes these funds in the R2T4 calculation	✓	✓	✓	✓	✓	✓	✓	✓	✓
... are received after the 30 days but before verification deadline	... performs new R2T4 calculation with these funds	✓	✓	✓	✓		✓	✓		

A Pell applicant selected for verification must complete the process within the deadline published in the Federal Register or 120 days after the last day of the student’s enrollment, whichever is earliest.

Cash Management Requirements

The conditions for late disbursements must be met to include aid subject to verification, as aid that could have been disbursed, if verification is not completed before date of withdrawal (see [34 CFR 668.164\(g\)\(2\)](#)).

Inadvertent Overpayments

An inadvertent overpayment occurs when a school disburses funds to a student who is no longer in attendance, for example, when a school makes a scheduled disbursement on Monday to a student who dropped out on the previous Friday. Inadvertent overpayments are included in return calculations as Aid That Could Have Been Disbursed rather than Aid That Was Disbursed.

The policy regarding inadvertent overpayments in GEN-04-03 was developed to prevent the burden of a school having to return Title IV, HEA program funds, and disburse them again if a post-withdrawal disbursement was due.

- Allowing the school to hold an inadvertent overpayment while it determines if the student is owed a post-withdrawal disbursement does not affect the amount of aid a student would receive under a return calculation. Only a student who meets the criteria for a late disbursement is entitled to keep funds disbursed as an inadvertent overpayment.
- If an inadvertent overpayment does not meet the criteria for a late disbursement, as described earlier, neither the school nor the student may retain any portion of the overpayment.
- A school must treat inadvertent overpayments as Aid That Could Have Been Disbursed rather than Aid That Was Disbursed. If the inadvertent overpayment could not have been made as a late disbursement under the regulations, the school must return the entire amount of the overpayment. If the overpayment could have been made as a late disbursement, the school must return only the unearned portion of the inadvertent overpayment.
- Schools must return the inadvertent overpayment within 45 days of the date of the school's determination that the student withdrew (the time frame for a school's return of Title IV funds under [34 CFR 668.22\(j\)\(1\)](#)). A school must return an inadvertent overpayment in accordance with the applicable regulations for returning overpayments.

For example, if a late disbursement would have been prohibited because the student had withdrawn and the disbursement would have been a late second or subsequent disbursement of a FFEL or Direct Loan, the inadvertent overpayment must be returned because the student had not successfully completed the period of enrollment for which the loan was intended ([34 CFR 668.164\(g\)\(4\)\(ii\)](#)).

Notes:



- *Schools are required to have the administrative capability to prevent inadvertent overpayments on a routine basis. Specifically, a school is expected to have in place a mechanism for making the necessary eligibility determinations prior to the disbursement of any Title IV, HEA program funds. This includes a process to report withdrawals immediately to those responsible for making such disbursements.*
- *A pattern or practice of making these inadvertent overpayments would raise questions during a program review.*

Activity

As assigned by your instructor, read the scenarios listed below and answer the questions.

Scenario 1 (30-Day Delay)

A first-time, first-year student starts class on September 1 and withdraws on September 28. A Stafford loan for \$1,000 that has been certified has not been disbursed because of the 30-day delay rule. Note that this school was not able to invoke low cohort default waivers for the 30-day delay rule.

What amount should be included in:

Total aid disbursed? \$_____ Total aid that could have been disbursed? \$_____

Notes _____

Scenario 2 (No 30-Day Delay)

A second-year student starts class on September 1 and withdraws on September 28. A Stafford loan for \$1,000 that has been certified has not been disbursed because of a processing delay.

What amount should be included in

Total aid disbursed? \$_____ Total aid that could have been disbursed? \$_____

Notes _____

Activity (continued)

As assigned by your instructor, read the scenarios listed below and answer the questions.

Scenario 3 (Late Disbursement)

A school performs R2T4 calculations on a period-of-enrollment basis. A student withdraws after completing 500 of the 550 clock hours scheduled to complete of a 9-month, 900 clock-hour program with two payment periods of equal length. The student withdrew one week before the calendar mid-point of the loan period. This student received \$990 in Direct Loan funds for the first payment period; \$990 in Direct Loan funds for the second payment period has not been disbursed.

What amount should be included in:

Total aid disbursed? \$_____ Total aid that could have been disbursed? \$_____

Notes _____

Scenario 4 (Late Disbursement)

A school performs R2T4 calculations on a period-of-enrollment basis. A student withdraws after completing 500 clock hours of a 9-month, 900 clock-hour program with two payment periods of equal length. The student withdrew one week after the calendar midpoint of the loan period. This student received \$990 in Direct Loan funds for the first payment period; \$990 in Direct Loan Funds for the second payment period has not been disbursed.

What amount should be included in:

Total aid disbursed? \$_____ Total aid that could have been disbursed? \$_____

Notes _____

Activity (continued)

As assigned by your instructor, read the scenarios listed below and answer the questions.

Scenario 5 (Verification Completed Before Withdrawal)

A second-year student who was selected for verification was awarded a \$750 Pell Grant, a \$650 ACG, and a \$500 FSEOG. The student had submitted all required documents prior to withdrawal.

What amount should be included in:

Total aid disbursed? \$_____ Total aid that could have been disbursed? \$_____

Notes _____

Scenario 6 (Verification Not Completed Before Withdrawal)

A third-year student who was selected for verification received a PLUS loan of \$4,050. The student was also awarded a \$550 Pell Grant and a \$2,000 National SMART Grant pending verification. The student submitted a verification worksheet and federal tax returns; however, one form was missing the signature. The student withdrew. The 45-day deadline to calculate Title IV funds to be returned is approaching, and you expect the student will provide the missing signature soon. What should you do?

What amount should be included in:

Total aid disbursed? \$_____ Total aid that could have been disbursed? \$_____

Notes _____
