

Lesson 3 – Principles of Title IV “Aid That Could Have Been Disbursed”

 **Time: 20 minutes**

Host

Open Slide Show: R2T4 Lesson 3.ppt

Display Slides 1 and 2

Presenter



Refer to Participant Workbook (PW) page 3-1.

Briefly introduce Lesson 3.

Learning Objective:

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

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

Explain that this lesson reviews:

- Examples of circumstances that might result in aid that could have been disbursed, and
- The rules that apply when completing the calculation for a student who is subject to verification

Presenter



Point out the Key Terms

Briefly point out Key Terms (also found in Appendix A) on PW pages 3-1 and 3-2. Remind learners that they can access the Code of Federal Regulations (CFR) online through www.ifap.ed.gov.

References to the relevant sections of 34 CFR 668 are provided throughout this lesson. Review the term *Interim disbursement*.

An Interim Disbursement is a payment of TIV 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, ACG, National Smart Grant, FSEOG and Perkins loan funds – a school may withhold funds or make one disbursement for the student’s first payment period.

For 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 Loans (FFEL or DL) funds- a school may refuse to certify or originate a loan OR originate or certify a loan but not deliver the loan proceeds to the borrower.

Remind learners that they can access the Code of Federal Regulations (CFR) online through www.ifap.ed.gov. Links to the relevant sections of 34 CFR 668 are provided throughout this lesson.

Host

Display Slide 3: Aid That Could Have Been Disbursed



Presenter

Refer to PW page 3-3.



Point out that to include aid as *aid that could have been disbursed*, conditions for late disbursement in 34 CFR 668.164(g)(2) must be met at the time the student withdrew (you will explain these in more detail shortly). Also point out that the school must include all undisbursed Title IV aid for the payment period or period of enrollment used in the return calculation. This is true even if you were prohibited from disbursing those funds on or before the date the student withdrew.

Host

Display Slide 4: Effect of Aid That Could Have Been Disbursed

Presenter



Point out that any amount included as *Aid That Could Have Been Disbursed*:

- Increases the amount of aid earned
- Decreases amount of aid to be returned
- Could increase eligibility for a post-withdrawal disbursement

Host

Display Slide 5: Conditions for Late Disbursement

Presenter



Explain that any undisbursed Title IV aid (Grants and Loans except PLUS) the student was otherwise eligible to receive for the period that the school uses as the basis for the return calculation is counted as *aid that could have been disbursed* as long as the following conditions were met before the date the student became ineligible:

1. 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

Host

Display Slide 6: Conditions for Late Disbursement (continued)

Presenter

2. for a Federal Supplemental Educational Opportunity Grant (FSEOG) award, the institution made the award to the student;
3. for a Federal Family Education Loan (FFEL) or William D. Ford Federal Direct Loan (Direct Loan), the institution certified or originated the loan, as applicable; and
4. for a Federal Perkins Loan, the institution made the award to the student.



Refer to page 3-4 of your PW to view a screen capture of the R2T4 OTW application.

Briefly discuss how Aid That Could Have Been Disbursed is used in the return calculation:

- Total Aid Disbursed and Aid That Could Have Been Disbursed are added together and reported in Step 1, Part G of the worksheet
- The amount of Title IV aid earned by the student is the percentage of Title IV aid earned multiplied by the combined funds reported in Step 1, Part G

We will discuss the calculation in more detail in Lesson Four.



Refer to PW page 3-5. The Return of Title IV Funds on the Web application is an easy way to create and maintain R2T4 records. The completed worksheet on page 3-5 has the same information as the screen capture on page 3-4.

- Point out that the user need only complete the grey highlighted areas
- The R2T4 Web application calculates the remaining fields (calculated fields are marked with “This is a display field only, it holds a running calculation of the entered values.”)

Host

Display Slide 7: 30-Day Delayed Disbursement

Presenter



Refer to PW page 3-5.



If a first-year, first-time student withdraws before completing the first 30 days *and* meets late disbursement requirements:

- The net amount of the loan is used as Aid That Could Have Been Disbursed in the return calculation
- No portion of the loan can be disbursed or offered as a post-withdrawal disbursement

Note: An institution with a cohort default rate of less than 10 percent for each of the three most recent fiscal years for which data is available, are exempt from the 30 day delayed disbursement rule for first-time, first-year undergraduate borrowers. You can find more information about Cohort Defaults on ifap.ed.gov.

Go over the example found on page 3-5 of the PW reproduced below:

- Becky is a first-time, first-year student
- She is eligible for the following aid for the period: \$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
- All other funds were disbursed
- Becky withdraws from her program after completing the first 25 days of the 100-day payment period

NOTE: The \$1,240 is included as *aid that could have been disbursed* however; the funds cannot be disbursed because Becky did not meet the requirements under the 30 day delayed rule.



Point out the note on the bottom of PW page 3-5:

- *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.*

Host

Display Slide 8: Return of Title IV Aid Verification Rules

Presenter



Refer to PW page 3-6.



A school must always complete an R2T4 calculation, **and** must notify the student/parent of a post-withdrawal disbursement, within 30 days from the date the institution determines the student withdrew. Schools have 45 days from that same date to return any unearned funds due from the school.

We previously discussed the term “Interim Disbursement” found in the Key terms for this lesson. As a reminder, the school is liable if an Interim disbursement causes an overpayment.

We have provided you with a chart on page 3-6 to aid you in determining which Title IV program funds that may, or may not, be included in the return calculation due to incomplete verification. Because PLUS and unsubsidized loans are not subject to verification, these are included in the return calculation.

If verification is completed later but within the verification deadline, perform another return calculation. For further guidance see DCL Gen 04-03.

Host

Display Slide 9: Determining Which Funds to Include.



Presenter

If a student subject to verification has not provided all required verification documents before the school completes the initial R2T4 calculation, the school can include only those Title IV funds not subject to verification (PLUS or unsubsidized loans) as *aid that was disbursed* or *aid that could have been disbursed*.

Mention that if a student withdraws before verification is complete, the table on PW page 3-6 shows that only unsubsidized and PLUS funds are used to perform the R2T4 calculation. This means that 100% of interim disbursements of other types of Title IV funds must be returned to the programs and are the responsibility of the institution.

Host

Display Slide 10: Determining Which Funds to Include (continued)



Presenter

If the student submits all documents required to complete verification after the school calculated the return but before the applicant verification deadline, the school would perform a new return calculation including all Title IV aid funds.

As noted below the chart on page 3-6 of your PW, a school must make any post-withdrawal disbursements within the applicable 120-day late disbursement deadline. If the post withdrawal disbursement would exceed the 120 days after the date of the school's determination that the student withdrew, the school would be required to request permission consistent with guidance provided in DCL GEN-05-07.

Host

Display Slide 11: Inadvertent Overpayments & R2T4



Presenter

Refer to PW page 3-7.



Inadvertent overpayment occurs when a school disburses funds to a student who is no longer in attendance. For example: 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.

Holding inadvertent overpayment funds until a return calculation is performed does not affect the amount of aid a student would receive under the return calculation.

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. 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.

In either case, schools must return an inadvertent overpayment within 45 days of the date of their determination that the student withdrew (Note: A school must return any unearned funds (including inadvertent overpayments in accordance with the applicable regulations under 34 CFR 668.22 (j)(1).

Point out the notes on the bottom of PW page 3-7:

- *Schools are required to have the administrative capability to prevent inadvertent overpayments on a routine basis. Specifically, a school is expected to have a process in place for making the necessary eligibility determinations prior to the disbursement of any Title IV, HEA program funds. This process should include a way 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.*

Host

Display Slide 12: Activity

Presenter



Refer to PW pages 3-8 to 3-10. This activity contains 6 scenarios, presented in pairs. For each pair of scenarios, select one or two participants. Ask participant(s) to review the scenarios in their PW and use their text annotation tool to enter the answer to each question on the whiteboard slide. After each pair of scenarios, use the slides, and debrief as indicated.



Point out that this activity gives participants the opportunity to practice some of the principles we have talked about in this lesson.

Host

Display Slide 13: Scenarios 1 and 2: 30-Day Delay

Check that text annotation tool is active for the participants.

Presenter

Refer to PW page 3-8.



For Scenarios 1 and 2:

- Select one or two participants
- Ask participant(s) to:
 - Review Scenarios 1 and 2 in their PW; and
 - Use their text annotation tool to enter the answer to each question on the whiteboard
- When both scenarios are completed, begin debrief of Scenarios 1 and 2

Host

Display Slide 14: Scenario 1: 30-Day Delay

Presenter

Debrief Scenario 1: 30-Day Delay:



- A first-time, first-year student starts class on September 1 and withdraws on September 28. A Stafford loan net disbursement for \$1,000 that has been certified has not been disbursed because of the 30-day delay rule
- This school was not able to invoke low cohort default waivers for the 30-day delay rule
- **Total aid disbursed = \$0**
- Include the \$1,000 loan disbursement as aid that could have been disbursed (**total aid that could have been disbursed = \$1,000**)
 - Note: Signed promissory note must be received by the institution by the date the R2T4 calculation is performed.
- Point out that these funds cannot be disbursed because the student was not eligible due to the fact that the first-time, first-year student has not been in attendance for at least 30 days

Host

Display Slide 15: Scenario 2: No 30-Day Delay

Presenter

Debrief 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
- Include the \$1,000 loan as “aid that could have been disbursed” (**total aid disbursed = \$0; total aid that could have been disbursed = \$1,000**)
- A portion of these funds could be disbursed under a post-withdrawal disbursement because the 30-day delay rule does not apply.

Host

Display Slide 16: Scenarios 3 and 4

Check that the text annotation tool is active for the participants.

Presenter

Refer to PW page 3-9.



For Scenarios 3 and 4:

- Select one or two participants
- Ask participant(s) to:
 - Review Scenarios 3 and 4 in their PW; and
 - Use their text annotation tool to enter the answer to each question on the whiteboard
- When both scenarios are completed, begin debrief of Scenarios 3 and 4

Host

Display Slide 17: Scenario 3: Late Disbursement

Presenter

Debrief Scenario 3: Late Disbursement:



- A school performs return of Title IV aid calculations on a period-of-enrollment basis. A student withdraws after completing 400 of the 450 clock hours scheduled to complete of a 9-month, 900 clock-hour program with two payment periods of equal length. This student received a \$990 Direct Loan for the first payment period; another \$990 Direct Loan for the second payment period has not been disbursed
- The second \$990 is aid that could have been disbursed because we're using a period-of-enrollment basis, rather than payment period (**Total aid disbursed = \$990; Total aid that could have been disbursed = \$990**)
- No portion of the second disbursement of \$990 could be disbursed under a post-withdrawal disbursement because the student did not successfully complete the period of enrollment for which the loan was intended
- If the 2nd half of the loan had been disbursed prior to the date the student withdrew, what would be the effect on the R2T4 calculation?

ANSWER: Student would not have been eligible for the 2nd disbursement because he/she withdrew prior to the midpoint of the loan period.

Host

Display Slide 18: Scenario 4: Late Disbursement

Presenter

Debrief Scenario 4: Late Disbursement:



- A school performs return of Title IV aid 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. This student received a \$990 Direct Loan for the first payment period; another \$990 Direct Loan for the second payment period has not been disbursed
- Include the first \$990 as aid that was disbursed

- Include the second \$990 as aid that could have been disbursed
- Cannot disburse any portion of 2nd or subsequent disbursement as a post-withdrawal disbursement because the student did not complete the enrollment period

Host

Display Slide 19: Scenarios 5 and 6

Check that the text annotation tool is active for the participants.

Presenter

Refer to PW page 3-10.



For Scenarios 5 and 6:

- Select one or two participants
- Ask participant(s) to:
 - Review Scenarios 5 and 6 in their PW; and
 - Use their text annotation tool to enter the answer to each question on the whiteboard
- When both scenarios are completed, begin debrief of Scenarios 5 and 6

Host

Display Slide 20: Scenario 5: Verification Completed Before Withdrawal

Presenter

Debrief Scenario 5: Verification Completed Before Withdrawal:



- A second-year student who was selected for verification was awarded a \$750 Pell Grant, \$650 ACG, and a \$500 FSEOG. The student had submitted all required documents prior to withdrawal.
- School completes the verification process
- Perform the R2T4 calculation and include the Pell Grant, ACG, and FSEOG as aid that could have been disbursed (**total aid disbursed = \$0; total aid that could have been disbursed = \$1,900**)

Host

Display Slide 21: Scenario 6: Verification Not Completed Before Withdrawal

Presenter

Debrief 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 45-day deadline is approaching and you expect the student will provide the missing signature soon. What should you do?
- Perform the R2T4 calculation including the \$4,050 PLUS loan as aid that was disbursed (**total aid disbursed = \$4,050**)
- When the student provides the missing signature and qualifies for a Pell Grant, do a second R2T4 calculation, including the \$550 Pell Grant and the \$2,000 National SMART Grant as aid that could have been disbursed (**total aid that could have been disbursed = \$2,550**)
 - Mention that this example assumes that there was no change to the student's eligibility after verification

Host

Display Slide 22: Business Process Worksheet

For this lesson, point out BPW Step 5 that provides a reference to the determination of aid that could have been disbursed.

There are two R2T4 calculation worksheets available at www.ifap.ed.gov for credit-hour and clock-hour programs. Please note, the only difference in the worksheets is noted in the calculation in Step 2. We will cover those components in Step 2 in the next lesson.