



# NASFAA University Authorized Training Cash Management

National Association of Student  
Financial Aid Administrators

**Cash Management**  
A NASFAA Authorized Event

Presented by  
[Name of Presenter/Association]  
[Location]  
[Date], 2016

Slide 1 © 2016 NASFAA

**Lesson 1:  
Introduction to Cash  
Management**

Slide 2 © 2016 NASFAA

Effective Cash Management

- Rules and procedures related to managing federal financial aid funds

Slide 3 © 2016 NASFAA

Effective Cash Management

	Eligible students only		Cash flow
	Timely delivery		Avoid excess cash
	Minimize interest accrual		Appropriate accounting
	Avoid overpayments		Clear audit trail

Slide 4 © 2016 NASFAA

Administrative Capability

- Separation of functions
  - No single office may both award and disburse aid
  - Must be organizationally independent
  - May not be family members
  - May not exercise substantial control together

Slide 5 © 2016 NASFAA

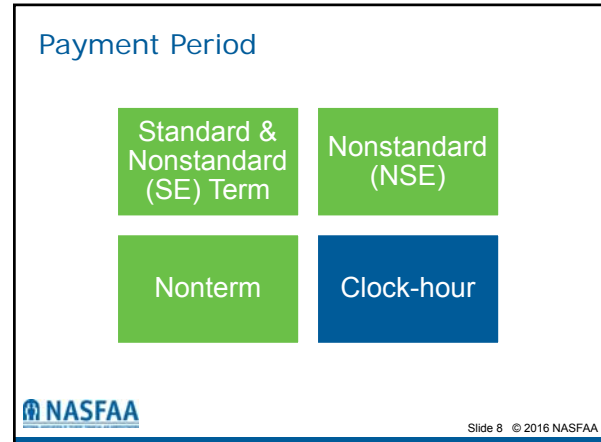
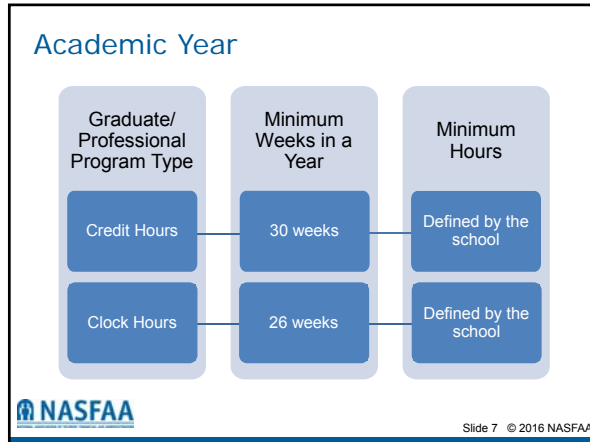
Academic Year

Undergraduate Program Type	Minimum Weeks in a Year	Minimum Hours
Credit Hours	30 weeks	24 semester or trimester 36 quarter
Clock Hours	26 weeks	900 clock

Slide 6 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management



- ### Excused Absences from Clock-Hour Programs
- School must have written policy
  - Excused absences in payment period cannot exceed the lesser of:
    - Number allowed by accrediting agency
    - Number allowed by state licensing or authorizing agency
    - 10% of clock hours in payment period
- Slide 9 © 2016 NASFAA

- ### Successful Completion of Hours Cannot Be Determined
- Second payment period begins on later of date student successfully completed half of either:
    - Coursework in AY, program or remainder of the program
    - Weeks in AY, program or remainder of the program
- Slide 10 © 2016 NASFAA

- ### Re-Entry Within 180 Days
- Withdrawn student who re-enters the same nonterm credit-hour or clock-hour program at the same school:
    - Remains in payment period
    - May receive funds returned and any undisbursed funds
  - If re-entry in new award year, use funds from award year during which payment period originally began
- Slide 11 © 2016 NASFAA

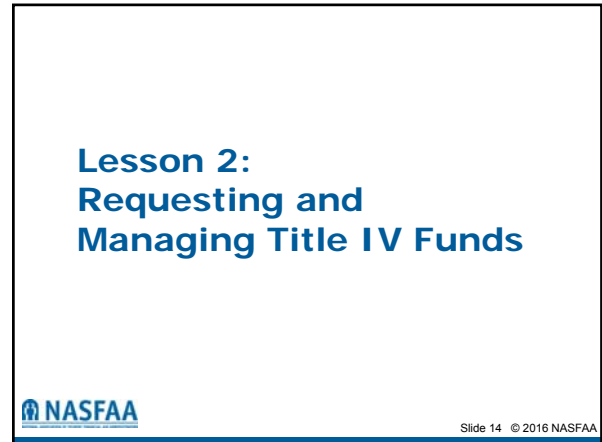
- ### Transfer or Re-Entry After 180 Days
- Recalculate payment period for nonterm credit-hour program or clock-hour program if student withdraws and:
    - Transfers schools or into another program at same school within any period; or
    - Re-enters same program at same school more than 180 days after withdrawing
  - Exception made for certain transfers between programs at the same school
- Slide 12 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management



Slide 13 © 2016 NASFAA



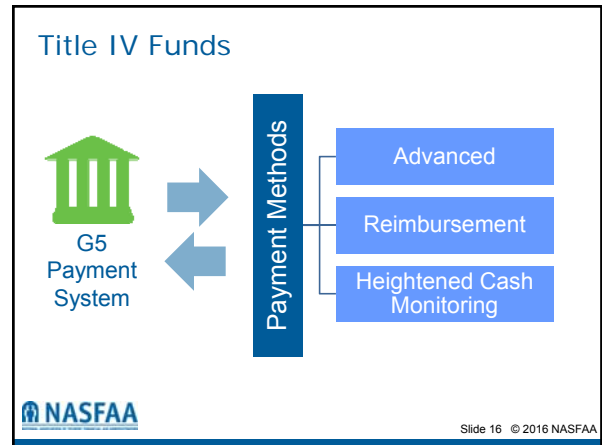
Slide 14 © 2016 NASFAA

Requesting Title IV Funds

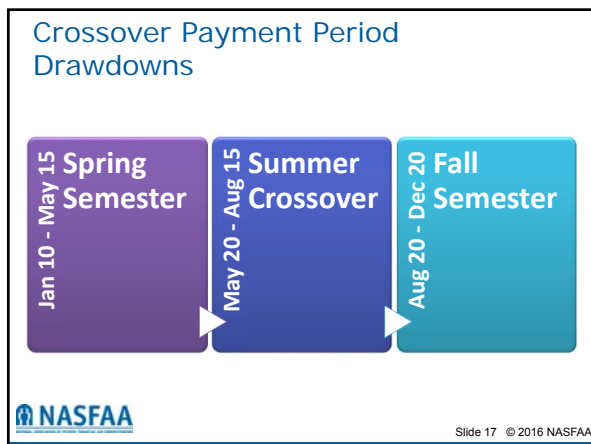
**Depository Account:**

A bank or investment account into which ED deposits all Title IV funds requested by the school.

Slide 15 © 2016 NASFAA



Slide 16 © 2016 NASFAA



Slide 17 © 2016 NASFAA



Slide 18 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management

## Maintaining Title IV Funds

Federal and nonfederal funds may be in same depository account unless ED requires separate accounts

- Must identify account as containing federal funds
- If revenue earned on held funds:
  - Maintain Federal Perkins Loan earnings in Perkins Loan Fund
  - Return other earnings > \$500 to ED annually by June 30



Slide 19 © 2016 NASFAA

## Use of Title IV Funds

- Make disbursements
- Other program-specific uses (e.g., FWS Job Location Development Program)
- Administrative cost allowance (ACA)
  - Pell Grant: \$5/recipient, when funding available
  - Campus-based programs: regulatory formula



Slide 20 © 2016 NASFAA

## Campus-Based ACA Formula

5% of first \$2,750,000 of its total expenditures  
+ 4% of its expenditures greater than \$2,750,000 but less than \$5,500,000  
+ 3% of its expenditures that are \$5,500,000 or more  
= School's total campus-based ACA



Slide 21 © 2016 NASFAA

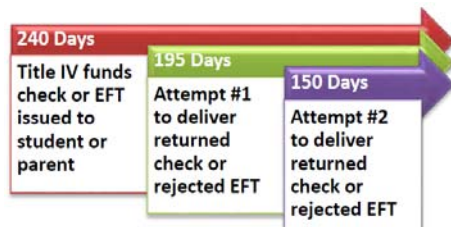
## Excess Cash

- Any Title IV funds (except Perkins Loan funds) not disbursed after 3 days of date funds drawn down or received
- Tolerance: May retain (up to 7 days) amount ≤ total Title IV funds drawn down in prior award year
  - After 7-day period, return any remaining amount

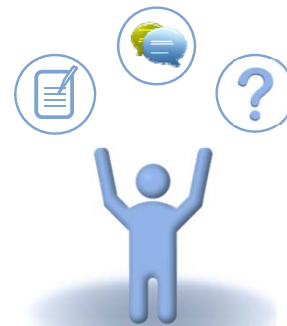


Slide 22 © 2016 NASFAA

## Returning Undeliverable Title IV Funds



Slide 23 © 2016 NASFAA



Slide 24 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management

## Lesson 3: Disbursing Title IV Funds



Slide 25 © 2016 NASFAA

### Definitions

**Student's ledger account:** Recordkeeping system used to record institutional charges, cash payments, and payments from Title IV funds

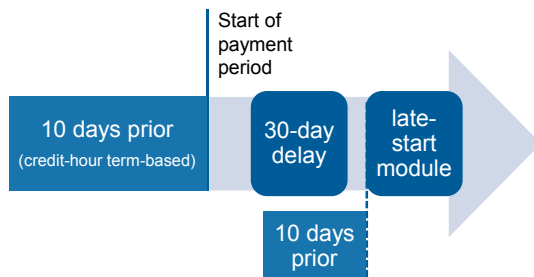
**Financial account:** Checking, savings, prepaid card, or other consumer asset account held directly or indirectly by a financial institution

**Financial institution:** Bank, savings association, credit union, or other entity that holds a financial account for the student, issues an access device associated with the account, and agrees to make EFT services



Slide 26 © 2016 NASFAA

### Disbursement Time Frames



Slide 27 © 2016 NASFAA

### Conditions for a Late Disbursement

Before date student or parent PLUS borrower became ineligible for funds, ISIR or SAR with official EFC received and:

- Direct Loan originated
- TEACH Grant originated
- Federal Perkins Loan awarded
- FSEOG awarded



Slide 28 © 2016 NASFAA

### Late Disbursement Rules

- Make or offer to make late disbursement
- Limit Direct Loan amount to educational costs incurred for period when eligible for loan
- Late disbursement not permitted in certain cases



Slide 29 © 2016 NASFAA

### Disbursement Methods

- Credit funds to student's ledger account



Slide 30 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management

## Tier One and Tier Two Arrangements

T1

Third-party servicer performs functions related to making direct disbursements of Title IV funds

T2

Financial institution offers and markets financial account(s) through the school into which Title IV funds directly deposited



Slide 31 © 2016 NASFAA

## T1/T2 Direct Disbursement Selection Process

Options must be clear, fact-based, and neutral with no option preselected

- First option is student's pre-existing financial account, if any
- May include financial accounts that are not T1 or T2
- Identify T1 and T2 accounts' major features and common fees
- Provide link to terms and conditions of each option
- Student not required to choose any option



Slide 32 © 2016 NASFAA

## T1 Arrangements

- Contract terms consistent with students' best interest
- School may terminate contract under certain conditions



Slide 33 © 2016 NASFAA

## T1/T2 Disclosures

By 9/1/16

Post T1 and/or T2 contracts to website

By 7/1/17

Disclose account information to students

By 9/1/17

Post information regarding contracts



Slide 34 © 2016 NASFAA

## T1 Arrangements

- Students must have convenient access to funds
- Restrictions on fees or costs associated with account



Slide 35 © 2016 NASFAA

## T2 Arrangements

T2 account directly marketed to students if:

- School communicates directly to student about account and how to open it
- T2 account or access device is cobranded with school name, logo, mascot, or other affiliation and marketed principally to school's students
- Card or other device is used for institutional purposes validated to enable access to T2 account



Slide 36 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management

## T2 De Minimis Threshold

At least 1 student with Title IV credit balance in each of 3 recently completed award years, but for same period:

- Average number of students with Title IV credit balance < 500; or
- Average percent of students with Title IV credit balance < 5%



Slide 37 © 2016 NASFAA

## Disbursements for Allowable Institutional Charges

- Educationally-related
  - Current year charges: unlimited
  - Prior year charges: up to \$200
- Student's or parent PLUS borrower's authorization required for certain charges
- May include books and supplies as tuition charges under certain conditions



Slide 38 © 2016 NASFAA

Criteria Checked via the Application Process	Criteria Checked and Monitored by the School	Criteria Not Specifically Checked, But Must Be Resolved IF Conflicting Information Exists
<ul style="list-style-type: none"> <li>• Citizenship status</li> <li>• Social Security Number</li> <li>• Selective Service registration</li> <li>• Default and overpayment</li> <li>• Borrowing in excess of annual and aggregate loan limits</li> <li>• Fraudulently obtained Title IV funds</li> <li>• Certain drug offense convictions</li> <li>• Eligibility for increased Title IV aid to children of certain deceased members of the U.S. military</li> <li>• Statement of Educational Purpose</li> <li>• Unusual Enrollment History (UEH)</li> </ul>	<ul style="list-style-type: none"> <li>• Enrollment as regular student in eligible program</li> <li>• High school diploma or recognized equivalent, home schooling, or ability to benefit from training or education offered</li> <li>• Satisfactory academic progress</li> <li>• Financial need</li> <li>• Individual Title IV program requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Simultaneous enrollment in elementary or secondary school</li> <li>• Properly subject to lien for debts owed to U.S.</li> <li>• Incarceration</li> <li>• Suspected Title IV fraud</li> </ul>



Slide 39 © 2016 NASFAA



Slide 40 © 2016 NASFAA

## Program-Specific Disbursement Requirements

- All programs may pay disbursements in installments that best meets student's needs
  - Lump sum disbursement allowed for current and previous payment periods in award year
    - Pell Grant, IASG, and TEACH Grants: Determine enrollment status for previous payment period based on coursework completed



Slide 41 © 2016 NASFAA

## Program-Specific Disbursement Requirements

- Pell Grant: Student may decline all or part of disbursement to preserve future eligibility
- TEACH Grant: Student must have completed:
  - Agreement to Serve
  - Initial or subsequent counseling
- FSEOG and Perkins Loans: Award divided equally among payment periods unless student has uneven costs or resources



Slide 42 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management

## Program-Specific Disbursement Requirements

- Perkins Loans: School must:
  - Have signed master promissory note (MPN)
  - Provide specific disclosures regarding borrower's rights and responsibilities
- FWS: Before first payment for award period, must inform student of amount authorized to earn, and how and when compensation paid
  - Pay at least monthly based on hours worked



Slide 43 © 2016 NASFAA

## Direct Loan Disbursement Requirements

- Must have signed MPN
- Must verify student continuously maintained eligibility
  - If temporarily ceases half-time enrollment, disbursement permitted provide under certain conditions



Slide 44 © 2016 NASFAA

## Direct Loan Disbursement Requirements

- Counseling required before first disbursement
  - "First-time" student borrowers complete entrance counseling
  - PLUS borrowers may be able to qualify for loan despite adverse credit history
    - Borrower must complete counseling
    - Endorser is not required to complete counseling



Slide 45 © 2016 NASFAA

## Direct Loan Disbursement Requirements

- Disburse in substantially equal multiple payments, unless exempt based on cohort default rate (CDR)
- Apply 30-day delayed disbursement of first disbursement of loan to "first-time, first-year" student borrowers



Slide 46 © 2016 NASFAA



Slide 47 © 2016 NASFAA

## Title IV Credit Balances

Title IV funds exceed allowable institutional charges

- Portion that is not yet paid to the student
- Excludes non-Title IV funds



Slide 48 © 2016 NASFAA





# NASFAA University Authorized Training Cash Management

Example—Lena

Cost of Attendance	=	\$18,460
Institutional charges	=	15,550
Federal Pell Grant		\$1,832
FSEOG		500
Federal Perkins Loan		575
Total Title IV Aid	=	\$2,907
Balance Due on Account		\$12,643
Outside scholarship	-	15,550
Balance Due on Account		(\$2,907)

Not a Title IV credit balance

Slide 49 © 2016 NASFAA

### Timeframe for Paying a Title IV Credit Balance

Unless authorized to hold Title IV credit balance, must pay no later than 14 days after:

- Balance occurred, if occurred after 1<sup>st</sup> day of payment period
- 1<sup>st</sup> day of classes for payment period, if balance occurred on or before that date

Slide 50 © 2016 NASFAA

### Provision for Books & Supplies

Provide way to obtain required books and supplies by 7<sup>th</sup> day of payment period, if 10 days before payment period:

- School could disburse Title IV aid for which student is eligible
- Student would have Title IV credit balance

Slide 51 © 2016 NASFAA



## Lesson 4: Notifications and Authorizations

Slide 53 © 2016 NASFAA

### Notifications

- Make Title IV aid recipients aware of:
  - Upcoming disbursements
  - Right and responsibilities
- Before disbursing Title IV funds, provide written notification of:
  - Student eligibility
  - Payment information

Slide 54 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management

## Credit Title IV Loan Proceeds to Student's Ledger Account

- Borrowers must receive notification upon payment of:
  - Regularly scheduled loan disbursements
  - Late disbursements
- Timeframe depends on whether confirmation of intent to borrow was:
  - Active
  - Passive



Slide 55 © 2016 NASFAA

## Loan Cancellation or Reduction Requests

- If received:
  - By school's deadline, must honor request
  - After school's deadline, school option to honor request
- School must inform borrower, in writing, of outcome of any request



Slide 56 © 2016 NASFAA



Slide 57 © 2016 NASFAA

## Authorizations

- Students and parents may authorize the school to proceed with certain services
  - Use of Title IV funds to pay certain current- and prior-year institutional charges
  - Use of FWS earnings to pay certain current- and prior-year institutional charges
  - Holding Title IV funds



Slide 58 © 2016 NASFAA

## Authorization Contents

- Obtain before carrying out authorized activity
- Student and parent borrowers provide separate authorizations
- Schools cannot coerce student or parent PLUS borrower to provide authorization
- May be for specific period or entire period of student's enrollment
- Written clearly in plain language



Slide 59 © 2016 NASFAA

## Cancellation of Authorization

- Student or parent PLUS borrower may cancel or modify authorization, effective on date school received notice
  - Not required to reverse any Title IV funds credited before notice received
  - Must pay within 14 days any Title IV funds held under prior authorization



Slide 60 © 2016 NASFAA



# NASFAA University Authorized Training Cash Management

