

Overawards and Overpayments

Bruce Honer, FSA Trainer | Spring 2018
U.S. Department of Education
AASFAA Annual Conference

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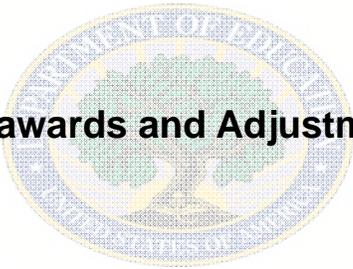
Agenda

- Overawards and Adjustments
- Overpayments Overview
- Overpayments Prior to R2T4
- Interim Disbursements
- Potential Overaward Process (POP)
- Overborrowing as an Overpayment
- Reporting and Recording



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Overawards and Adjustments



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When Does an Overaward Exist

An overaward exists if any of these conditions are met:

- School awards aid to a student who is ineligible for the amount of aid received
- Student's award in an individual program exceeds the regulatory maximum

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When Does an Overaward Exist

An overaward exists if any of the following conditions are met (cont.):

- Student's aid package exceeds his or her need
- Student's award exceeds his or her cost of attendance (COA)
- Student is receiving a Pell Grant or Iraq and Afghanistan Service Grant (IASG) at multiple schools for the same period of enrollment

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When Does an Overpayment Exist

- An overpayment occurs when an overaward cannot be corrected since some or all disbursements have already been made
- An overpayment can occur immediately at the time a student receives funds for a program for which they have zero eligibility

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Adjusting Disbursements by Program Type

- If the school has not yet made a second or subsequent disbursement, an overaward can be eliminated by cancelling or reducing any future disbursements
- If a student's need is exceeded, schools will need to adjust need-based aid
- If Cost of Attendance is exceeded, schools will generally reduce aid in accordance with their own packaging philosophy (i.e. reduce least desirable aid first)

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Adjusting Disbursements by Program Type

- Pell Grant: A correctly determined Pell Grant is never adjusted to take into account other forms of aid.
 - Schools must attempt to eliminate the overaward by reducing other aid that is in their control
- If a Pell-eligible student receives Pell Grant funds for which they are ineligible
 - Reduce subsequent disbursements during award year if possible

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Adjusting Disbursements by Program Type

- Iraq Afghanistan Service Grant: If correctly determined, the IASG is treated the same as Pell.
 - If an IASG-eligible student receives an IASG for which they are ineligible, the school should reduce subsequent disbursements if possible
- TEACH Grant: TEACH Grants are not need-based aid so it can exceed a student's need. However, in combination with other EFA, it must not exceed Cost of Attendance.

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Adjusting Disbursements by Program Type

- Campus-Based Programs: There is \$300 overaward tolerance, but only if an overaward occurs after Campus-Based aid has been packaged.
- The threshold does not allow a school to deliberately award Campus-Based aid that, in combination with other aid, exceeds the student's financial need.
- Generally, there is not a \$300 tolerance if the award includes a Direct Loan
 - Exception: \$300 tolerance can be used if the award contains a Direct Loan and FWS award

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Adjusting Disbursements by Program Type

- Federal Work-Study: Since you cannot force a student to repay wages already earned, a school can adjust for an overpayment by reducing future hours
- If there is still an overpayment after you have adjusted all other aid, the school must reimburse FWS program from their own funds

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Adjusting Disbursements by Program Type

- Subsidized Direct Loan: In combination with other need-based aid, the Subsidized Direct Loan cannot exceed need or Cost of Attendance
- Unsubsidized Direct Loan: In combination with other EFA, the Unsubsidized Direct Loan cannot exceed Cost of Attendance

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Adjusting Direct Loan Overawards

- If loan is not fully disbursed, adjust the second or subsequent disbursement
- If loan is fully disbursed when overaward is discovered, no action required
 - Student will repay according to terms of the promissory note

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Competing Overpayment Regulations

When a student's aid package includes assistance from multiple programs that have different overpayment regulations/requirements, a school must apply the most restrictive requirements

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Overpayments Overview

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Treatment of Overpayments

- That portion of the student's award that is an overpayment must be repaid to the Department.
 - For students who withdraw, separate conditions for repayment are addressed in 34 CFR 668.22
- When an overpayment occurs, responsibility will determine who must return funds
 - If due to school error the school must repay entire amount
 - If due to student error the student must repay amounts of \$25 or more
 - Exception: if the overpayment is the result of a return calculation the student must repay amounts of \$50 or more

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Overpayment—School Responsibility

- Unresolved overawards
- Interim disbursements, or failure to complete verification
- Miscalculated COA
- Payment in excess of loan limits
- Application errors or misreporting
- Required recalculations not performed
- R2T4 calculations

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Overpayment—School Responsibility

- A school is permitted to attempt collection from the student of the funds returned
 - As a school liability, this is not an FSA Debt owed by the student to ED
 - The student in these cases should never be reported to NSLDS or referred to the Department for collection
 - Even if the student does not repay the school, this debt can never result in loss of Title IV eligibility

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Overpayment—Student Responsibility

- School must notify student in writing requesting repayment
 - Inform student that failure to repay or make satisfactory arrangements to repay will result in loss of eligibility for Title IV aid
 - School must consider claims by student that school made error

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Student Fails to Begin Attendance

- If school disburses Pell, IASG, TEACH, and/or FSEOG and the student fails to begin attendance
 - School must return the funds even if they were disbursed directly to the student
- If the school disburses Pell, IASG, and/or TEACH and the student begins some but not all classes
 - School must recalculate the awards based on the student's actual enrollment status
 - Student is responsible to return the ineligible portion of funds disbursed

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Student Fails to Begin Attendance

- If student does not begin attendance, the school must return any Direct Loan funds credited to the student's account
- For any remaining loan funds disbursed directly to a student, the school must notify the appropriate loan servicer of the loan funds that are outstanding, so that the Department can issue a 30-day demand letter to the student

A student is considered not to have begun attendance if a school is unable to document attendance in any class.

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Student Fails to Begin Attendance

- Schools must return funds no later than 30 days after the date they become aware that the student has not begun attendance
- For a school not required to take attendance, funds must be returned no later than 30 days after the school's census date (if applicable)

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Overpayments Prior to R2T4

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Returning an Overpayment Before R2T4

- For a school liability overpayment that is determined to have occurred prior to a student withdrawal
- The school must repay the overpayment prior to conducting a return calculation
- The overpayment should not be included in the calculation

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Returning an Overpayment Before R2T4

- For a student liability overpayment that is determined to have occurred prior to a student withdrawal
 - The overpayment should not be included in the calculation
 - If the student withdrew after the 60% point, the school should attempt to collect the overpayment from the student
 - If unable to collect the overpayment, the school should report the overpayment to NSLDS and refer it to the Department's Default Resolution Group
 - If the student withdrew prior to the 60% point, the school should not take any action until it has completed the return calculation
 - Can reduce the overpayment amount by the post-withdrawal amount OR
 - Can add the overpayment to the overpayment amount determined by the return calculation

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Interim Disbursements

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Interim Disbursement Basics

- If a student is selected for verification, a school has the option of making an interim disbursement
 - Prior to completing the verification process OR
 - Before receiving the correct SAR or ISIR
- If a school has no reason to question the accuracy of the FAFSA, the school can make
 - One interim disbursement of Pell and FSEOG funds for the applicant's first payment period
 - Permit FWS employment for the first 60 consecutive days after the student enrolls for the award year
 - Originate, but not disburse a Subsidized Direct Loan

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Overpayments and Interim Disbursements

- If an overpayment is the result of an interim disbursement of Pell or FSEOG, the school is ultimately responsible for reimbursing the appropriate account:
 - Can attempt to have the student to make the overpayment
 - The student should not be reported to NSLDS as having an overpayment or be referred to the Department for collection
- The reimbursement must occur by the earlier of 60 days after the student's last day of attendance, or the last day of the award year

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Overpayments and Interim Disbursements

- If an overpayment is the result of an interim disbursement of FWS funds, the school must
 - adjust other financial aid to eliminate the overpayment, OR
 - reimburse the program with its own funds

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Potential Overaward Process (POP)

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Pell Potential Overaward Process (POP)

- When more than one school reports disbursements for a student, COD checks to ensure Pell eligibility is not exceeded for the award year
- If COD receives disbursement information indicating the student will receive more Pell than eligibility allows, the student has entered into a potential overaward (POP) situation.

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Pell Potential Overaward Process (POP)

- When COD identifies a potential overaward, it will accept the disbursement and notify the schools involved by sending:
 - Warning edit 068 to the school that submitted the disbursement that caused the student to exceed eligibility for the year
 - A Pell POP report that will identify the student and schools involved to all schools that have accepted and posted disbursements
 - A Multiple Reporting Record (MRR) containing Pell contact information for the schools involved to all schools that have accepted and posted disbursements for the student in the award year

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COD Warning Edit 068

Message: Potential Overaward Project

- Pell disbursements for a student have been received from two or more schools and ALL of the following are true:
 - Disbursement is not rejected
 - Other Pell awards exist for the student at different Attended School Entity IDs for the current Award Year
 - Total amount disbursed for any of the other Pell awards is greater than zero
 - Total of the Percentage of Eligibility Used is greater than 100.00 or 150.00 if Additional Eligibility Indicator (AEI) set to "True"

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Pell Potential Overaward Process (POP)

- The Department expects the schools involved to resolve the potential overaward within 30 days
- The schools involved must contact one another to resolve the potential overaward
- If the POP is not resolved within 30 days, COD will reduce the authorization for the student to zero at both schools
- If a school has attempted to resolve the POP with the other school, but to no satisfaction, they should contact COD School Relations for “escalated mediation”

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Concurrent Enrollment

- A student may not receive Pell Grant payments concurrently from more than one school
- The COD system will identify potential concurrent enrollment when multiple schools report Pell disbursements and enrollment dates within 30 days of each other
 - Acceptable if the enrollment periods are overlapping, but the student withdraws from the first school prior to beginning attendance at the second school

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Concurrent Enrollment

- When potential concurrent enrollment is identified, COD will:
 - Send the school with the second or subsequent disbursement record a response record with an Edit Warning 069
 - Send all schools, with accepted disbursement records, an MRR to alert schools of a possible overlap in enrollment
- The Department expects the schools involved to cooperate to resolve the issue
 - The MRR will contain Pell contact information for the other school

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COD Warning Edit 069

Message: Potential Concurrent Enrollment

- Two or more Pell and TEACH Grant disbursements for a student have been received from two or more schools and ALL of the following are true:
 - Other Pell Grant/TEACH Grant awards exist for the student at different Attended School Entity IDs for the current Award Year
 - Total amount disbursed for the student for any of the other Pell Grant/TEACH Grant awards is greater than zero
 - Enrollment Dates for the student are within 30 days of one another

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Failure to Resolve

A school's failure to:

- take action when they receive warning notices from COD;
- correct overaward situations;
- ensure that students do not receive Pell awards for concurrent enrollment at two or more schools; and
- prevent repeated POP situations from occurring;

may call into question a school's administrative capability and fiscal responsibility, and might eventually result in ED's taking action to limit, suspend, or terminate a school's participation in the Federal Student Aid programs.

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Overborrowing as an Overpayment

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Inadvertent Overborrowing

- Another kind of overpayment occurs when a student inadvertently has received FSA loan funds in excess of annual or aggregate loan limits
- Examples of Inadvertent Overborrowing
 - School processing errors
 - Missing or incorrect NSLDS information
 - Unintentional student error or omission

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Inadvertent Overborrowing

- A student who has inadvertently overborrowed, is ineligible for any further FSA funds until:
 - The student has repaid the full excess loan amount, or
 - The student makes arrangements, satisfactory to the holder of the loan, to repay the excess loan amount

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Inadvertent Overborrowing

- The student who repays the excess loan amount:
 - Will receive confirmation from the servicer that the excess amount has been repaid
- The school can receive the confirmation letter from either the student or directly from the servicer
- The effective date of a resolved inadvertent overborrowing is the date the servicer received full payment of the excess loan amount

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Inadvertent Overborrowing

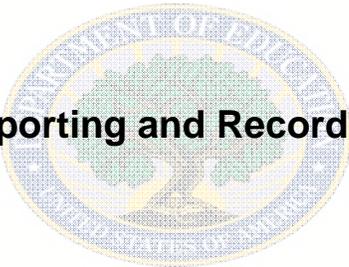
- For the student who wishes to make satisfactory payment arrangements with the servicer:
 - The student must read, sign and return a "reaffirmation agreement" provided by the servicer
 - The reaffirmation agreement is an acknowledgment of a debt in excess of the regulatory maximum and an agreement to repay the excess amount of loan funds.
 - The servicer will send a confirmation that the "reaffirmation agreement" has been accepted
 - The student or servicer must send a copy of the reaffirmation "confirmation" to the school
 - The effective date of resolution is the date the servicer receives the signed reaffirmation agreement

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Inadvertent Overborrowing

- Inadvertent overborrowing does not include deliberate actions by the school or student to exceed annual or aggregate loan limits
 - If the school has evidence of a deliberate action by another school to overborrow, it should notify its School Participation Division
 - If the school suspects fraud, it should call 1-800-MISUSED

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Reporting and Recording

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Reporting Overpayments NSLDS

- You must report overpayments to NSLDS within 30 days of the date you learn of the grant overpayment
- If you report a Pell Overpayment in NSLDS, do not reduce the award/disbursement amount in COD for the amount the student must return
 - Exception is if the student made a payment to the school

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Referral to Debt Resolution Group

- If the school has not succeeded in collecting an overpayment on a Pell Grant, IASG, FSEOG, or TEACH Grant, it must refer the overpayment to the Debt Resolution Group for collection
 - This is done at the same time an overpayment is reported to NSLDS
- If the school elects NOT to refer the overpayment to the Debt Resolution Group, it is liable and must repay the overpayment from its own funds

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Overpayments Resulting from R2T4

- For students who have a grant overpayment resulting from a return calculation:
 - You have 30 days from the date of determining the student withdrew to notify the student of the overpayment
- The student will retain eligibility for an additional 45 days from the earlier of:
 - The date the school sends the notice of overpayment to the student
 - The date the school was required to notify the student

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Overpayments Resulting from R2T4

- There are three positive actions a student can take within 45 days to extend eligibility:
 - The student may repay the overpayment in full to the school
 - The student may sign repayment agreement, not to exceed two years, to the school (optional)
 - The student may sign a repayment agreement with the Department
- If the student takes no positive action within 45 days the school must immediately
 - Report the overpayment to NSLDS, and
 - Refer to the Debt Resolution Group for collection

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Recording Payments and Reductions

- When a school must return funds or has received payment from the student:
 - Record reductions and payments by entering a replacement value in COD less only the amount the school returned
- The school should not reduce the award/disbursement amount by the amount the student must return
 - Exception is if the school receives a payment from the student

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Recording Payments and Reductions

- If the school receives payment from the student prior to referring to the Debt Resolution Group
 - The school should NOT send the payment to the Debt Resolution Group
 - If the payment is for a current-year overpayment, the school should deposit the funds in the appropriate program account and make the appropriate COD entry
 - If the payment is for a prior-year overpayment, the school should make the appropriate COD entry then return the funds using the Electronic Refund function in G5

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Resources

Federal Student Aid Handbook
 Volume 4, Chapter 3 Overawards and Overpayments
 Volume 5, Chapter 1 Overpayments prior to R2T4
 Volume 5, Chapter 2 R2T4 Overpayments

Electronic Announcements and DCLs
EA - September 6, 2016: COD Processing of Pell Grant Payments when Referring to Department of Education
DCL GEN 98-14: Reporting Overpayments to NSLDS

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Resources (cont.)

Federal Regulations – 34 CFR
 668.32(g)(4) Overpayments and Eligibility
 668.35(c)&(e) Overpayments and Eligibility
 668.35 FSA Debts
 668.61 Interim Disbursement Recovery of Funds
 668.303(e) Direct Loans
 673.5(d) Campus-Based Overaward Tolerance
 690.79 Pell Overpayments
 690.11 Pell Concurrent Enrollment

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QUESTIONS?



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Reach FSA
855.FSA.4FAA -- 1 number to reach 10 contact centers!

eZ-Audit	Campus Based Call Center
COD	School Eligibility Service Group
CPS/SAIG	Foreign Schools Participation Division
NSLDS	Research and Customer Care Center
G5	Nelnet Total & Permanent Disability Team

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Contact Information

Contact me with follow-up questions about this session:

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