OVERAWARDS AND OVERPAYMENTS

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Federal **Student Aid**
An OFFICE of the U.S. DEPARTMENT of EDUCATION

AGENDA

OVERAWARDS AND ADJUSTMENTS

OVERAWARDS

Question

What is an overaward?

Answer

An overaward is when the student receives more financial aid than is eligible for.

OVERAWARDS

EXAMPLES OF OVERAWARDS

- Institution awards aid to ineligible student

- Student's award in individual Title IV program exceeds regulatory maximum

- Student's aid package exceeds financial need

- Student's aid package exceed Cost of Attendance (COA)

- Student receiving Pell or Iraq and Afghanistan Service Grant (IASG) at more than one institution for same enrollment period

ADJUSTMENTS TO AID PACKAGE

WAYS TO ELIMINATE OVERAWARDS

- Check COA for increased costs

- Replace EFC with non-need-based aid

- Reduce loans first

- Reduce other Title IV or institutional aid

ADJUSTING DISBURSEMENTS BY TITLE IV PROGRAM TYPE

FEDERAL PELL GRANT

- Never adjust correct Pell Grant to eliminate overaward

- Recalculate Pell Grant to match enrollment status or EFC

- Correct Pell Grant awarded to ineligible student

ADJUSTING DISBURSEMENTS BY TITLE IV PROGRAM TYPE

TEACH GRANT

- May replace EFC

- May not exceed COA in combination with other aid

- Recalculate TEACH Grant to match enrollment status

ADJUSTING DISBURSEMENTS BY TITLE IV PROGRAM TYPE

CAMPUS-BASED PROGRAMS (GENERAL)

- $300 tolerance allowed *if* Campus-Based aid packaged before overaward occurred

- First determine if student has anticipated increased financial need

- Then eliminate overaward exceeding $300

ADJUSTING DISBURSEMENTS BY TITLE IV PROGRAM TYPE

CAMPUS-BASED PROGRAMS (FWS)

- Student not required to repay earned wages

- Reduce future hours of work to correct overaward

- Must reimburse FWS from institutional funds for any remaining overaward after all aid adjusted

ADJUSTING DISBURSEMENTS BY TITLE IV PROGRAM TYPE

DIRECT LOANS (DL)

- Replace EFC with unsubsidized loan funds

- Reduce or cancel second or subsequent disbursement

- No adjustment required if loan fully disbursed
  - Must adjust other aid to eliminate overaward

ADJUSTING DISBURSEMENTS BY TITLE IV PROGRAM TYPE

REPLACING SUBSIDIZED/UNSUBSIDIZED DL

- Subsidized ➡ unsubsidized
  - Student still enrolled for loan period
  - Student accepts replacement unsubsidized amount

- Unsubsidized ➡ subsidized
  - Correct error – even after loan period ends
  - Student's acceptance not required

OVERPAYMENTS

OVERPAYMENTS

Question

What is an overpayment?

Answer

An overpayment is an overaward that the institution did not correct before it disbursed the overawarded funds to the student. The overpayment occurs once the student receives the ineligible funds.

TREATMENT OF OVERPAYMENT

INSTITUTION ERROR

- Institution repays entire overpayment amount

STUDENT ERROR

- Student repays overpayment $25 or more; or
- Student repays any overpayment amount over $300 Campus-Based threshold

R2T4 OVERPAYMENT

- Student repays grant overpayment greater then $50 (per grant program) resulting from R2T4 calculation

INSTITUTION RESPONSIBILITY

EXAMPLES OF OVERPAYMENTS DUE TO INSTITUTION ERROR

- Incorrect COA

- Incorrect amounts awarded

- Interim disbursements/failure to complete verification

INSTITUTION RESPONSIBILITY

EXAMPLES OF OVERPAYMENTS DUE TO INSTITUTION ERROR

- Failure to communicate information to financial aid office

- Failure to complete required recalculations

- Incorrect R2T4 calculations

INSTITUTION RESPONSIBILITY

Question

Can the institution try to collect from the student the overpayment amount that the institution is required to repay?

Answer

Yes, you can attempt to collect the funds from the student.

But the institution is ultimately responsible for repayment. The overpayment (for which the institution is responsible) can never become the student's FSA debt.

The student does not lose Title IV eligibility, and you must not report the overpayment to NSLDS® or refer the overpayment to ED for collection.

STUDENT RESPONSIBILITY

WHEN STUDENT IS RESPONSIBLE FOR REPAYMENT...

Institution must notify student in writing to request repayment

Institution must consider student's claim that overpayment is an error

OVERPAYMENTS WHEN STUDENT DOES NOT BEGIN ATTENDANCE

STUDENT DOES NOT BEGIN ATTENDANCE

Disbursed Pell Grant, IASG, TEACH Grant, or FSEOG funds

- Must return funds even if disbursed directly to student

- Must complete mandatory recalculation if student begins *some* but not all classes

Disbursed Direct Loan Funds

- Must return loan funds disbursed to student's account

- For loan funds disbursed directly to student

  - Repay funds on behalf of student, or

  - Notify loan servicer of non-attendance – 30-day demand letter issued

STUDENT DOES NOT BEGIN ATTENDANCE

- Return funds no later than 30 days after institution became aware of nonattendance

- Institutions not required to take attendance

  - Return funds no later than 30 days after census date if used to report enrollment to state, local, or outside agencies

OVERPAYMENTS AND STUDENT WITHDRAWALS

INSTITUTION RESPONSIBILITY

- Never include overpayment created prior to withdrawal as *Amount Disbursed* or *Amount that Could Have Been Disbursed*

- Repay overpayment amount

- Repay any required amount of unearned Title IV aid

- Clearly differentiate overpayment/return amounts in institutional and student records

STUDENT RESPONSIBILITY

Student withdrew prior to earning 100% aid for period

- Document amount of overpayment created prior to withdrawal

- After R2T4 calculation completed
  - Reduce any post-withdrawal disbursement by overpayment amount, or
  - Increase student's responsibility to return by overpayment amount

STUDENT RESPONSIBILITY

Student withdrew after earning 100% aid for period

- Attempt to collect overpayment from student

- Refer student to ED Default Resolution Group if collection effort unsuccessful

INTERIM DISBURSEMENTS

INTERIM DISBURSEMENTS

Question

What is an interim disbursement?

Answer

An interim disbursement allows you to disburse and/or originate Title IV aid before completing verification, or after completing verification but before receiving the corrected SAR/ISIR.

You must have no reason to question the accuracy of information on the student's FAFSA® form prior to completing verification to implement this option.

34 CFR 668.58 and 668.61

INTERIM DISBURSEMENTS

Before completing verification or after completing verification but before receiving corrected SAR/ISIR	• Make one disbursement of Pell Grant or FSEOG for first payment period of award year • Permit FWS employment for first 60 consecutive days after student enrolls for award year • Originate Direct Subsidized Loan
After completing verification but prior to receiving corrected SAR/ISIR if award amounts not changed	• Make one disbursement of Pell Grant or FSEOG for first payment period of award year • Permit FWS employment for first 60 consecutive days after student enrolls for award year • Originate **and disburse** Direct Subsidized Loan

OVERPAYMENTS AND INTERIM DISBURSEMENTS

Overpayment resulting from Pell Grant or FSEOG funds

Reduce subsequent disbursement(s) for award year, or reimburse Title IV funds account	May request student to repay funds but institution ultimately responsible

Overpayment resulting from FWS program funds

Adjust student's other aid, or reimburse FWS program account	Must pay student for work completed

OVERPAYMENTS AND INTERIM DISBURSEMENTS

Reimbursement to Title IV program fund accounts must occur the earlier of:

- 60 days after the student's last day of attendance, or
- The last day of the award year

Institution responsible for overpayments resulting from interim disbursements

Student does <u>not</u> owe Title IV debt

Institution must <u>not</u> report overpayment to NSLDS® or refer debt to ED for collection

POTENTIAL OVERAWARD PROCESS (POP) AND CONCURRENT ENROLLMENT

POTENTIAL OVERAWARD PROCESS (POP)

Question

What is a Potential Overaward Process (POP)?

Answer

It is the situation that occurs when COD receives Pell disbursement records by multiple schools that cause the student to exceed 100% of the Scheduled Award. The POP limit is 150% of the Scheduled Award if the Additional Eligibility Indicator (AEI) has been set to "True".

COD also evaluates IASG POP situations.

POTENTIAL OVERAWARD PROCESS (POP)

Question

How does POP work?

Answer

COD initially accepts the disbursement with a potential overaward and notifies the institutions involved in the potential overaward:

1. Warning Edit 068

2. Pell POP report

3. Multiple Reporting Record (MRR) report

RESOLVING POTENTIAL OVERAWARD

- Resolve POP within 30 days

- COD reduces both institution's authorization to zero after 30 days

- Work with other institution and student to resolve issue

- Contact COD School Relations for "escalated mediation" if solution not reached

POTENTIAL CONCURRENT ENROLLMENT

Question

Is concurrent enrollment an issue when awarding Title IV aid?

Answer

A student cannot receive Pell Grant, IASG, or TEACH Grant for concurrent enrollment at more than one institution. COD identifies potential situations when more than one institution reports disbursements for a student and enrollment dates that are within 30 calendar days. COD notifies institutions using:

1. Warning Edit 069
2. Multiple Reporting Record (MRR) report

ADMINISTRATIVE CAPABILITY AND FINANCIAL RESPONSIBILITY

- Act on COD Warning Edits and reports

- Correct all overaward situations

- Check for concurrent enrollment

- Prevent repeat POP situations

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INADVERTENT OVERBORROWING

INADVERTENT OVERBORROWING

Question

What is inadvertent overborrowing?

Answer

Inadvertent overborrowing means that the student unintentionally received Title IV loan funds in excess of annual or aggregate loan limits.

Inadvertent overborrowing can occur through:

- School processing errors

- Missing or incorrect NSLDS® information

- Unintentional student error or omission

INADVERTENT OVERBORROWING

Generates SAR Comment Code and C Flag

Amount of inadvertent overborrowing = overpayment

Student must resolve overpayment to receive additional Title IV funds

Student regains Title IV eligibility by:
- Repaying excess amount borrowed in full, or
- Making satisfactory arrangements to repay excess amount
  - Includes consolidating loan or loans that created overpayment

INADVERTENT OVERBORROWING: REGAINING ELIGIBILITY

Direct Loan program

- Retroactive to beginning of academic year in which student resolved overborrowing

All other Title IV programs

- Beginning with payment period in which student resolved overborrowing

INADVERTENT OVERBORROWING: NOT REGAINING ELIGIBILITY

Higher Loan Limits – overborrowing not resolved

- Advancing to next grade level does not resolve overpayment

- Student still ineligible for Title IV aid

Exceeding Annual Loan Limit – overborrowing resolved

- May not receive additional Direct Loan type for same academic year

- May receive other Title IV aid if otherwise eligible

INADVERTENT OVERBORROWING: NOT REGAINING ELIGIBILITY

Exceeding Aggregate loan limit – overborrowing resolved

- May not receive additional Subsidized or Unsubsidized Direct Loans

- Dependent student's parent may borrow PLUS

- Graduate/professional student may borrow PLUS

DELIBERATE OVERBORROWING

- Inadvertent overborrowing = deliberate overborrowing by institution or student

  - Contact School Participation Division to report institutional or student deliberate action

  - Call Office of Inspector General Hotline at 1-800-MISUSED to report suspected fraud

REPORTING, REFERRING, AND RECORDING OVERPAYMENTS

REPORTING OVERPAYMENTS TO NSLDS®

Must report overpayments or changes to NSLDS® within 30 days of date institution learns of overpayment or changes

Only report unresolved overpayments that student must repay

Reduce Pell award by overpayment amount in COD *only if* student made payment to institution

REFERRING TO FSA DEBT RESOLUTION GROUP

- Refer Pell Grant, IASG, FSEOG, or TEACH Grant overpayment if collection attempts unsuccessful
  - Initial overpayment amount = $25 or more
  - Any amount over Campus-Based threshold

- Different step than reporting overpayment to NSLDS®
- Skip referral if institution repays liability on behalf of student

RECORDING PAYMENTS AND REDUCTIONS BEFORE REFERRAL TO FSA

Payments not sent to ED

Overpayment occurred in current award year

- Deposit funds in Title IV program account

- Reduce disbursement in COD

- Return funds through G5 or award funds to another student

RECORDING PAYMENTS AND REDUCTIONS BEFORE REFERRAL TO FSA

Overpayment occurred in prior award year

- Reduce disbursement in COD using same software used to create award

- Return funds through G5

ACCEPTING PAYMENTS ON REFERRED OVERPAYMENTS

- Option to continue accepting payments from student after referral

- Send payments to Default Resolution Group

- Record reductions and payments in COD by entering replacement value

R2T4 AND GRANT OVERPAYMENTS

Must notify student of overpayment within 30 days of date of determination

Student retains Title IV eligibility for 45 days from earlier of:

- Date institution sends overpayment notice
- Date institution required to notify student of overpayment

Title IV eligibility extends beyond 45 days when student:

- Repays overpayment in full, or
- Enters in repayment agreement with institution, or
- Enters in repayment agreement with ED

Must report overpayment to NSLDS and refer debt for collection after 45 days of no action by student

RESOURCES

FEDERAL STUDENT AID HANDBOOK

AVG, Chapter 4 — Verification, Updates, and Corrections

Volume 3, Chapter 3 — Calculating Pell and IASG Awards

Volume 3, Chapter 7 — Packaging Aid

Volume 4, Chapter 3 — Overawards and Overpayments

Volume 5, Chapter 1 — Withdrawals and Return of Title IV Funds (*Overpayments prior to R2T4*)

Volume 5, Chapter 2 — The Steps in a Return of Title IV Aid Calculation (*Step 10: R2T4 Overpayments*)

CODE OF FEDERAL REGULATIONS

34 C.F.R. §

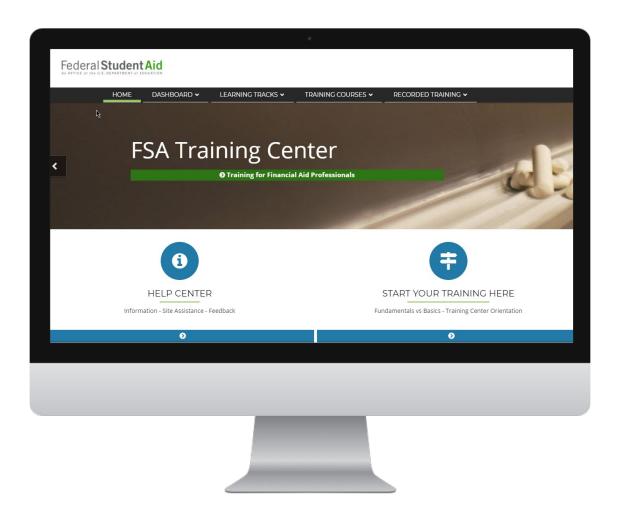|	
668.32	Student eligibility - general
668.35	Student debts under the HEA and to the U.S.
668.58	Interim disbursements
668.61	Recovery of funds from interim disbursements
673.5	(Campus-Based) Overaward
685.303	Processing (Direct) loan proceeds
690.11	Federal Pell Grant payments from more than one institution
690.79	Liability for and recovery of Federal Pell Grant overpayments

FSA TRAINING CENTER

fsatraining.ed.gov

Take advantage of the FSA Training Center!

- Learning tracks

- Training courses

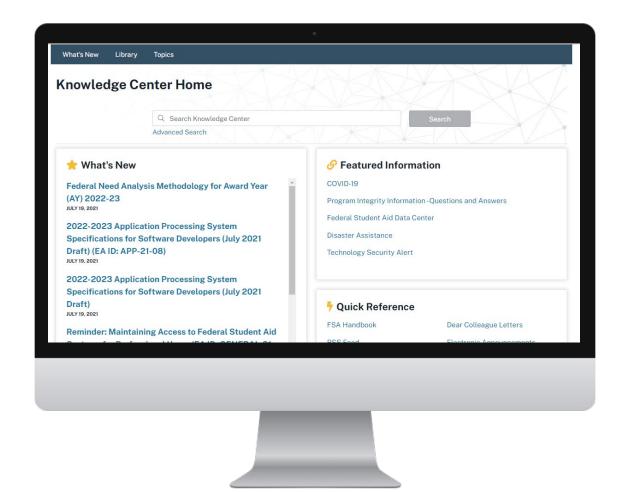- Recorded policy and how-to videos

- Software training

KNOWLEDGE CENTER

fsapartners.ed.gov/knowledge-center

Use the Knowledge Center for Title IV resources!

Subscribe for daily or weekly email updates.
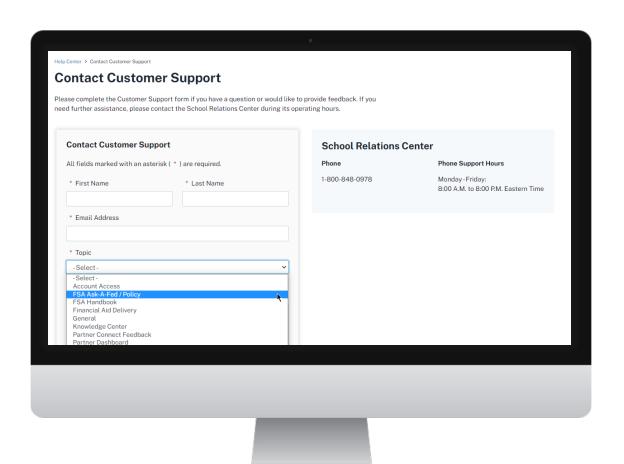
FSA PARTNER CONNECT HELP CENTER

fsapartners.ed.gov/help-center/

Use *Contact Customer Support Form* in Help Center to ask policy questions.

Choose "Ask A Fed/Policy" from Topic dropdown list.

TRAINING FEEDBACK

All attendees will receive email from FSA with online evaluation link

- Helps ensure quality training

- Informs FSA of areas for improvement

- Serves as effective tool for "listening" to our school partners

QUESTIONS