

# Overawards and Overpayments

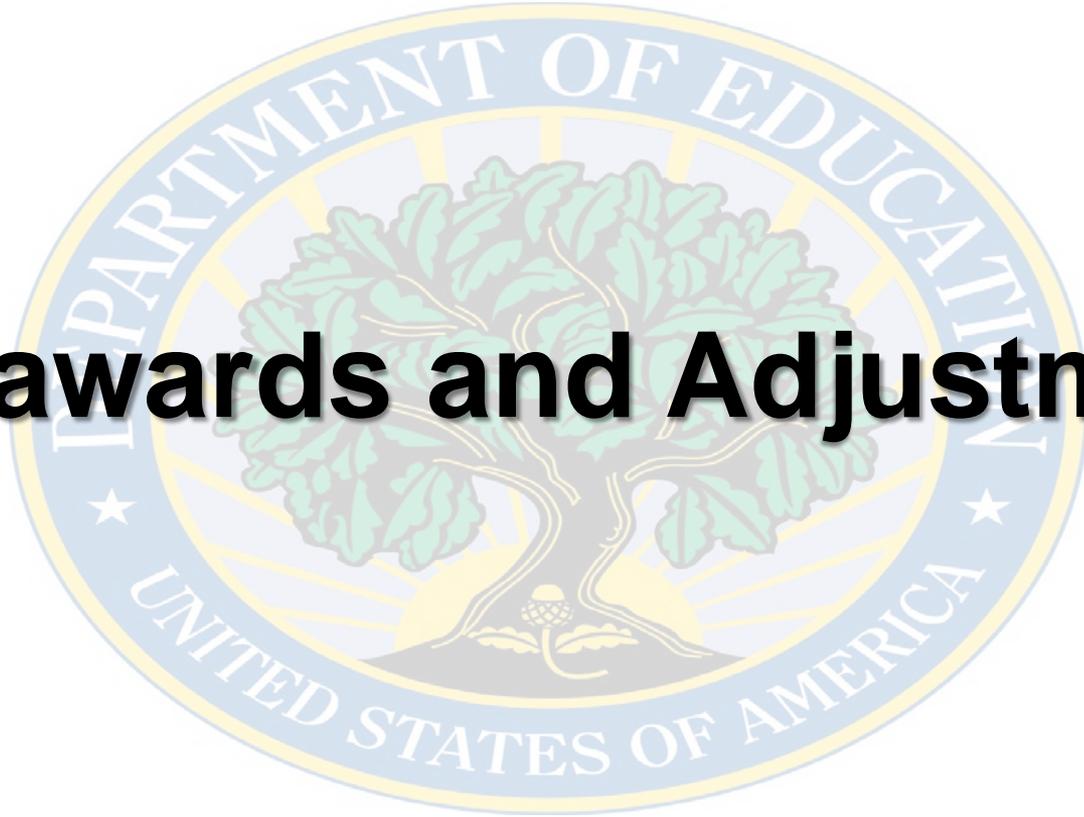
Nov 8, 2018

Kevin Campbell - Training Officer  
Region VI

United States Department of Education



# Overawards and Adjustments



# When Does an Overaward Exist

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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

# When Does an Overaward Exist

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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

# When Does an Overpayment Exist

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- 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 which they have no eligibility

# Adjusting Disbursements by Program Type

- If the school has not yet made a second or subsequent disbursement, an overaward could be reduced or 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)

# Adjusting Disbursements by Program Type

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

# 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 they can exceed a student's need. However, in combination with other EFA, they must not exceed Cost of Attendance.

# 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
  - 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

# 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 overaward by reducing future hours
- If there is still an overpayment after you have adjusted all other applicable aid, the school must reimburse FWS program from their own funds

# 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

# Adjusting Direct Loan Overawards

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- 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
  - Must still adjust other aid over which school has control (e.g., Campus-Based)

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# Overpayments Overview

# Treatment of Overpayments

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- Any 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 C.F.R. § 668.22
- When an overpayment occurs, the cause of the overpayment 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 R2T4 calculation the student must repay amounts of \$50 or more

# Overpayment—School Responsibility

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

# Overpayment—School Responsibility

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- 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 the Department
  - 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

# Overpayment—Student Responsibility

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- 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

# Student Fails to Begin Attendance

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- 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
  - Funds must be returned within 30 days after school became aware that student will fail or has failed to begin attendance (e.g., census date)
- 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
  - The ineligible portion of funds is considered a student overpayment. The school can correct it by adjusting future disbursements or, if that is not possible, require the student to return the ineligible portion of funds disbursed

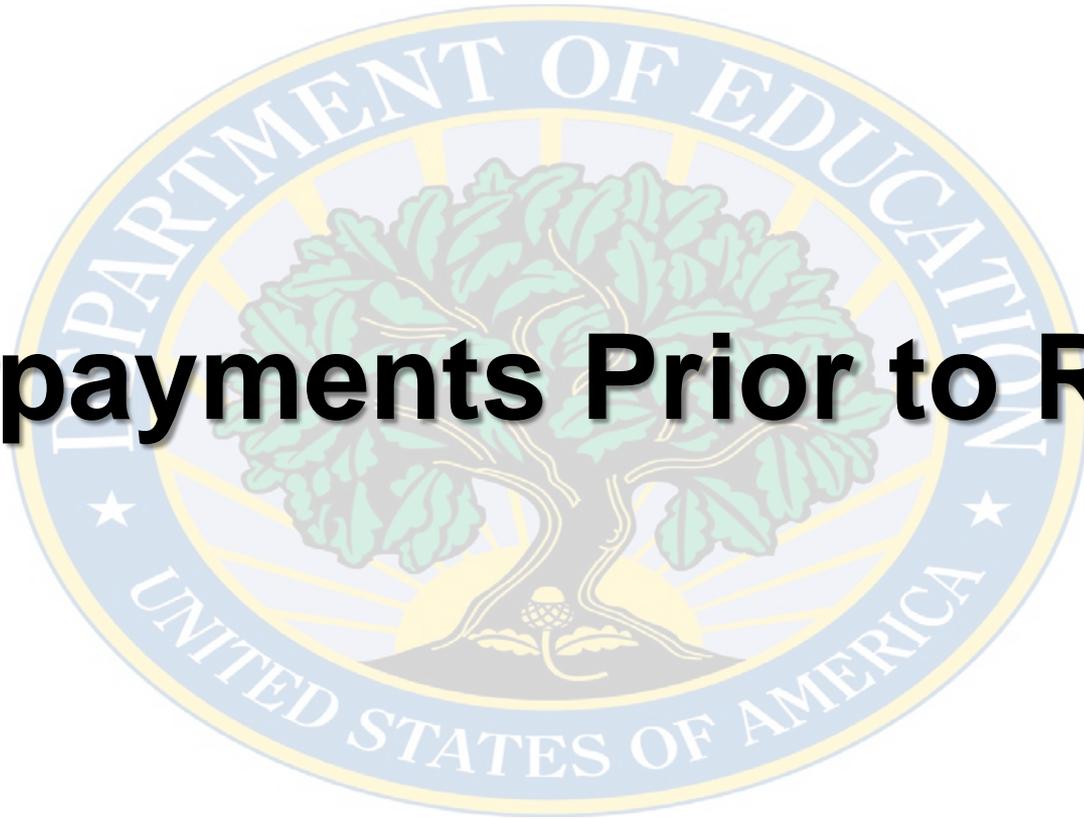
# Student Fails to Begin Attendance

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- 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 (only applies if school did not know at the time of disbursement that student would not begin attendance)
  - School may also choose to repay Direct Loan funds disbursed directly to student instead of initiating the demand letter process, but this is not required

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

# Overpayments Prior to R2T4



# Returning an Overpayment Before R2T4

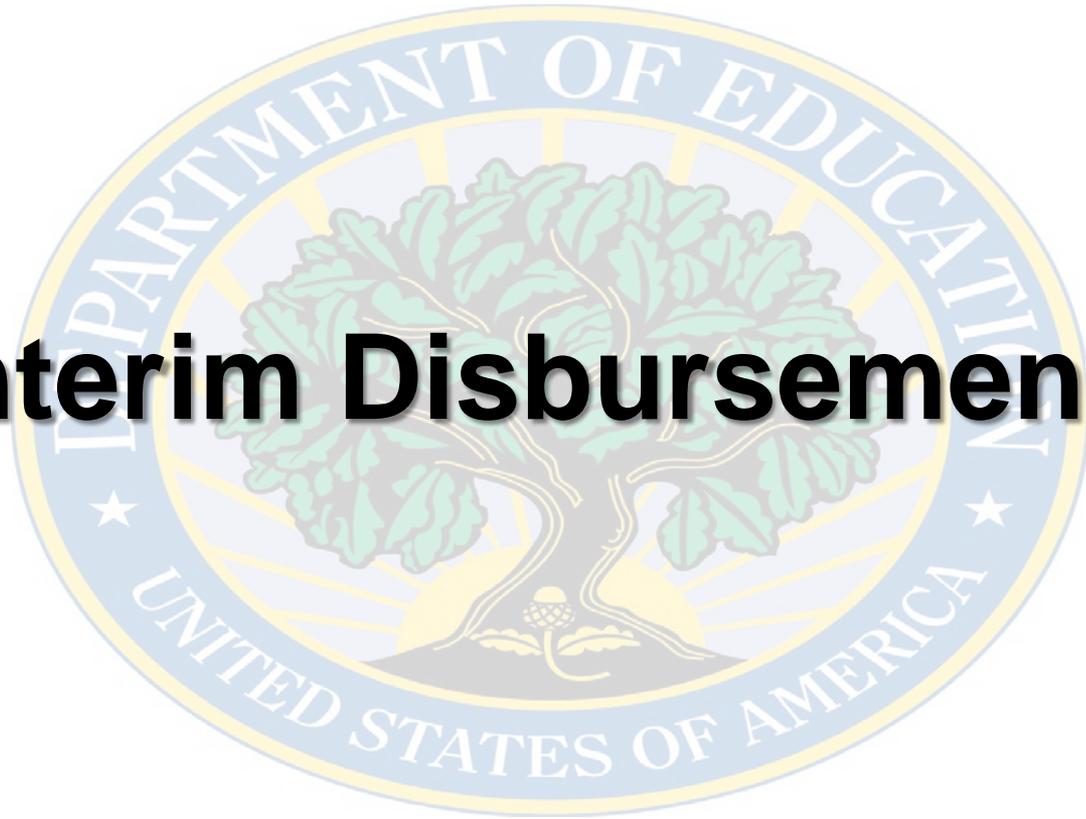
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- For a school liability overpayment that is determined to have occurred prior to a student withdrawal
  - The school must repay the overpayment prior to conducting a return calculation
  - The overpayment should not be included in the calculation

# 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

# Interim Disbursements



# Interim Disbursement Basics

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- 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 corrected 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

# 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 must 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

# Overpayments and Interim Disbursements

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- 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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# Overborrowing as an Overpayment

# Inadvertent Overborrowing

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- 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, incorrect, outdated NSLDS information
  - Unintentional student error or omission

# Inadvertent Overborrowing

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- 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

*If the student consolidates the loan(s) that exceeded the annual or aggregate loan limit, the student is considered to have made satisfactory arrangements to repay the debt and no additional action is required*

# Inadvertent Overborrowing

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- A 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

# Inadvertent Overborrowing

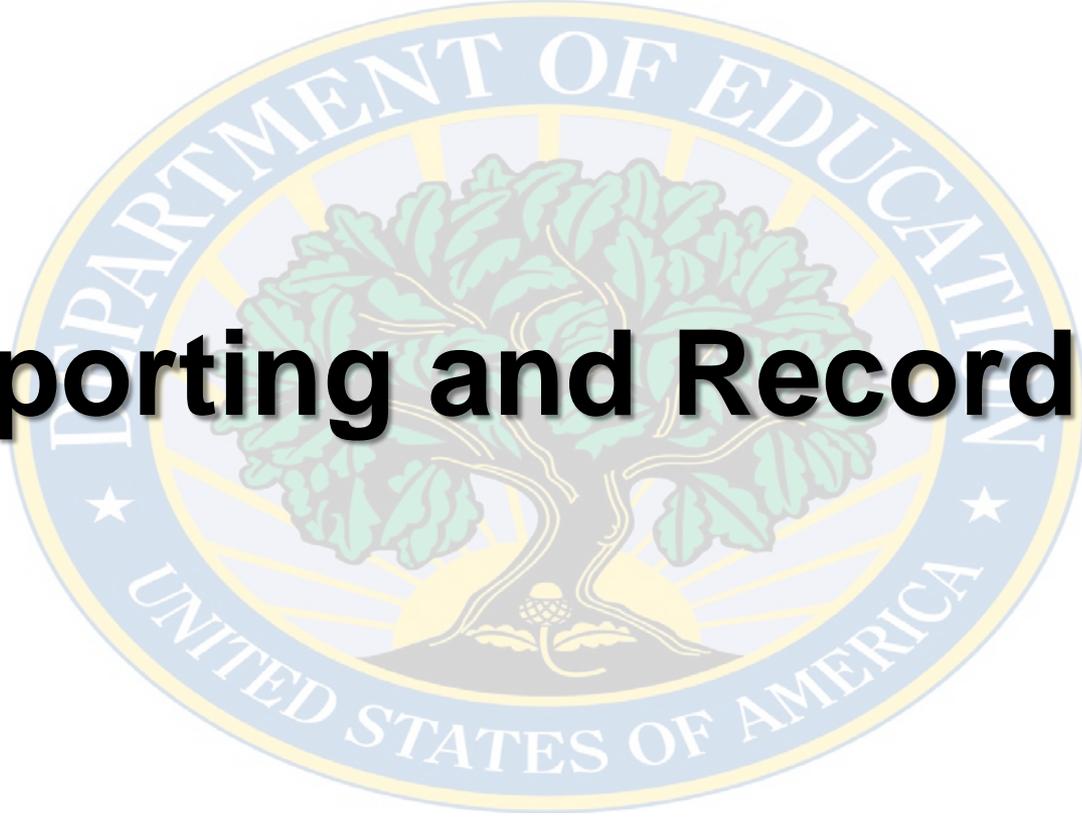
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- For a student who wishes to make satisfactory payment arrangements with the servicer,
  - The student must read, sign and return a “reaffirmation agreement” provided by the servicer
    - The reaffirmation agreement is an acknowledgment of a debt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

# Inadvertent Overborrowing

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- 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 the Office of Inspector General at 1-800-MISUSED

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# Reporting and Recording

# Reporting Overpayments NSLDS

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- 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

# Referral to Debt Resolution Group

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- If the school has not succeeded in collecting a student liability 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 report and refer the overpayment, it is liable and must repay the overpayment from its own funds

# Overpayments Resulting from R2T4

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- 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

# Overpayments Resulting from R2T4

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- 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 (school's option)
  - 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 ED Debt Resolution Group for collection

# Recording Payments and Reductions

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- 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

# Recording Payments and Reductions

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- 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, assuming it will not create excess cash
  - 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



# Resources

# Resources

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## 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

# Resources (cont.)

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## Federal Regulations – 34 C.F.R. §

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
673.5(d)	Campus-Based Overaward Tolerance
685.303(g)	Direct Loans
690.79	Pell Overpayments
690.11	Pell Concurrent Enrollment



# Contacts and Feedback



# Contact Information

Your Region VI Training Officers:

Trevor Summers

trevor.summers@ed.gov

214.661.9468

Rick Renshaw

rick.renshaw@ed.gov

214.661.9506

Kevin Campbell

kevin.campbell@ed.gov

214.661.9488



# Training Feedback

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To ensure quality training we ask all participants to please fill out an online session evaluation

<https://s.zoomerang.com/r/KevinCampbell-TX>

Survey feedback is a tool to help us improve our training, justify training/travel expenditures and to listen to our customers

Please provide any comments regarding this training or the trainer to:

Mark Gerhard, Title IV Training Supervisor

[mark.gerhard@ed.gov](mailto:mark.gerhard@ed.gov)

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