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Resolving Overawards & Overpayments

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Agenda

- Introduction
- Cost, Need, and Overawards
- Program Overaward Rules
- Overpayments and Resolution
- Best practices for avoiding overawards and overpayments

Introduction

- What is an overaward?
 - Student's aid package exceeds need or Cost of Attendance
 - Ineligible student awarded FSA funds
 - Student award exceeds annual or lifetime program limits
 - Student is awarded Pell or Iraq & Afghanistan Service Grant at multiple schools for same period of enrollment
- What is an overpayment?
 - School disburses funds to an overawarded student

Cost, Need, and Overawards

- Aid exceeds need or cost of attendance
 - Need equals Cost of Attendance minus EFC
- Common causes
 - Additional aid received after initial award
 - Changes to cost of attendance
 - Part time enrollment
 - Program changes
 - Residency change

Cost, Need, and Overawards

- Resolution
 - Proper resolution depends on source of overaward
 - Cancelling or reducing future disbursements often the best option
 - Reduction of need based aid (if need is exceeded)
 - Reduction of non-need based aid (if total aid exceeds costs)
- Competing regulations
 - If two or more overaward rules apply, you must enforce the most restrictive requirement

Program Overaward Rules

- Pell Grants
 - Pell should never be adjusted to resolve overaward
 - Resolution should come from reducing other aid sources
 - In certain cases, no resolution is necessary
 - Athletics or other large scholarship awards and no other FSA awards
- FSEOG
 - Campus based aid has \$300 overaward tolerance
 - Overaward must occur after initial award
 - No tolerance if student also awarded Direct Loan
 - Depends on institutional share method
 - If fund-specific match both federal and nonfederal share considered

Program Overaward Rules

- Federal Work Study
 - \$300 tolerance for overaward created after initial package created
 - May be resolved by reducing future hours
 - If overaward still exists school must replace federal funds with institutional funds
- Federal TEACH Grant
 - TEACH Grant in combination with other aid cannot exceed Cost of Attendance
- Iraq & Afghanistan Service Grant
 - Cannot exceed COA, but is not counted as EFA

Program Overaward Rules

- Federal Direct Loans
 - Subsidized loan may not exceed unmet need (COA-EFC-Estimated Financial Assistance)
 - Unsubsidized and PLUS loans may not exceed COA
 - Resolution options
 - Replace subsidized loans with unsubsidized
 - Reduce future disbursements
 - Return funds
 - If overaward situation occurs after direct loans are fully disbursed, no resolution is required
 - Institution may have an institutional policy

Overaward Example: Billy Pilgrim

- Billy Pilgrim is a sophomore at Ilium University. His cost of attendance is \$23,000 and his EFC is 0.
- Billy has a \$10,000 scholarship, and you award him a \$6095 Pell grant and a \$1500 FSEOG award, a \$4500 subsidized loan and a \$905 unsubsidized loan.
- Prior to disbursement, you get notification that Billy will receive a \$2,500 scholarship from the Tralfamadorian Society as a prize for his entry into a geodesic dome building contest.

Overaward Example: Billy Pilgrim

	Before	After	Resolved
Cost of Attendance	23000	23000	23000
EFC	0	0	0
Need	23000	23000	23000
Scholarship	10000	12500	12500
Pell	6095	6095	6095
SEOG	1500	1500	1500
Sub	4500	4500	2905
Unsub	905	905	0
Overaward	0	1595	0
Over COA	0	2500	0

- SEOG has \$300 tolerance, but because the award includes Direct Loans that tolerance cannot be exercised
- Overaward resolved by reducing least advantageous award to the student first

Overaward Example: Kilgore Trout

- Kilgore Trout is an incoming freshman at Midland City Community College. His COA living at home with his parent is \$12,290 and his EFC is 7525.
- Since he is not eligible for any grants, his award is a \$3500 subsidized loan, a \$2000 unsubsidized loan and his parents borrowed a \$6000 Parent PLUS loan. Half of each of the loans disburse for the fall semester.
- Halfway through fall, Kilgore files a special circumstances appeal and his EFC is reduced to 4200, making him eligible for a Pell grant.

Overaward Example: Kilgore Trout

	Total	Fall	Spring	Total	Fall	Spring	Total	Fall	Spring
COA	12290			12290			12290		
EFC	7525			4200			4200		
Need	4765			8090			8090		
Pell	0	0	0	1945	973	972	1945	973	972
Sub	3500	1750	1750	3500	1750	1750	3500	1750	1750
Unsub	2000	1000	1000	2000	1000	1000	2000	1000	1000
PLUS	6000	3000	3000	6000	3000	3000	4845	3000	1845
Over Need	0			0			0		
Over COA	0			1155			0		

- Pell awarded for both payment periods
- Overaward can be resolved by adjusting the future PLUS loan disbursement

Overpayments and Resolution

- If overaward is not corrected prior to disbursement it becomes an overpayment
- Overpayments must be returned to the Department of Education
 - If it is a school error, the school should return the funds
 - School may collect returned funds from student
 - If student misrepresentation school may report overpayment to ED

Overpayments and Resolution

- Common causes of overpayments
 - Unresolved overawards
 - Incorrect COA at time of disbursement
 - Required recalculations not performed
 - Student fails to begin attendance
 - Failure to complete verification after interim disbursement
 - Student receiving funds at two schools for same period of enrollment
 - Overborrowing loans
 - Student withdrawal after resolved overaward

Overpayments and Resolution

- Incorrect cost of attendance
 - Many institutions budget for 9 months full time when constructing packages
 - Regulations require proration of costs for less than full time students
 - Less than half time budget categories not allowed
 - Except for three semesters, no more than two of which can be consecutive
- Required recalculations not performed
 - Examples:
 - Part time Pell recipients
 - Pell LEU adjustments
 - Less than full time graduating students

Overpayments and Resolution

- Student fails to begin attendance
 - If disbursing aid prior to beginning of the term
 - Pell, FSEOG, IASG, TEACH grant funds disbursed must be returned
 - Direct Loan funds must be returned
 - If crediting the student bill, any funds posted must be returned
 - If disbursing directly to the student
 - Any funds directly disbursed to the student but used as payment for the payment period
 - Any funds directly disbursed to the student if the school knew student would not begin
 - If funds remain disbursed, school must notify servicer
- Expectation that the school will return funds within 30 days of determination that the student has not begun attendance

Overpayments and Resolution

- Failure to complete verification after interim disbursement
 - Pell or FSEOG
 - Must be returned to appropriate account no later than 60 days after last date of attendance or end of award year
 - Not reported to NSLDS as overpayment; school may collect funds
 - Federal Work Study
 - Student may work earn for up to 60 days on interim basis until verification is complete
 - School must replace federal share with institutional funds if verification not complete
- Direct Loans should not have been disbursed on interim basis

Overpayments and Resolution

- Student receiving aid at two schools for same enrollment period
 - Pell not permitted to be received in overlapping enrollment periods
 - COD will generate POP and MRR reports
 - Schools must work together to determine which school should process payment
 - If not resolved, ED will zero disbursements at both schools
 - Direct Loans
 - May be received at two schools at once
 - Schools must coordinate to ensure no overborrowing occurs and COA updated appropriately

Overpayments and Resolution

- Overborrowing Loans
 - If a student receives loan funds in excess of annual or aggregate limits
 - Examples:
 - School error
 - Missing NSLDS information
 - Student error or omission
 - Students who have overborrowed are ineligible to receive additional FSA funds until either
 - Repaid excess received, either directly or by consolidating loan
 - Satisfactory repayment arrangements, “Re-affirmation”

Overpayments and Resolution

- Student withdrawal after resolved overaward
 - If school has previously resolved an overaward by adjusting future disbursements and the student subsequently withdraws in payment period previously resolved overaward becomes overpayment
- Example
 - Diana Moon Glompers was originally awarded based on her first FAFSA with a zero EFC. Bergeron University decided to pay an interim disbursement of \$3047.50 Pell and \$750 FSEOG for the fall term.

Overpayments and Resolution

Student withdrawal after resolved overaward example, cont.

- Once verified it turned out Diana's EFC is actually 650. She is still qualified for the FSEOG award based on Bergeron's selection criteria, but her annual Pell award has to be reduced from \$6095 to \$5445, or \$2722.50 per semester.
- Because Diana has already received a refund, Bergeron reduces her spring Pell grant to \$2397.50 for a total of \$5445.
- Diana subsequently withdraws from fall semester
- Prior to completing the R2T4 for fall, Bergeron must reduce the disbursed Pell to \$2722.50

Best Practices

- Policies and Procedures
 - Remember most restrictive rule “wins” for students with multiple FSA awards
 - Consider effects of institutional aid on overaward policy
 - Aim for equity & fairness as well as compliance
- Quality Assurance measures
 - System controls
 - Reports
 - Recalculate awards and budgets as frequently as your system can accurately do so

Best Practices

Avoiding Overawards

- Make use of estimated fund placeholders for known awards
 - Tuition waivers/remission
 - Scholarship renewals
- Complete verification prior to awarding
- Package to target rather than full COA
 - Exclude indirect costs
 - Exclude amount of EFC
 - Exclude PLUS

Best Practices

Avoiding & resolving overpayments

- System controls
 - Disbursement holds
 - Refund holds
- Monitoring NSLDS generated (“pushed”) ISIRs
- Frequent reviews & recalculations
- Timely returns and adjustments
 - Helps student
 - Helps institution

Resolving Overawards and Overpayments

- Questions?



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