

# 5 Funding & Disbursements

## OVERVIEW OF DRAWDOWN & DISBURSEMENT PROCESS

This chapter describes how a school receives Direct Loan funds from the Department's G5 Payment System, and how a school disburses those funds to its students.

Schools use the G5 System to:

- view current funding information,
- return cash, and
- request payments and adjust drawdowns (Advanced Payment schools).

The funds that a school receives must be substantiated by the actual disbursement amounts reported through the Common Origination and Disbursement (COD) System, as discussed in the previous chapter.

FSA regulations require that schools separate the functions of authorizing payments to students and disbursing payments to students. At many schools, the financial aid office is responsible for authorizing payments while the business office handles disbursements, but the division of functions may vary from school to school. The cash management activities in this chapter are usually handled by a school's business office, but require close coordination with the financial aid office.

Disbursement and cash management activities are part of the larger process of handling funds for *all* the FSA programs. Fiscal officers should be familiar with the requirements described in the *FSA Handbook* and the *Blue Book* (see sidebar).

## Topics

### Overview

- DL funds are delivered through G5 Payment System, based on actual disbursement amount reported through COD.

### Funding Methods

- Advance Funding vs. Pushed Cash

### Disbursing DL Funds

- Methods of disbursement
- Timing of disbursements
- Excess Cash

### Verifying Student Eligibility @ Disbursement

- Common changes that affect eligibility include: enrollment status, satisfactory academic progress, default/overpayment status.

### Notification to Borrower & Opportunity to Cancel Loan

- Maximum time limit for cancellation is 120 days after disbursement.

### Returning DL Funds

- Return to G5 System (or by check to COD)
- Return to DL Servicing

### G5 System (formerly GAPS)

Web site: [www.g5.gov/](http://www.g5.gov/)

Hotline: 1-888-336-8930

### Guidance for business officers

Disbursement and cash management issues for all the FSA programs are discussed in Volumes 4 and 5 of the *Federal Student Aid Handbook*, and the *Blue Book: Accounting, recordkeeping and reporting for the FSA programs*. Both of these publications are available on the IFAP Web site ([ifap.ed.gov](http://ifap.ed.gov)).

## Setting up funds transfers

### Grant Award Number

You will request ED funds by grant award number, which is a unique, 11-character number that identifies each grant award issued by a specific office to a specific grantee. The grant award number can be found on the grant award notices issued to your school and on your account page when you log in to the COD Web site. Below is an example of a Direct Loan grant award number:

**P268K089999**

↑ ↑ ↑  
 9999=The last 4 numbers are the unique school identifier  
 08=Last two digits of the funding fiscal year\*  
 P268K=Identifies the Direct Loan Program

\* note that these two digits refer to the year in which the award year ends (for instance, "08" corresponds to the 2007-2008 award year).

### Setting up a G5 account

To use the G5 payment system, your school —

- must have a Data Universal Numbering System (DUNS) Number from Dun & Bradstreet <http://www.dnb.com>
- submit a Direct Deposit Form (SF1199A) to the U.S. Department of Education, FB6, Rm 4E117, Washington DC, 20202, and
- complete an External Access Security Form (available at [www.g5.gov](http://www.g5.gov)) to obtain a G5 User ID.

Schools can choose to have ED funds transmitted to their school bank account through the Automated Clearing House (ACH), which is free), or the FEDWIRE transmission method.

### Bank Account

A school can use a single bank account for all FSA funds, including DL funds as long as the school can identify and keep track of the funds belonging to the DL Program. However, a separate bank account makes it easier to keep track of and reconcile DL funds.

A school must maintain FSA funds in an interest-bearing bank account or an investment account unless one of the following conditions applies —

- The school drew down less than a total of \$3 million of those funds in the prior award year and anticipates that it will not draw down more than that amount in the current award year.
- the school can demonstrate that it would not earn over \$250 in interest on the funds it will draw down during the award year, or
- The school requests funds under the Pushed Cash.

If a school maintains FSA funds in an interest-bearing or investment account, the school may keep the initial \$250 it earns on those funds during an award year. By June 30 of that award year, the school must send any earnings over \$250 to the Department via the G5 system.

Several other requirements apply to bank or investment accounts that contain FSA funds:

- the account must be federally insured or secured by collateral of value reasonably equivalent to the amount of those funds.
- the name of the account must include the phrase "Federal Funds"; or the school must notify the bank or investment company of the accounts that contain FSA funds. (Nonpublic institutions must also file a UCC-1 statement disclosing that the account contains Federal funds with the appropriate State or municipal government entity.)

## FUNDING METHODS

At the time a school is approved to participate in the Direct Loan Program, the Department designates a funding method in which the school will receive Direct Loan funds. Currently, there are two primary methods under which a school receives Direct Loan funds from the Department:

- Advance Funding (school requests funds), and
- Pushed Cash (ED transmits funds automatically to cover the school’s reported disbursements).

There are also some circumstances in which a school will be placed on a reimbursement or cash monitoring system, in which case the school will only receive funds after the request is reviewed by Program Review staff.

### Advance Funding

Schools that have been approved for the Advance Funding method must request Direct Loan funds directly through the G5 payment system. These schools receive an initial Current Funding Level (CFL) at the beginning of the award year, against which they can draw funds.

Advance Funding schools may request DL funds from the G5 system before or after disbursing aid to eligible students and parents. As a school submits Actual Disbursement records to COD that substantiate the school’s drawdowns, the school’s CFL may be automatically increased if it appears that the school will need additional funds to make future Direct Loan disbursements.

Schools under the Advance Funding method should time their submission for Direct Loan funds in order to ensure that, once they are received, the funds will be disbursed within the 3 days allowed under the cash management regulations. The following chart illustrates the respective time-frames for receiving funds by ACH or FEDWIRE.

Your school’s internal system should ensure that the business office knows the amount of DL funds that are needed to pay eligible students, and that it only requests funds that are needed for disbursements within 3 days of receipt of funds.

#### Timeframes for ACH/EFT vs. FEDWIRE

<i>If request is submitted:</i>	<i>Funds are received:</i>
By ACH/EFT .....	On 2nd business day
By FEDWIRE before 2 PM ET .....	On same business day
By FEDWIRE after 2 PM ET .....	On next business day

#### Changing funding methods

The Department decides which funding method a school uses to request FSA funds. (34CFR668.162)

However, if your school is using Advanced Funding, it may contact the COD School Relations Center to request a change to Pushed Cash. (You will need to provide your school’s OPE ID and its COD ID.)

Note that HCM 2 and Reimbursement schools are not eligible to change funding methods.

See: DLB-03-47 (December 2003)

#### Funds sent via G5 and Federal Reserve System

Schools receive funds when the Department’s G5 system forwards a payment request to the Federal Reserve System. The Federal Reserve System will then wire the funds to the bank account that a school has designated to receive FSA funds.

#### Current Funding Level (CFL)

The initial CFL is an amount calculated by ED that determines amount of funds that a school is authorized to drawdown. The initial CFL is calculated at the beginning of the award year, based on a percentage of the school’s actual disbursements reported for the prior year. This amount will be increased throughout the award year, based on the school’s reporting of actual disbursements to the COD system.

**Reports: Pending Disbursement List**

Each week, the COD system sends a Pending Disbursement List to your school showing all disbursements that are scheduled to take place within the next 45 days or anytime in the past. This reminder gives you a chance to make changes to the disbursement date or amount. (You can change this report option on the COD Web site.)

When an Advance Funding school estimates its drawdown request for DL funds, it must take into account how much it plans to disburse, compared to the amount of any DL funds the school has on hand from previous requests that were not disbursed.

Also bear in mind that you will be requesting funds to cover the *net disbursement amounts* that your students will be receiving, after the origination fee has been deducted and the interest rate rebate had been added (see Chapter 3).

**Requesting DL funds through the G5 system**

After logging into the G5 system, you will select “Create Payment Request – Direct Loan” and identify your school by entering its name or DUNS number. The payment screen will show your school’s Net Authorization (Current Funding Level) and the Available Balance for Direct Loans.

All Direct Loan award numbers begin with the “P268K” prefix, but are differentiated by award year and school identifier. One of the more common aid accounting problems is when funds are drawn from the wrong award year. Be sure to check the two digits after the “K” in the account number to make sure what funds you will be drawing. For instance, “08” corresponds to the 2007-08 award year, and an “08” payment request must be reconciled to 07-08 student disbursement records submitted through COD.

There may also be multiple accounts for different school branches that use the same DUNS number, so you should also be careful to identify the recipient for whom you are drawing funds.

In this example, the school’s business office is submitting a request for \$100,000 in 06-07 Direct Loan funds for its Heritage-Denver campus. If the business office accepts the default Deposit Date shown in the G5 system, then it will have until April 25 (3 business days) to disburse these funds to borrowers who are eligible for 2006-07 Direct Loan awards at the Heritage-Denver campus.

Award No.	Payment Amount (\$)	Deposit Date (MM/DD/YYYY)	Recipient Reference	Available Balance	Net Authorization	Last Day to Draw	Bank Account	Flag
P268K060905	<input type="text"/>	04/22/2008	05/06 HERITAGE DE	\$0.00	\$3,170,044.00	01/03/2012	*****1227 (ACH)	Stop Payment
P268K065352	<input type="text"/>	04/22/2008	05/06 HI KC	\$0.00	\$3,213,312.00	01/03/2012	*****1227 (ACH)	Routing
P268K070905	100,000.00	04/22/2008	06/07 HERITAGE DE	\$1,687,347.00	\$2,548,905.00	01/03/2012	*****1227 (ACH)	
P268K075352	<input type="text"/>	04/22/2008	06/07 HI KC	\$1,613,166.00	\$2,321,953.00	01/03/2012	*****1227 (ACH)	
P268K080905	<input type="text"/>	04/22/2008	07/08 HI DENVER DI	\$461,949.00	\$520,938.00	12/31/2012	*****1227 (ACH)	
P268K085352	<input type="text"/>	04/22/2008	07/08 HI KC	\$358,880.00	\$363,478.00	12/31/2012	*****1227 (ACH)	
P268K085954	<input type="text"/>	04/22/2008	07/08 HI WICHITA	\$50,000.00	\$50,000.00	12/31/2012	*****1227	

## Pushed Cash

Schools that receive funds through *Pushed Cash* do not request funds directly through the G5 payment system. COD pushes funds (automatically sends electronic payments) through the G5 system to a school based on actual disbursement records submitted and accepted by COD. (Actual disbursement records are set to “True” in the Disbursement Release Indicator field, as described in Chapter 3.) Remember that you may not submit actual disbursement records to COD until 7 days before the disbursement date.

For instance, if you submit actual disbursement records to COD on September 10 indicating that the disbursements will be made on September 17, and COD accepts those records, then the funds will be sent to your school’s bank account. You will then have 3 days to disburse the funds to the student, for instance, by crediting the student’s account.

When sending in actual disbursement records, keep in mind that you must allow sufficient time for COD to process the records and initiate the funds transfer through the Department’s G5 payment system. Depending on your school’s banking institution and the timing of the deposit, it may take 24-72 hours for your school to receive the funds.

## Reimbursement & Cash Monitoring

Under reimbursement or cash monitoring, the Department releases funds to a school only after the school has made the disbursement to the student (or parent borrower); a school must then request funds from the Department.



### Funded Disbursement List

Pushed Cash schools receive a daily Funded Disbursement List that shows:

- All funded/actual disbursements (DRI = true) accepted for the reported date and award year.
- Any previously reported downward adjustments not yet been netted against calculated funding.
- Information on refunds of cash received that may impact its funding calculations, and the total payment it should expect to receive for the reported date.

### HCM1 or HCM2 Monitoring

A school receives funds through HCM1 or HCM2 either because it is not financially responsible, or qualifies as a financially responsible school under the Zone Alternative in 34 CFR 668.175(d). Administration of the reimbursement or cash monitoring payment method must be audited every year.

## Reimbursement & Cash Monitoring: documentation requirements

**Reimbursement** As part of its request, a school must identify the students and parents they paid, and submit documentation demonstrating that each student and parent included in the request was eligible to receive, and received, Direct Loan funds. A school’s reimbursement request is approved if the Department determines that each student and parent included was eligible for the type and amount of funds received. If the request is approved, the Department transfers electronically the appropriate amount of FSA funds to a school’s bank account.

**Cash Monitoring** As with the Reimbursement method, the Department releases funds to a school after a disbursement is made to the student or parent borrower. However, the Department might relax the documentation requirements, and provide funds to a school in one of two ways:

**Heightened Cash Monitoring 1 (HCM1)** After a school makes disbursements to eligible students, it draws down FSA funds (Advanced Payment) or is sent funds (Pushed Cash) to cover those disbursements.

**Heightened Cash Monitoring 2 (HCM2)** This is only used for Pushed Cash schools—after a school makes disbursements to eligible students, it submits only the documentation specified by the Department. The Department may tailor the documentation requirements for schools on a case-by-case basis.



### The 30-day Warning Report

If COD has accepted award information from your school, but it has remained unbooked for 30 days, the award will appear on the 30-Day Warning Report. (Unbooked MPNs listing your school will also appear on this report.) Once the unbooked award or MPN has been listed on the report, it will remain on the report for up to 90 days, or until it is booked (whichever occurs first). Therefore, the 30-Day Warning Report can be used to:

- ▶ Identify unbooked award records and which information is still outstanding to book the loan (MPN and/or an initial actual disbursement). This information can be found in the “Loans Pending Booking Section” of the report.
- ▶ Identify MPNs that have not been linked to an award record and are still available for linking. This information can be found in the “Promissory Notes Without Origination Records Section” of the report.
- ▶ Compare against awards, disbursements, and promissory note data in your school’s internal database/records.

For more specific information, refer to the *COD Technical Reference*, Volume VI, Section 8.

In order to continue to follow the student, you may be able to use the student level disbursement data on your Direct Loan School Account Statement (see Chapter 5 for more information on Reconciliation and the SAS).

### Checking for MPN prior to disbursement

A school must confirm that there is a valid, signed MPN for the student or parent before making a Direct Loan disbursement. You can check the eMPN Web site to see if the student or parent has filed the MPN electronically. (If the student or parent designated your school on the eMPN, you will receive an acknowledgement (CRPN message class).

Also note that, beginning in 2008, an MPN has to be on file at COD for actual disbursements to be accepted by the COD system.

(See Chapter 2 for more about the “Master Promissory Note.”)

## DISBURSING DIRECT LOAN FUNDS TO THE STUDENT OR PARENT

### Methods of disbursement

Most schools will first disburse Direct Loan funds by crediting the student’s school account to pay for school charges, such as tuition and fees. A school then notifies the student that the account has been credited.

If your school obtains prior written authorization from a student (or parent borrower) you may:

- use FSA funds (including FWS) to pay for allowable school charges other than tuition, fees, and room and board if the student contracts with the school, or
- apply FSA funds to minor prior-year charges.

If the amount of aid is greater than the school charges, you must pay the balance to the student for living expenses. If you get prior written authorization, you may hold an FSA credit balance for disbursement later in the payment period. If you don’t have written authorization to hold the credit balance, you must pay it directly to the student or parent within 14 days of the first day of classes for that payment period, or, if you credited the student’s account after classes began, within 14 days after the date that the balance occurred on the student’s account.

You may pay the student or parent directly by cash, issuing a check, or using Electronic Funds Transfer (EFT). (Note that stored-value and debit cards are considered forms of EFT.)

These requirements apply to all FSA funds, and are described in more detail in Volume 4 of the *FSA Handbook* and Chapter 13 of the *Blue Book*.

### Timing of disbursements

The rules for the timing of disbursements were discussed in Chapter 3 because it is the financial aid office that will usually determine the anticipated and actual disbursement dates and report them to the COD system. In summary, these rules govern:

- the number of disbursements to be made,
- when the school can disburse funds prior to the beginning of classes,
- when first disbursements must be delayed for first-time borrowers,
- when subsequent disbursements can be made in a program that does not use academic terms, and
- the rules for making a “late disbursement” after the student has dropped below half-time enrollment.

## Excess cash

In general, a school must disburse Direct Loan funds to the borrower by the end of the 3rd business day following the date the school receives those funds from the Department. If the funds are not disbursed by the end of the 3rd business day, it becomes “excess cash.”

A school may maintain for up to 7 days an amount of excess cash that does not exceed 1% of the total amount of funds the institution drew down in the prior award year. After this 7-day period, your school must return immediately to the Department any amount of excess cash over the 1% tolerance and any amount remaining in its account.

### Excess cash & tolerances

34CFR 668.166

### Actual disbursement date

The actual disbursement date that you report to COD is the date your school:

- credits Direct Loan funds to a student’s account,
- cuts the borrower a check for the funds, or
- pays the student using school funds in advance of Direct Loan funds (see below for limitations).

Please bear in mind that the student or parent must have a valid, signed MPN on file before you can make a Direct Loan disbursement.

The actual disbursement date that you report to COD is important because several regulatory requirements are based on that date. For instance, the school must make this disbursement within 3 days of receiving the funds. Also, schools must notify a student of a loan disbursement no sooner than 30 days before the date of disbursement and no later than 30 days after the disbursement. The disbursement date also determines when the student or parent assumes responsibility for the loan and has the right to cancel the loan.

### Disbursement date when school funds are used

When using school funds instead of FSA Funds there are two situations where the disbursement is considered to have taken place on the earliest day that the student could have received FSA funds rather than the actual disbursement date:

1. If a school credits a student’s account with its own funds earlier than 10 days before the first day of classes of a payment period, that credit is not considered an FSA disbursement until the 10th day before the first day of classes (the earliest a school may disburse FSA funds).
2. If a borrower is subject to the 30-day disbursement delay and a school credits the student’s account with its own funds before the 30 days have elapsed, this is not counted as an FSA loan disbursement until the 30th day after the beginning of the payment period.

For additional information see: Chapter 14, *The FSA Blue Book*.

### Delayed Attendance

Students who begin attending school late, but begin attendance within 30 days of the start of the enrollment period, may be considered to have maintained eligibility for a loan from the first day of the enrollment period.

### Students who don't begin attending classes

If a student withdraws or is expelled before the first day of class or fails to attend classes, or the student's attendance at the school cannot be documented for the enrollment period covered by the loan your school must—

- ▶ return Direct Loan funds and/or notify the Department, as described in Volume 5 of the *FSA Handbook*, and
- ▶ notify the Direct Loan Servicing Center within 30 days from the date of withdrawal.  
34 CFR 685.303(b)(3)

### Disbursements when a school loses eligibility

If a school loses eligibility, it may still be able to complete some FSA disbursements to students who have received prior disbursements. See the *FSA Handbook*, Volume 2, Chapter 10.

## VERIFYING STUDENT ELIGIBILITY AT THE TIME OF DISBURSEMENT

The financial aid office certifies the student's eligibility when the loan is originated. However, you must also ensure that the student is still eligible when the business office disburses the loan.

The most common change that would make a student ineligible for a Direct Loan disbursement is dropped classes. If a student drops below half-time enrollment, he or she will no longer be eligible for a Direct Loan, so it is important that your school have a system to check the student's enrollment status at the time of disbursement.

If the student has dropped below half time temporarily, you may make the disbursement after the student resumes at least half-time enrollment. However, you must make sure that the student continues to qualify for the entire amount of the loan—a change in enrollment status may have resulted in a significantly lower cost of attendance.

Another student status that may have changed is satisfactory academic progress. For instance, the student may have been making satisfactory academic progress when award letters were mailed in the spring term, but may no longer be making progress when he or she comes to the business office to receive the disbursement at the beginning of the fall term.

Similarly, prior loan amounts or a default or overpayment may not show up on the student's NSLDS record until after the loan was originated. Schools can track these changes by reviewing updates to the student's ISIR information—these NSLDS changes will be sent to the school automatically. It's especially important to report any transfer students to the NSLDS system, so that their status can be automatically monitored for change, since they may have received aid from the prior school that was not updated in NSLDS until after loans were certified at your school.

Finally, your school should have an effective tracking system to ensure that first-time borrowers have completed entrance counseling as required, before it disburses Subsidized or Unsubsidized loan funds to them. Also note that Graduate/Professional students who are borrowing a PLUS loan must complete entrance counseling before you may disburse PLUS loan funds to them.

You may use the borrower counseling reports provided by the Direct Loan Servicing System to document that borrowers have completed entrance counseling on the DL Servicing Web site. If you conduct in-person counseling, be sure to document who has completed the counseling. The best way to do this is to have students fill out and sign the Borrower Rights and Responsibilities Summary Checklist at the back of the *Entrance Counseling Guide*. (See Chapter Six for more information on counseling resources.)



## NOTIFICATION TO BORROWER AND OPPORTUNITY TO CANCEL LOAN

A school must notify the student or parent in writing (either paper or electronic message) of the date and amount of the disbursement. The notice must also explain the student's (or parent's) right to cancel all or part of the loan or disbursement, how the borrower can request the cancellation, and the time-frame for making such a request.

- If your school received *affirmative* confirmation from the student before disbursing the loan, you must send the notice no earlier than 30 days before, and no later than 30 days after your school credits the student's account.
- If your school didn't receive affirmative confirmation before disbursing the loan, you must send the notice no earlier than 30 days before, and no later than 7 days after crediting the student's account.

If the student or parent borrower wishes to cancel all or a portion of a loan, he or she must inform the school.

- If your school received *affirmative* confirmation, it must honor a borrower's request that is received before the start of the payment period, or if it receives the request within 14 days after it sent the notice to the borrower.
- If your school didn't receive affirmative confirmation before disbursing the loan, it must honor a borrower's request that is received within 30 days after it sent the notice to the borrower.

If you receive a student's or parent's request for cancellation after these dates, you have the option to honor the request, provided it is within 120 days of the disbursement date. Regardless of when the request is received, you must inform the student or parent of the outcome of the request.

If more than 120 days has elapsed, or you deny the request because it is beyond the mandatory cancellation period, the borrower may simply repay the amount directly to the Direct Loan Servicing Center. However, you should advise the borrower that after 120 days, he or she is responsible for paying loan fees and any accrued interest on the amount canceled.

If you have disbursed some of the funds to the student or parent prior to receiving the request, you are not required to return those funds to the DL Servicing Center—the borrower should send the funds directly to the Center (see sidebar).



### Required school notifications cite

34 CFR 668.165

New timeframes for sending notices and requesting loan cancellation are effective July 1, 2008.

### Electronic notification

34 CFR 668.165(a)(3)(ii)

If you are notifying the student of the next disbursement by electronic mail or other electronic means, you are encouraged to follow up on any electronic notice for which you receive an "undeliverable" message.

### Affirmative confirmation

Affirmative confirmation means that the school collects written confirmation of the types and amounts of FSA loans that a student wants for an award year before it credits the student's account with those loan funds.

### How borrowers can return Direct Loan funds

If the student or parent borrower decides to return Direct Loan funds, he or she can send the check to:

U.S. Department of Education  
Attention: Payment Center  
P.O. Box 530260  
Atlanta, GA 30353-0260

To ensure that the payment is properly credited, the borrower needs to include a cover note stating whether the funds are for a loan payment or for canceling (inactivating) the loan. The note should indicate which loan or loans the funds should be applied to, and in what amounts (if repayment is being split between loans).

### Loan Disclosure Statement

The school's notification of a disbursement should not be confused with the Disclosure Statement that must be sent to the student or parent.

The COD system will provide a this Disclosure Statement to the borrower, unless your school elects to do so. In addition to information about canceling the loan, this disclosure will include current information that is specific to the student's loan, such as loan period, gross loan amount, anticipated disbursement dates, and the loan fee amount.

## Returning funds to COD by check

If you find it necessary to return cash amounts by check, please use the following COD School Relations address:

U.S. Department of Education  
Attention: Refunds of Cash  
P.O. Box 9001  
Niagara Falls, NY 14302

Please include a completed Direct Loan Refunds of Cash form with your check, and also note your school code and the award year on the check itself. If you are returning funds for more than one school, please send a separate form and a separate check (or separate checks) for each school.

(See DLB-08-01 for more information, and a copy of the Refunds of Cash form.)

## RETURNING DL FUNDS

### Returning excess cash, overpayments, & canceled loan funds

There are several situations where you may need to return Direct Loan funds to the G5 payment system (electronically) or by mail to the COD School Relations Center:

- If your school draws down DL funds but does not deliver them to students within 3 business days (or within an additional 7 calendar days in certain circumstances).
- If you must return an overpayment of DL funds, in accordance with FSA regulations.
- If the borrower wishes to cancel all or a portion of a loan within the allowable time-frame, not to exceed 120 days from the date of disbursement (see previous section).

We strongly encourage schools to use the G5 payment system (formerly GAPS) to return any cash to the Department. Refunded cash amounts of \$100,000 or more **MUST** be returned electronically via G5.

When returning cash to the G5 system or COD, you must also update the borrower's COD record to reflect the changed disbursement amount.

## Returning funds through the G5 Web site

To return cash electronically, go to the G5 Web site, login, and select "Refunds to Open Awards." You will be transferred to the Electronic Refunds Web site (see below). You can enter refund amounts in the blank data boxes for any of the open awards on this screen. (Note that the payment system describes these as "refunds"—when tracking these amounts through the School Account Statement, they will be counted as "returns of cash.")

Department of Education  
**e-REFUNDS**

PRIVACY CUSTOMER SERVICE HELP EXIT

**Refunds to Open Awards**

Select an award by entering a refund amount. When you are finished entering refund amounts, click the 'Add Refund Amounts to Selected Refund List' button. Browse through available open awards to refund by using the buttons below or jump to a specific award by selecting the range that contains the award. Refunds are displayed alphabetically by PR Award Number. Site will timeout after 10 minutes of inactivity.

<< First < Previous Next > Last >> Jump To: 1: Q215S060156 - Q215S060156 Go

PR Award Number	Net Draw	Refund Amount
P268K085352	\$661,000.00	\$
P268K095954	\$212,000.00	\$ 17,000.00
P268K095956	\$168,000.00	\$

Add Refund Amounts to Selected Refund List

<< First < Previous Next > Last >> Jump To: 1: Q215S060156 - Q215S060156 Go

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Simulated screen—data displayed for demonstration purposes only.

### Returning funds at borrower's request after 120 days

If you are returning DL funds on the borrower's behalf more than 120 days after the date of disbursement, you must send the funds to the DL Servicing Center, instead of the G5 system or COD.

The money must be sent to DL Servicing Center as a payment to the student's loan. Please include a completed Payment to Borrower Account form with your check (see DLB-08-02 for a copy), and also note the borrower's name, the loan ID, and the loan amount being returned on the check itself.

Checks may be mailed to the DL Servicing Center at:

**U.S. Department of Education  
Attention: Payment Center  
P.O. Box 530260  
Atlanta, GA 30353-0260**

Note that you do not update the student's disbursement information in COD to reflect funds that are being returned as a payment on the loan (after 120 days).

### When interest & fees are charged on returned DL funds

Funds returned by a school or borrower within 120 days of disbursement are treated as a cancellation of all or part of the loan. This is also true of funds returned by a school *at any time* to comply with a FSA requirements. This means that the borrower is not charged any loan fee or interest on the amount that is returned.

Funds returned by a borrower (or by a school, at the borrower's request) more than 120 days after disbursement are treated as a prepayment, and the borrower is responsible for repaying any loan fees and accrued interest.

### Returning funds after 120 days

Funds must be sent to the DL Servicing Center. See DLB-08-02 for more information, and for a copy of the Payment to Borrower Account form.