U.S. Department of Education

The Spring Regent’s Advisory Committee for Accounts Receivable (RACAR) Meeting

John Kolotos
Federal Student Aid
Basic Constructs

• Student must actually attend to be eligible for federal aid

• Aid may be awarded, certified, and disbursed prior to actual attendance

• Generally, school is liable if student fails to attend
Basic Constructs

Completion -
Student must complete the term (payment period) for which aid was awarded or prorated return of aid by school and/or student.

All “F’s” -
School needs to determine (and document) whether the student attended or whether the grades for each course were earned.
Stored-value Cards

- Unlike traditional debit cards, no checks associated with stored-value cards
- Not credit cards, but can be Visa or MC branded
- School deals directly with a bank, not a third party
- Cost effective alternative to issuing checks
Stored-value Cards

- Can be used to pay a student directly, as long as:
  - Value on the card can be converted to cash, not restricted to certain vendors
  - Student’s “account” at the bank is FDIC insured
  - School cannot make any claims against the funds on the card (except to correct an error in transferring the funds)
  - Cannot be converted to a credit card
Stored-value Cards

- Can be used to pay a student directly, as long as:

  - No charge for issuing the card, but can charge for replacement
  - Student must have the opportunity to withdraw the full value of the card without cost from reasonably convenient ATM’s and banks (but some fees may be charged)
  - School gets the student’s authorization
  - Process meets all regulatory timeframes (credit balances are disbursed within 14 days, FWS earnings are paid at least monthly)
Third-party Servicer

- An entity that enters into contract with a school to administer any aspect of its federal aid programs, including:
  - Determining need/eligibility or certifying loan applications
  - Obtaining student and parent authorizations
  - Receiving, disbursing, or delivering federal aid funds
Third-party Servicer

- All requirements that apply to schools also apply to servicers
- Must submit annually a compliance audit to the Department
- School and servicer are jointly and severally liable
- School must notify the Department if using servicer
Using a Servicer to Make Payments to Students

• Under one model the Department is aware of:
  - Servicer solicits student preference (student has option to choose check, EFT to own account, or EFT to bank account set up by servicer)
  - Servicer pays student with funds obtained from school
Using a Servicer to Make Payments to Students

• Generally, the same conditions that apply to stored-value cards also apply to debit cards issued through a servicer

• School should be comfortable with process servicer uses in handling federal funds and making payments to students
Contact Us

John Kolotos
Federal Student Aid
U.S. Department of Education
john.kolotos@ed.gov
(202) 377-4027