

U.S. Department of Education

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

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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

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