

# NASFAA's "Off the Cuff" Podcast – Episode 326 Transcript

OTC AskRegs Experts: Unpacking Late Disbursements and Unofficial Withdrawals

Maria Carrasco:

This episode of Off the Cuff is brought to you by our NASFAA 2025 charity events. Joining us in Anaheim this summer for the NASFAA 2025 National Conference, we hope you'll sign up for our charity events, including a 5K run/walk on the morning of Tuesday, June 24th, and the team trivia night or silent disco call on the evening of Wednesday, June 25th. Participants should register online by May 1st. Thanks to our generous charity event sponsors, all proceeds from these events will go directly to our 2025 conference charity partner, High Ground Youth and Family Services. Visit [nasfaa.org/conference](https://nasfaa.org/conference) for all the details. Hello, and welcome to another episode of Off the Cuff. I'm Maria Carrasco with our communications team.

David Tolman:

And I'm David Tolman with training and regulatory assistance.

Maria Carrasco:

David, it's so nice to see you. How's it going?

David Tolman:

Yeah, it's going good, Maria. Good to see you too. It seems like it's been a while this time.

Maria Carrasco:

It has been, there's been a lot of stuff popping up. I can't believe it's Easter this weekend. Crazy how time flies.

David Tolman:

Yeah. Yeah, I am been looking forward to this time of year for a long time. I like spring, and my third child is graduating from college next week, so I'm going out to see her with the rest of the family.

Maria Carrasco:

Oh, congratulations. That's a big milestone.

David Tolman:

Yeah, it's good. Three down, one more to go.

Maria Carrasco:

I was thinking about it, and I graduated college how many... Six years ago, undergrad. So it's kind of...

David Tolman:

Wow.

Maria Carrasco:

Time flies.

David Tolman:

I won't tell you how long ago I graduated from my undergrad.

Maria Carrasco:

But yeah, we got an agenda today. Two topics. David, where would you like to start?

David Tolman:

Yeah, well I thought since we're coming up toward the end of the academic year for a lot of schools, that we would talk about a couple of things that are associated with issues that come up this time of year, and late disbursements and unofficial withdrawals.

Maria Carrasco:

Sounds good. Do you want to kick it off of late disbursements?

David Tolman:

Yeah. Yeah, let's start with late disbursements. And we'll start by going over the basic rules on late disbursements. So we'll get right into it. For all aid programs, before the student's enrollment ends, an ICER was processed for that student with an official student aid index or SAI, while the student was still enrolled. And I'll say that an official SAI just means it was a non-rejected SAI. So if the student had an SAI calculated, but the student was selected for verification, and verification isn't completed, the SAI is still official. And so the student met that requirement. So for direct loans, there's an additional requirement, and that is in addition to the ICE serving process, the loan was originated while the student was still enrolled. Same for the origination of a TEACH grant, if we're talking about late disbursements for TEACH. And origination simply means the school created an origination record in its system.

So any students who appear to be eligible for a direct loan but have a satisfactory academic progress, appeal pending, or may be incomplete verification, the school can still create the origination record. It's okay to originate while those items are being cleared up. A school just cannot disperse until those items are cleared up. And if a school doesn't originate within its own system, but originates directly in common origination and disbursement or COD, then origination occurs when the record is created in COD. Then finally, for FSEOG, to qualify for late disbursement, the school needed to have offered the FSEOG to the student while the student was still enrolled. After enrollment ends, FSEOG cannot be awarded or offered. And if a student already received an FSEOG while enrolled, the amount of that cannot be increased for a student after enrollment.

Maria Carrasco:

Okay, so lots of requirements. Could you provide an example of how this works?

David Tolman:

Yeah, let's look at Conrad. Conrad, we'll use him as an example. So he applied late in the award year and was offered a Pell and direct loan. However, Conrad was selected for verification on a subsequent ICER. He hasn't accepted his aid offers. Conrad, he has submitted his verification documents, but the term is ending soon, and it's likely the verification processors in the office won't be able to verify his file before the end of the term.

Maria Carrasco:

And what can the school do to help out Conrad?

David Tolman:

Okay, so let's go back to some of those requirements and look at Pell first. So the only thing required for Pell is a processed ICER with an SAI, which has happened. We know this because the school's offered Conrad a Pell grant, and the Pell doesn't need to be accepted before the end of the term, if acceptance is even required by the school for Pell. If Conrad is still eligible for the Pell after verification is completed, then that Pell can be dispersed as a late disbursement. But there are some additional requirements we'll get to soon. But it doesn't matter that for Conrad verification wasn't completed before the term ended. What is important is he had a processed ICER with an SAI and that's for the Pell.

Maria Carrasco:

Okay. And how about the direct loan?

David Tolman:

All right, so more needs to happen in order for Conrad to be eligible for the late disbursement of a direct loan. So if the school wants to ensure Conrad is eligible for a potential aid disbursement, because verification is still being processed, what it needs to do is create the origination record. This can be done without the loan being accepted and before verification is completed. There's nothing in regulation that would prevent that. But the school's policy would need to allow for it. Some schools might not do it, but they can and they might not realize that they can. Conrad, he can even complete if it's required, entrance counseling and the MPN after the term ends, but before disbursement occurs along with verification. But otherwise, if the term ends before the loan is originated, and Conrad doesn't enroll in another term within the academic year, he would be ineligible for a late disbursement of the direct loan. So in short, the best thing the school could do was originate the loan for him to get that requirement ticked off before verification's completed.

Maria Carrasco:

Gotcha. And what if the verification results and greater direct loan eligibility then was included in the origination?

David Tolman:

Yeah, if the term has ended and Conrad isn't enrolled in any further periods within the academic year, even though a loan was originated, a higher loan amount cannot be offered to him. That would require an additional origination record. So if verification drops his SAI and results in greater eligibility, the original amount cannot be increased, or it would have to be the original. The original amount would be disbursed, but it could not be increased.

Maria Carrasco:

And you mentioned that there were additional requirements. Could you review some of those?

David Tolman:

Yeah, so we've gone through the basics, but some things schools, they're probably aware of, but we'll just make sure. The student must have completed the payment period. So if not completed, they

withdrew or stopped attending, which we'll talk about in a minute, then that follows under post-withdrawal disbursements and that's a different topic. Also, the student was eligible before the payment period ended. So if satisfactory progress was an issue, the student would either need to have been making it or had a SAP appeal approved before the end of the payment period, and met other Title IV eligibility requirements. And then another one is enrollment status for late disbursement is based on those credits the student completed. So once the payment period ends, any enrollment status that was based on a Pell recalculation date is gone, it's waived. The disbursement is based on completed credits.

And completed credits include failing grades, if the student completed the class but failed it. If the student failed and stopped attending and failed the course, the student would not be eligible, based on completed credits. And then direct loans require the student to have completed at least halftime status. Although if the student finished with some enrollment, but less than halftime, the school can determine costs the student incurred while enrolled halftime. So, let's go back to Conrad. So the term had ended, loan was originated before the term ended, and then afterwards verification was completed. Right? He was enrolled full-time on the term's Pell recalculation date, but he finished the term by completing six credits. So he either dropped or stopped attending a couple of courses. Because late disbursements are based on completed credits, ignore the full-time status Conrad was enrolled in on the PRD. And so adjust the Pell enrollment intensity to 50% based on the six credits he did complete, and he would be eligible for the full direct loan because he completed at least halftime status for those purposes.

Maria Carrasco:

Gotcha. This seems like a good place to move on to our next topic. Could you remind me what it was?

David Tolman:

Yeah, this is withdrawals, return of Title IV funds, and students who stop attending before the term ends. Or yeah, unofficial withdrawals. So there's two types of schools in return of Title IV funds situations. Those that are required to take attendance and those that are not required to take attendance. So those who are required to take attendance, they'll know when a student stops attending courses and unofficially withdraws because they take attendance, they know, "Hey, has anybody seen Karen for a while?" Those who are not required to take attendance might not know the students stopped until grades are posted after the term ends. Such as the case where a student receives all failing grades.

So before we get into students who stop attending, it's important to note that schools need to have some method of verifying that a student initiated attendance at the beginning of the payment period to justify the disbursements originally made within the term. And it's up to institutions to determine how to do that. Some do swipe cards or professors reporting progress. A few examples. There's a lot more, there's a wide variety of it. But what's important is if a student never initiates attendance and never withdraws from their classes either, it's not a withdrawal. The student never established eligibility, and all aid will need to be returned.

Maria Carrasco:

Okay. And assuming a student initiated attendance, but somewhere along the way stopped attending altogether without going through the school's withdrawal process, what must the school do?

David Tolman:

All right, so Maria, that is an example of an unofficial withdrawal. They stopped going, they stopped attending. So R2T4 applies even though they didn't go through the official withdrawal process.

Maria Carrasco:

Gotcha. With an unofficial withdrawal, what date does the school use? Is the school required to document a last date of attendance as the withdrawal date?

David Tolman:

Okay, so we are talking about schools not required to take attendance. So they are not required to document a last date of attendance. These schools can actually just use the midpoint of the payment period with one caveat, like there always are exceptions, as long as that midpoint does not fall within a scheduled break of five days or more. And if it does, then you use the last day just before the break. That's the exception to the midpoint.

Maria Carrasco:

And how does the school know based on grades that a student stopped attending?

David Tolman:

Well, sometimes the school's grading policy provides enough information to identify an unofficial withdrawal. So for example, a school has two types of failing grades. A plain old F that is assigned to students who complete a class but failed to earn a passing grade. They've taken the final, but the points that they've earned just don't allow them to pass. Then another grade is assigned, such as an FW, and there are a wide variety of grades, but an FW as an example that is assigned to students who failed the course because they stopped attending.

Or another thing that schools do, F grades are assigned, but whenever they are, the professor needs to report a date associated with academic engagement. And this could be something like the last day the student submitted an assignment or a quiz was taken, or maybe the professor has a tick box when they assigned an F grade to indicate the student failed the class, but the box indicates that the student did take the final exam, so they completed it. Schools have formed really a variety of policies to differentiate between students who unofficially withdrew and fail, versus students who completed the classes but failed them.

Maria Carrasco:

And if a professor does report a date, is the school obligated to use it?

David Tolman:

No, the school can always use the midpoint. So if it thinks the reported last date of academic engagement by the professor is more accurate, it can use that date. But a school should have a policy to guide those decisions, whether it's done on a case-by-case basis or treating all students the same way.

Maria Carrasco:

And what if a student receives one passing grade?

David Tolman:

Well, it depends. Okay, so if the passing grade is attached to a class that spans the full period of the student's enrollment, then that one passing grade would mean that the student did not unofficially withdraw, even though all the other grades were F, because the class spans the full length.

Maria Carrasco:

And what if the passing grade isn't attached to a full length course?

David Tolman:

Okay, so I'll back up on that one. So if it's a passing grade, but it's not a full length course, remember that R2T4 applies whenever a student doesn't complete their scheduled period of enrollment. It gets complicated when modules are involved. So that's why I've got back up a little to answer that question. So as an example, a student's enrolled in an early module course as well as some full length term courses, and the student passes the early module course with an A, does really well, and remains enrolled in the full term courses, but fails them all. So when grades come out, the school investigates, and determines the student didn't complete the term. We have all F grades, except there is one A grade, but the A grade only indicates the student attended through the end of that early module. It doesn't say that the student attended through the full payment period.

So the student is still an unofficial withdrawal, despite receiving one passing grade. The student or the school will have at least a last day of attendance associated with that module that it could use for the withdrawal date, or again, it can use the midpoint of the payment period, or it can use a later date if it has it, for the full-term courses if they attended later than that. But whatever the school's policy is for those situations. So as always, modules can complicate R2T4, and this is another way. I think there are some schools out there that say, "Okay, there's one A grade, we don't need to worry about processing a withdrawal for the student." But that is one case where they do.

Maria Carrasco:

Awesome. Well thanks for running us through that, David. Was there anything else you wanted to add about R2T4?

David Tolman:

No, there's just a lot that I would refer you back to Sarah's podcast last week where she talks about the new rules, and where a student withdraws, but everything's reversed and the grades are removed. There's early implementation on that. So last week's podcast was really good on that, but there's just a lot of processes that it gets really busy at the end of a term or a payment period. So I just want to wish all the schools find some time to enjoy the spring and miss all the hard work that's going on.

Maria Carrasco:

Yeah. Well, thank you so much, David. I feel like I always learn so much in these AskRegs recordings, so thanks for coming on.

David Tolman:

Right, you're welcome.

Maria Carrasco:

And thank you for listening and joining us for another episode of Off the Cuff. Please remember to subscribe and recommend us to your friends. We'll see you again soon.