



# Cash Management: Investigating Disbursements



The following is a presentation prepared for:  
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**Cash Management:  
Investigating Disbursements**

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Overview of Session

In this session we will cover these topics:

- Academic year and payment period definitions
- Disbursement rules
- Cash management notifications
- Prior year charges
- Credit balances
- Late disbursements
- Unclaimed Title IV funds

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# Cash Management: Investigating Disbursements

**Academic Year & Payment  
Period Definitions**

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**Academic Year**

<b>Credit Hour Programs</b>	<b>Clock Hour Programs</b>
Minimum of: • 24 semester credit hours • 36 quarter credit hours • 30 weeks of instructional time	Minimum of: • 900 clock hours • 26 weeks of instructional time

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**Weeks of Instructional Time**

- Begins first day of classes; ends last day of classes or examinations
- Week is consecutive seven-day period in which:
  - At least one day of regularly scheduled instruction or examinations occur
  - At least one day of study for final examinations, only if after the last day of classes

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# Cash Management: Investigating Disbursements

Payment Period

- School must define payment periods for each academic program
- Payment period defines frequency and timing of disbursement of student's award other than Federal Work-Study (FWS)

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Payment Period

Definition depends on program structure

Standard-term, credit-hour program	Nonstandard term credit-hour program with substantially equal terms (NSSE)
Nonstandard term credit-hour program with terms not substantially equal (NSNSE)	Nonterm credit-hour program or clock-hour program

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Term-Based Credit-Hour Programs

Standard terms	Nonstandard terms
<ul style="list-style-type: none"> <li>• Full-time defined as at least 12 credit hours; and</li> <li>• Program Structure:               <ul style="list-style-type: none"> <li>➢ Semester or trimester (14-17 weeks) or</li> <li>➢ Quarter (10-12 weeks)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Term format, but not a standard term;</li> <li>• Full-time defined as less than 12 credit hours; or</li> <li>• Called a semester, but quarter credit hours awarded (and vice versa)</li> </ul>

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# Cash Management: Investigating Disbursements

## Nonstandard Term Programs

- Payment period definition distinguishes between nonstandard term programs with terms that are:
  - Substantially equal (i.e., NSSE); and
  - Not substantially equal (i.e., NSNSE);
- **Substantially equal** means no term is more than two weeks longer than any other term in the program



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## Nonterm Credit-Hour Programs

Program considered as nonterm if a course:

- Does not begin and end within a set period of time; or
- Overlaps terms



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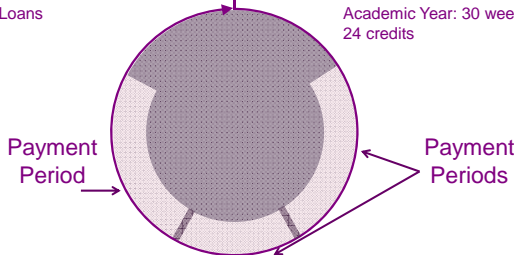
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## Example: NSNSE Program Payment Periods

For Title IV grants and Federal Perkins Loans

Award Year

Program: Two 12-week terms, one 6-week term  
Academic Year: 30 weeks and 24 credits



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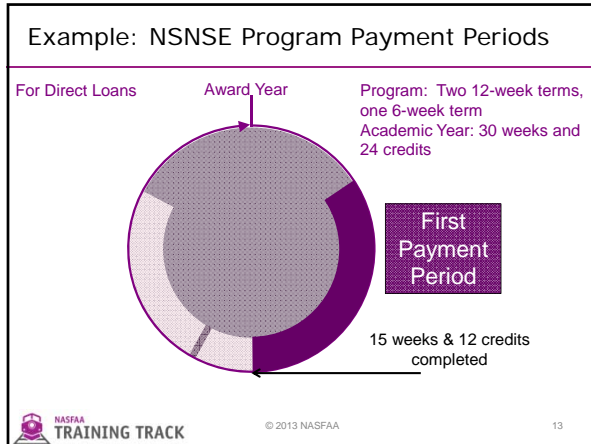
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# Cash Management: Investigating Disbursements




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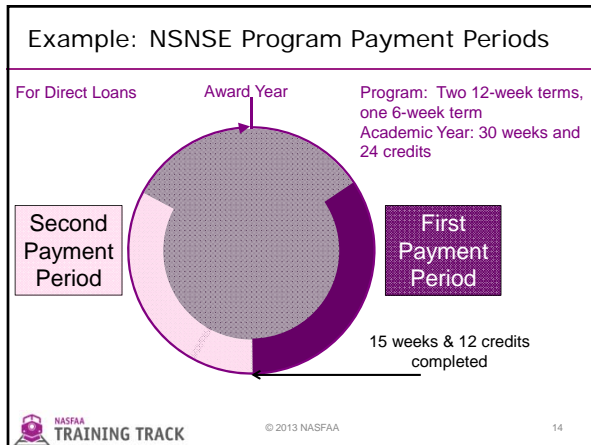
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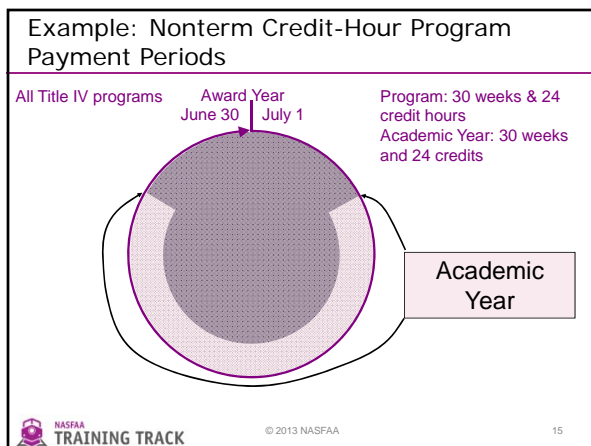
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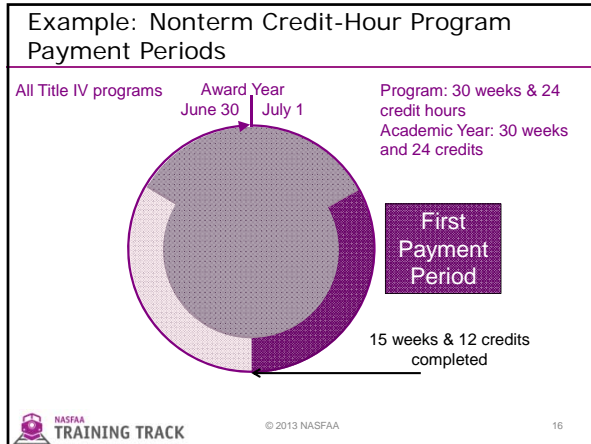
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# Cash Management: Investigating Disbursements




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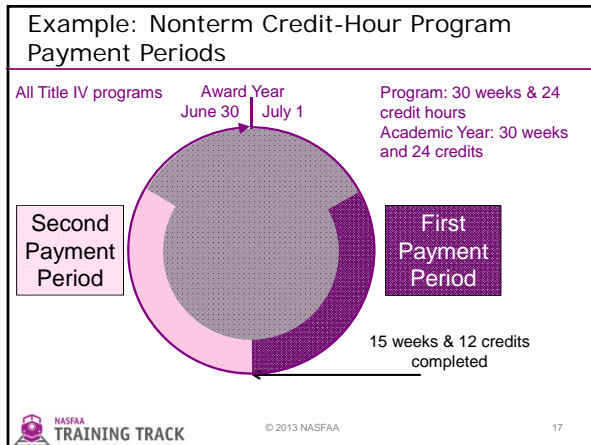
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# Cash Management: Investigating Disbursements

## Notification Requirements

- Prior to Disbursement of any Title IV funds for any award year
  - Title IV eligibility and payment information
  - Direct Loan subsidized and unsubsidized amounts
- Prior to crediting Title IV loan or Teacher Education Assistance for College and Higher Education (TEACH) Grant to student's school account
  - Anticipated disbursement date and amount
  - Right to cancel or reduced loan and/or grant
  - Procedures for requesting cancellation or reduction



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19

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## Disbursement Definition

Disbursement occurs when school pays Title IV funds by:

- Credit to student's school account; or
- Direct payment to student or parent PLUS borrower



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## FWS Disbursements

- FWS disbursed at least monthly for hours worked
- If institutional share of FWS paid as noncash payment(s), school must pay its share before student's final payroll period of the award period
  - Noncash payments limited to tuition, fees, services, or equipment



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# Cash Management: Investigating Disbursements

## Provision For Books and Supplies

By seventh day of each payment period, school must provide way for Federal Pell Grant eligible student to obtain books and supplies for payment period if, 10 days before payment period:

- School could disburse funds for which student eligible; and
- Presuming funds were disbursed, student would have a Title IV credit balance



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## Early Disbursements

- If standard term credit-hour program, 10 calendar days before first day of any payment period
- For all other program of study structures, the later of:
  - > 10 calendar days before first day of payment period, or
  - > Date student completes the previous payment period for which student received Title IV funds



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## Exception to Early Disbursement Rule

If school not exempt from Direct Loan 30-day delayed disbursement requirement:

- School may not release first disbursement of Direct Loan to first-time, first-year undergraduate student borrower until after student has completed first 30 days of his or her program of study
- No delayed disbursement requirement for subsequent disbursements



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# Cash Management: Investigating Disbursements

## Payment of Current Award Year Charges

- Without student's or parent PLUS borrower's authorization, may credit non-FWS Title IV funds to student's account for payment of:
  - Tuition and fees
  - Room and board, if contracted with school
- With student's or parent PLUS borrowers authorization, may credit non-FWS Title IV funds for payment of other educationally-related charges
- Student's authorization always required if FWS used to pay allowable current award year institutional charges



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## Paying Prior Award Year Charges

- Maximum of \$200 of current award year funds may be used from all Title IV programs
- Without student's or parent PLUS borrower's authorization, may credit non-FWS Title IV funds to student's account for payment of:
  - Tuition and fees
  - Room and board, if contracted with school



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## Paying Prior Award Year Charges

- With student's or parent PLUS borrowers authorization, may credit non-FWS Title IV funds for payment of other educationally-related charges
- Student's authorization always required if FWS used to pay allowable prior award year institutional charges



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# Cash Management: Investigating Disbursements

## Direct Disbursements

Title IV funds disbursed directly to the student or parent by:

- Cash (must obtain a signed receipt)
- Check or other method requiring endorsement
- Electronic funds transfer (EFT) to bank account designated by student or parent PLUS borrower
- School-required bank account
- Stored-value card

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## Title IV Credit Balance

- Occurs whenever school credits student's account and total amount of Title IV funds credited exceeds amount of student's allowable charges
- Unless student's or parent's written authorization to hold credit balance, must pay credit balance no later than 14 days after:
  - Date credit balance occurs, if occurred after first day of payment period, or
  - First day of payment period, if occurred on or before first day of payment period

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## Title IV Credit Balance

- School determines which funds created the credit balance
- Payment of any portion of a credit balance that includes parent PLUS proceeds must be paid to parent borrower unless parent borrower authorizes school, in writing, to pay the funds to the student

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# Cash Management: Investigating Disbursements

Title IV Credit Balance

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With student's or parent PLUS borrower's authorization, school may hold credit balance until:

- End of loan period for Direct Loan funds
- End of final payroll period for FWS funds
- Last payment period of award year for all other Title IV funds

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Title IV Credit Balance

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- If school holds Title IV credit balances, it must:
  - Identify amount of funds held for each student or parent PLUS borrower in designated subsidiary ledger account
  - Maintain, at all times, cash in school's bank account an amount at least equal to amount of funds held
- School may not hold Title IV credit balances if prohibited by the Department of Education under reimbursement or cash monitoring payment method

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Authorizations

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If student or parent cancel or modify authorization cancellation or modification effective on date school receives request to cancel or modify authorization

- If authorization to pay authorized charges, school may use Title IV funds authorized before school received cancellation
- If authorization to hold Title IV credit balance, school must pay held funds no later than 14 days after school received cancellation

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# Cash Management: Investigating Disbursements

Late Disbursements

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- Provisions apply after student completed payment before all Title IV funds for payment period disbursed
- Although a post-withdrawal disbursement is a form of a late disbursement, session's focus is solely on late disbursements to students who complete the payment period

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Late Disbursements

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Student or parent borrow must satisfy regulatory conditions for late disbursement before date became ineligible

- For all Title IV programs, school received student's valid SAR or ISIR with official EFC
- For Direct Loan, loan originated
- For TEACH Grant, grant originated
- Federal Supplemental Educational Opportunity Grant or Federal Perkins Loan, grant or loan awarded

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Late Disbursements

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- May not be made if:
  - More than 180 days after student became ineligible
  - Direct Loan disbursement to first-year, first-time undergraduate student borrow who did not complete the first 30 days of program of study and school is not exempt from delayed disbursement rule
- If student did not withdraw but ceased at least half-time enrollment, may make late Direct Loan disbursement to pay for educational costs student incurred for period in which student was eligible

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# Cash Management: Investigating Disbursements

## Undeliverable Title IV Funds

- Title IV funds considered undeliverable if:
  - Check sent by mail returned as undeliverable or not negotiated
  - EFT rejected by bank
- Undeliverable funds must be returned to appropriate Title IV program no later than 240 days after date of check returned or EFT rejected

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## Undeliverable Title IV Funds

School may make additional attempts to disburse funds

- Additional attempts must be made within 45 days after funds returned or rejected
- No later than 240 days after check or EFT issued, school must cease attempts to deliver the funds and return them to appropriate Title IV account

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## Cash Management Information Resources

- 34 CFR Subpart K
- GEN-12-21, Charges Incurred at Bookstores
- GEN-12-14, Charges Incurred at Bookstores
- GEN-12-08, Disbursing or Delivering Title IV Funds Through a Contractor
- Gen-09-11, Minor Prior Year Charges
- 2013–14 *FSA Handbook*, Volume 4

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# Cash Management: Investigating Disbursements

**Questions?**  
Please send your questions to:  
[lagroned@nasfaa.org](mailto:lagroned@nasfaa.org)

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## Payment Period Definitions

The flowing charts contain the payment period definitions and rules for all Title IV programs except Federal Work-Study. The payment period definitions are based on the academic program's structure. For payment period purposes, substantially equal terms means no term in the program is less than two weeks shorter than any term in the program.

Program Structure	Payment Period Definitions
<b>Standard Term Credit-Hour Program</b>	Payment period is the term for all Title IV programs.
<b>Nonstandard Term Credit-Hour Program with Substantially Equal Terms (NSSE)</b>	<ul style="list-style-type: none"><li>• For the Title IV grant and Federal Perkins Loan programs, the payment period is the term.</li><li>• For the Direct Loan Program, the payment period is based on the student's successful completion of the credit-hours and weeks of instructional time in the student's academic year, program, or remaining portion of the program (<i>see the chart on the next page</i>).</li></ul>
<b>Nonstandard Term Credit-Hour Program with Terms Not Substantially Equal (NSNSE)</b>	For all Title IV programs, the payment period is based on the student's successful completion of the credit hours and weeks of instructional time in the student's academic year, program, or remaining portion of the program ( <i>see the chart on the next page</i> ).
<b>Nonterm Credit-Hour Program</b>	For all Title IV programs, the payment period is based on the student's successful completion of the credit hours and weeks of instructional time in the student's academic year, program, or remaining portion of the program ( <i>see the chart on the next page</i> ).
<b>Clock-Hour Program</b>	For all Title IV programs, the payment period is based on the student's successful completion of the clock hours and weeks of instructional time in the student's academic year, program, or remaining portion of the program ( <i>see the chart on the next page</i> ).



## Rules for Establishing Payment Periods Based on Coursework Completion

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*The following chart describes how the payment period is defined when the payment period is based on the student's successful completion of the credit or clock hours and the weeks of instructional time in the student's academic year, program, or remaining portion of the program. Successful completion means the student completes all of the required weeks of instruction and the credit or clock hours, and receives a passing grade or earns credit or clock hours for all coursework.*

Length of Academic Program	Payment Period Rules
<b>Less than or Equal to an Academic Year</b>	<ul style="list-style-type: none"> <li>• First payment period is the period of time in which the student successfully completes half the credit or clock hours in the program and half the weeks in the program.</li> <li>• Second payment period is the period of time in which the student completes the program.</li> </ul>
<b>Greater than an Academic Year</b>	<ul style="list-style-type: none"> <li>• For each full academic year:               <ul style="list-style-type: none"> <li>➤ First payment period is the period of time in which the student successfully completes half the credit or clock hours and half the weeks in the academic year; and</li> <li>➤ Second payment period is the period of time in which the student successfully completes the academic year.</li> </ul> </li> <li>• For a remaining portion of a program less than or equal to half of an academic year, the payment period is the period of time in which the student completes remainder of the program.</li> <li>• For a remaining portion of a program less than an academic year but more than half of an academic year, the remaining portion of the program consists of two payment periods:               <ul style="list-style-type: none"> <li>➤ First payment period is the period of time in which the student successfully completes half the credit or clock hours and half the weeks in the remaining portion of the program; and</li> <li>➤ Second payment period is the period of time in which the student completes the program.</li> </ul> </li> </ul>







# Cash Management Notifications

The chart below details the various cash management notification requirements. Note all parent references below apply only to PLUS funds borrowed by the parent on behalf of the dependent student.

Notification	Information That Must Be Conveyed	Who Must Be Notified	When	How	Comments
<b>Title IV Eligibility and Payment Information</b> 668.165(a)(1); 675.16(a)(3)	<ul style="list-style-type: none"> <li>• For each Title IV program:               <ul style="list-style-type: none"> <li>➤ Amount to be received under each program, including PLUS</li> <li>➤ Expected disbursement date</li> <li>➤ Method of disbursement</li> <li>➤ If Direct Loans awarded, indicate subsidized and unsubsidized amounts</li> </ul> </li> <li>• For FWS, amount authorized to be earned during the award period</li> </ul>	Student	<ul style="list-style-type: none"> <li>• General notification for each Title IV program, before Title IV funds are disbursed</li> <li>• For FWS, each award period before initial disbursement of FWS wages</li> </ul>	<ul style="list-style-type: none"> <li>• Notice sent directly to student</li> <li>• Method and format not specified; may be electronic or written</li> </ul>	<ul style="list-style-type: none"> <li>• For each Direct Loan, amount may be full amount of loan originated or estimated net disbursement</li> <li>• For FWS, the award period is period covered by student's FWS award (e.g., academic year if awarded for fall and spring semesters)</li> <li>• FWS award period may consist of parts of two award years (i.e., summer FWS award crosses over July 1)</li> </ul>

Notification	Information That Must Be Conveyed	Who Must Be Notified	When	How	Comments
<b>Credit Title IV Loan Proceeds to Student's School Account<sup>1</sup></b> 668.165(a)(2)-(6)	<ul style="list-style-type: none"> <li>• Anticipated disbursement date and amount of disbursement</li> <li>• Borrower's right to cancel all or portion of loan</li> <li>• Procedures and deadline by which borrower must inform school of decision to cancel all or portion of loan</li> </ul>	Borrower	<ul style="list-style-type: none"> <li>• If school obtains borrower's affirmative confirmation: no earlier than 30 days before and no later than 30 days after crediting student's school account</li> <li>• If school does not obtain affirmative confirmation: no earlier than 30 days before and no later than 7 days after crediting the student's school account</li> </ul>	<ul style="list-style-type: none"> <li>• Notice sent directly to borrower</li> <li>• Method and format not specified; may be electronic or written</li> </ul>	<ul style="list-style-type: none"> <li>• Title IV loan proceeds are considered disbursed by crediting student's school account, if school:               <ul style="list-style-type: none"> <li>➤ Disburses proceeds by EFT to borrower's designated bank account</li> <li>➤ Subsequently withdraws all or portion of those funds to credit student's school account</li> </ul> </li> <li>• To request cancellation of all or a portion of a loan, borrower must respond:               <ul style="list-style-type: none"> <li>➤ By the later of the 1st day of payment period or 14 days after date of school's notification, if active confirmation process used; or</li> <li>➤ Within 30 days after date of school's notification, if no active confirmation process used</li> </ul> </li> </ul>



<sup>1</sup> Not required for post-withdrawal disbursements of loan proceeds.



Notification	Information That Must Be Conveyed	Who Must Be Notified	When	How	Comments
<p><b>Credit TEACH Grant Proceeds to Student's School Account</b> 668.165(a)(2)-(6); 686.31(e)</p>	<ul style="list-style-type: none"> <li>• Anticipated disbursement date and amount of disbursement</li> <li>• Student's right to cancel all or a portion of TEACH Grant</li> <li>• Procedures and deadline by which student must inform school of decision to cancel all or portion of TEACH Grant</li> </ul>	<p>Student</p>	<p>No earlier than 30 days before and no later than 30 days after crediting student's school account</p>	<ul style="list-style-type: none"> <li>• Notice sent directly to student</li> <li>• Method and format not specified; may be electronic or written</li> </ul>	<ul style="list-style-type: none"> <li>• School must return or cancel TEACH Grant, or do both by later of: <ul style="list-style-type: none"> <li>➢ 1st day of payment period; or</li> <li>➢ 14 days after date of the school's notification</li> </ul> </li> <li>• School may return or cancel TEACH Grant, or do both if student requests cancellation of TEACH Grant after 14 days of school's notification but within 120 days of grant's disbursement date <ul style="list-style-type: none"> <li>➢ If school does not return or cancel TEACH Grant, it must notify student that he or she may contact ED to request grant be converted to a Federal Direct Unsubsidized Loan</li> </ul> </li> </ul>

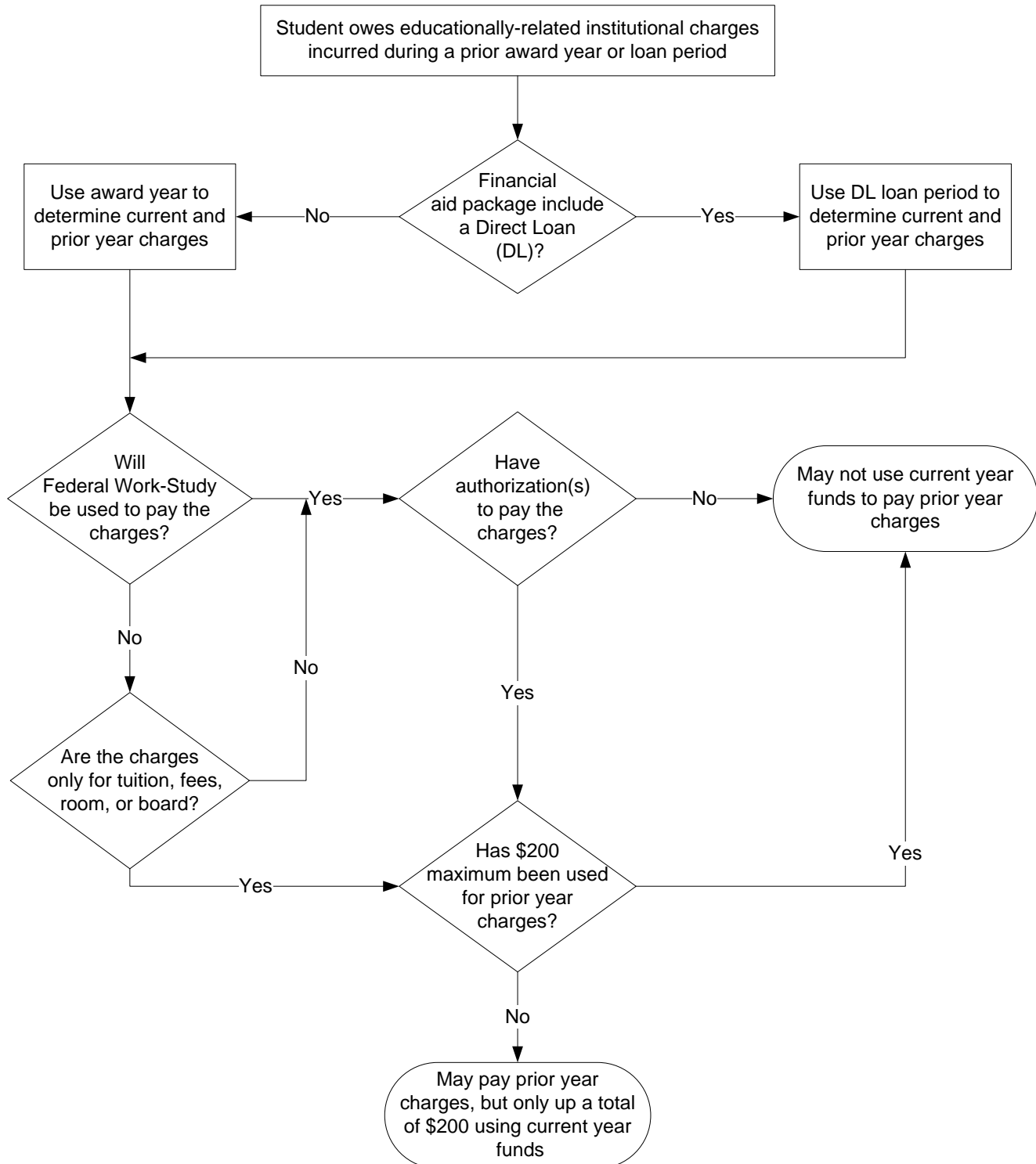
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# Prior Year Charges Flowchart

The following chart illustrates the various steps for determining whether prior year charges can be paid with current year Title IV funds. Note, the appropriate student or parent PLUS borrower authorization always must be obtained to pay any prior year educationally-related institutional charge that is other than for tuition, fees, room, or board.



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# Cash Management Authorizations

The chart below details the various cash management authorization requirements. Note all parent references below apply only to PLUS funds borrowed by the parent on behalf of the dependent student.

Authorization	School Activities Authorized	Who Provides Authorization	When	Comments
<b>Use Title IV Funds (other than FWS) to Pay Certain Institutional Charges</b> 668.165(b)(1)(i),(2)-(4); 668.164(d)(1)(iv),(2)(ii)	Disbursement of Title IV funds (other than FWS) by crediting student's school account to pay: <ul style="list-style-type: none"> <li>• Current award year institutional charges for educationally-related costs other than tuition, fees, and institutionally-contracted room and board</li> <li>• Prior award year institutional charges for educationally-related costs other than tuition, fees, and institutionally-contracted room and board of not more than \$200</li> </ul> <i>Note: Total amount of current year Title IV funds (including FWS) that can be applied to any prior award year charges cannot exceed \$200</i>	Student or parent, as applicable	Provided at discretion of student or parent prior to authorized activity	Authorization not required for Title IV programs other than FWS when crediting student's account for payment of: <ul style="list-style-type: none"> <li>• Current award year tuition, fees, or institutionally-contracted room and board; or</li> <li>• Prior award year charges of tuition, fees, and institutionally-contracted room and board not exceeding \$200</li> </ul>
<b>Use FWS Funds to Pay Allowable Current Award Year Charges</b> 675.16(b)(1)(i), (d)(1)(i), (2)-(4)	Disbursement of FWS funds by crediting student's school account to pay current award year institutional charges for tuition, fees, institutionally-contracted room and board, and other educationally-related costs	Student	Provided at discretion of student prior to authorized activity	No authorization required to pay nonfederal share of FWS, if payment is in the form of a noncash contribution for tuition, fees, services, or equipment



Authorization	School Activities Authorized	Who Provides Authorization	When	Comments
<p><b>Use FWS Funds to Pay Prior Award Year Charges</b> 675.16(b)(1)(ii),(2), (d)(1)(i), (2)-(4)</p>	<p>Disbursement of FWS funds by crediting student's institutional account to pay no more than \$200 in prior award year charges for tuition, fees, room, board, or other educationally-related charges</p> <p><i>Note: FWS funds, combined with other Title IV funds, used to pay prior award year charges cannot exceed \$200</i></p>	Student	Provided at discretion of student prior to authorized activity	No authorization required to pay nonfederal share of FWS, if payment is in the form of a noncash contribution for tuition, fees, services, or equipment
<p><b>Hold Title IV Funds</b> 668.165(b)(1)(ii),(2)-(5); 675.16(d)(1)(ii),(2)-(5)</p>	<ul style="list-style-type: none"> <li>• Hold Title IV credit balance on student's account until:               <ul style="list-style-type: none"> <li>➢ End of loan period for Direct Loan funds</li> <li>➢ End of final payroll period of the student's FWS award period for FWS funds</li> <li>➢ Last payment period of the award year for which funds were awarded for Title IV funds other than Direct Loan or FWS</li> </ul> </li> </ul> <p><i>Note: FWS award period is the specific period of time for which the student is authorized to be employed under FWS</i></p> <ul style="list-style-type: none"> <li>• Authorization not permitted if prohibited by ED under reimbursement or cash monitoring payment method</li> </ul>	Student or parent, as applicable	Provided at discretion of student or parent prior to authorized activity	<ul style="list-style-type: none"> <li>• Title IV credit balance occurs whenever amount of Title IV funds credited to student's account exceeds allowable institutional charges.</li> <li>• If Title IV funds held, school must:               <ul style="list-style-type: none"> <li>➢ Identify amount held for student in a subsidiary ledger account designated for that purpose</li> <li>➢ Maintain cash in its bank account equal to at least amount of funds being held</li> </ul> </li> <li>• Unclaimed Title IV funds do not revert (escheat) to state, school, or any other party</li> </ul>



# Cash Management Authorization Checklist

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Use this checklist to ensure the authorization contains all required elements. Note all parent references below apply only to PLUS funds borrowed by the parent on behalf of the dependent student.

1. Authorization must be obtained in writing\* before the school may perform any action covered by the authorization.
2. Separate written authorizations must be obtained from the student and from the parent.
3. Authorization clearly must indicate the student's or parent's option of giving that authorization (i.e., the student or parent must be allowed to give his or her authorization freely).
4. Authorization must explain each provision for the activities the school seeks to perform on behalf of the student or parent and how the school will carry out the authorized activity.
5. It should be written clearly and in plain language so the student or parent is able to understand what the school is specifically authorized to do and his or her rights under the authorization without reading "fine print" or being referred to other materials.
6. A single form (e.g., financial aid application, award letter) may be used to collect multiple authorizations; however, it clearly should indicate the services authorized and that the student or parent may refuse to authorize any service listed (i.e., cannot be subsumed into some other form).
7. It may not be incorporated into any other document that must be signed unless some sort of check off is clearly provided.
8. It must inform the student or parent of his or her right to cancel or modify the authorization at any time.
9. It must describe the procedures for canceling or modifying the authorization.
10. It must inform the student or parent that any cancellation or modification request takes effect on date the school receives the request.
11. It should indicate the period covered by the authorization, which (unless canceled or modified) may be a specific period of time or the entire period the student is enrolled.
12. For an authorization to hold Title IV funds, it must state the maximum time the school will hold the student's or parent's Title IV funds.



\* *Authorization must be given in writing unless the student or parent is unable to provide written authorization due to his or her status as an “affected individual” under the Higher Education Relief Opportunities for Students (HEROES) Act of 2003. An “affected individual” for this purpose is: 1) serving on active duty during a war or other military operation or national emergency; 2) performing qualifying National Guard duty during a war or other military operation, or national emergency; or 3) residing or employed in an area declared a disaster area by a federal, state, or local official in connection with a national emergency.*

