

---

# Modified Rules and Requirements: Split Disbursement

---



The CBE Split Disbursement set of waivers provides numerous waivers and modifications to Federal requirements for how institutions provide Federal student aid to students enrolled in self-paced CBE programs. This Section places those changes in context and provides detailed instructions for how institutions must process Title IV aid under CBE Split Disbursement.

## OVERVIEW OF WAIVERS AND MODIFIED REQUIREMENTS

The CBE Split Disbursement set of waivers will provide limited waivers of certain statutory and regulatory requirements to remove some of the time-based restrictions to the disbursement of Title IV aid so that funds are available to students to pay institutional charges as they progress through a program at their own pace.

CBE Split Disbursement will allow for certain disbursements of Title IV aid for “direct costs” (institutional charges permitted as costs of attendance under HEA section 472) as soon as the student completes the competencies associated with a specified number of credit or clock hours or the equivalent, regardless of how many weeks of instructional time that have elapsed. Disbursements of Title IV aid for “indirect costs” (i.e. living expenses) will be made at regular intervals within the academic year related to the completion of a certain number of weeks of instruction.

CBE Split Disbursement will waive most Return of Title IV requirements, and will also modify the satisfactory academic progress (SAP) requirements to permit pace evaluations based on the number of competencies associated with a specified number of credit hours, clock hours, or equivalencies achieved over a period of calendar time.

This Section of the Guide will provide detailed information on the waivers and modifications to Title IV rules and regulations included in this experiment.

## APPLICATION AND VERIFICATION

There are no changes to the rules for application and verification under CBE Split Disbursement. Institutions should follow the requirements as described in the FSA Handbook, Application and Verification Guide.

## STUDENT ELIGIBILITY

### Satisfactory Academic Progress

#### Exemption: Satisfactory Academic Progress

**HEA Section 484 (c) and 34 CFR 668.34(a)(3)(ii),(a)(5)(ii), and (b)** Satisfactory academic progress requirements are waived with respect to the timeframe when the institution must determine SAP and the method for calculating pace.

Current Rules	Experiment
Must check annually to correspond with the end of a payment period but can check more often at the end of payment periods	Must check at least once when the student finishes the weeks comprising the last indirect cost payment period in the program's Title IV academic year, but can check more often at the end of indirect cost payment periods
Quantitative evaluation determines whether a student is on pace to complete within 150% of normal time, and is calculated by dividing credits completed over credits attempted	Quantitative evaluation is whether student is on pace to complete the program within 150% of the program's published number of weeks of instruction

Volume 1, Chapter 1 of the FSA Handbook describes certain basic requirements for an institution's Satisfactory Academic Progress (SAP) policy. The Handbook notes that an institution's SAP policy must include both quantitative (time-based) and qualitative (grade-based) standards, and both standards must be reviewed at each evaluation point.

Regarding the qualitative component of a SAP evaluation, [Dear Colleague Letter GEN 14-23](#) clarifies the requirements for a SAP policy in a CBE program by noting that if an institution documents that the degree of mastery necessary to complete a competency in a CBE program equals or exceeds the equivalent of a "C" grade in a traditional program, then the institution may consider a student to have met the SAP qualitative measure as long as that student has an academic standing consistent with the institution's requirements for graduation from the program. CBE Split Disbursement does not change these basic SAP requirements as set forth in the FSA Handbook and DCL GEN 14-23.

**CBE Split Disbursement makes significant changes to the requirements for the quantitative (time-based) component of an institution's SAP evaluations. Under the CBE Experiment, the timeframe for performing a SAP evaluation is determined using the weeks of instructional time in the program's academic year, while the criteria for determining a student's pace is the number of credits, clock hours, or the equivalent that a student has completed over the timeframe for the evaluation.**



### **CBE Split Disbursement waives the following text in the handbook:**

The Handbook states that an institution must “calculate the pace at which a student is progressing by dividing the total number of hours the student has successfully completed by the total number he has attempted.”

Under the CBE Split Disbursement set of waivers an institution must evaluate a student’s SAP upon the student’s completion of each of the program’s academic years, as measured in weeks of instructional time (i.e., at least 30 weeks for a program with credit hour equivalencies and at least 26 weeks for a program with clock hour equivalencies). However, an institution may choose to evaluate a student’s SAP at the end of each indirect cost payment period. Under the CBE Split Disbursement set of waivers, if an institution evaluates a student’s SAP at the end of each indirect cost payment period, the institution may utilize a warning period if the student fails a single evaluation. Because the student must have completed the competencies associated with the number of credit hours, clock hours, or the equivalent in the prior payment period before Title IV aid can be disbursed for direct costs, when performing the SAP evaluation at the end of the academic year, institutions will not be required to determine the student’s SAP pace by dividing the number of hours the student has completed by the number of hours the student has attempted. Instead, the institution will determine whether the student has completed competencies associated with sufficient credit hours, clock hours, or the equivalent to complete the program within the maximum timeframe, that for an undergraduate program, is no more than 150 percent of the program’s published length, as provided in the definition of “maximum timeframe” in the regulations at [34 CFR 668.34\(b\)](#).

In other words, the institution will compare the credit hours, clock hours or equivalencies correlated with the competencies completed with the number of credit hours, clock hour or equivalencies the institution has established for purposes of ensuring, at that time, that the student is on pace to complete within the maximum timeframe.

An institution is also permitted to use a graduated completion percentage for each year of a program. For example, your policy can permit students to complete a lower percentage of coursework in the first academic year but require them to complete an increasing percentage in subsequent years so that they finish their program within 150% of normal time.

**Under CBE Split Disbursement a program’s maximum timeframe is expressed in calendar time. An institution may offer different versions of the same program (for example, a full-time version and a part-time version) with different maximum timeframes.**

### **Programs lasting one academic year or less**

Under the CBE Split Disbursement set of waivers if an institution offers a CBE program lasting one academic year or less, the institution’s SAP policy for that program must require an academic progress evaluation at the end of each indirect cost payment period.

## SAP Example 1

A student was enrolled in a CBE program.

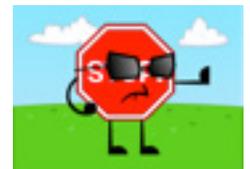
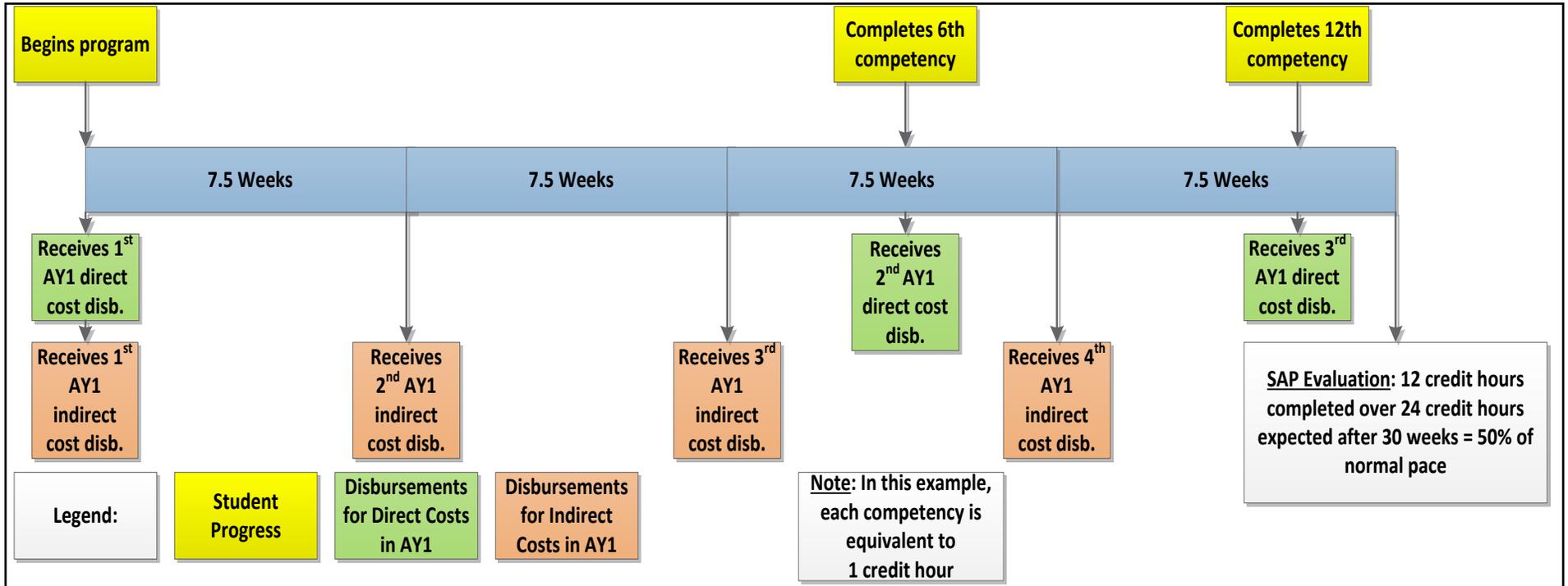
- 48 competencies
- Each competency is the equivalent of one credit hour
- The Title IV academic year consists of 24 competencies, which is equivalent to 24 credit hours, and 30 weeks of instructional time

The student received Title IV aid for each of the four indirect cost payment periods (i.e. after 7.5 weeks). The student has not completed at least 16 competencies at the end of the 30th week of instruction in the student's first year of the program. Because the institution does not use a graduated completion percentage, the institution would determine that the student is not on pace to complete the program within 150% of the published length of the program and would terminate their Title IV eligibility, subject to the possibility of an appeal.

Additionally, under this experiment, if the institution accepts any transfer credit to meet requirements of a student's program, it may, but is not required to, prorate the student's maximum timeframe based on the amount of transfer credit that the student has received.

Note that each box representing a disbursement below represents disbursements from all the Title IV programs for which the student is eligible.

### SAP Example 1



STOP. Student is not making SAP. Therefore, no further disbursements can be made unless student files an appeal according to institution's SAP policy.

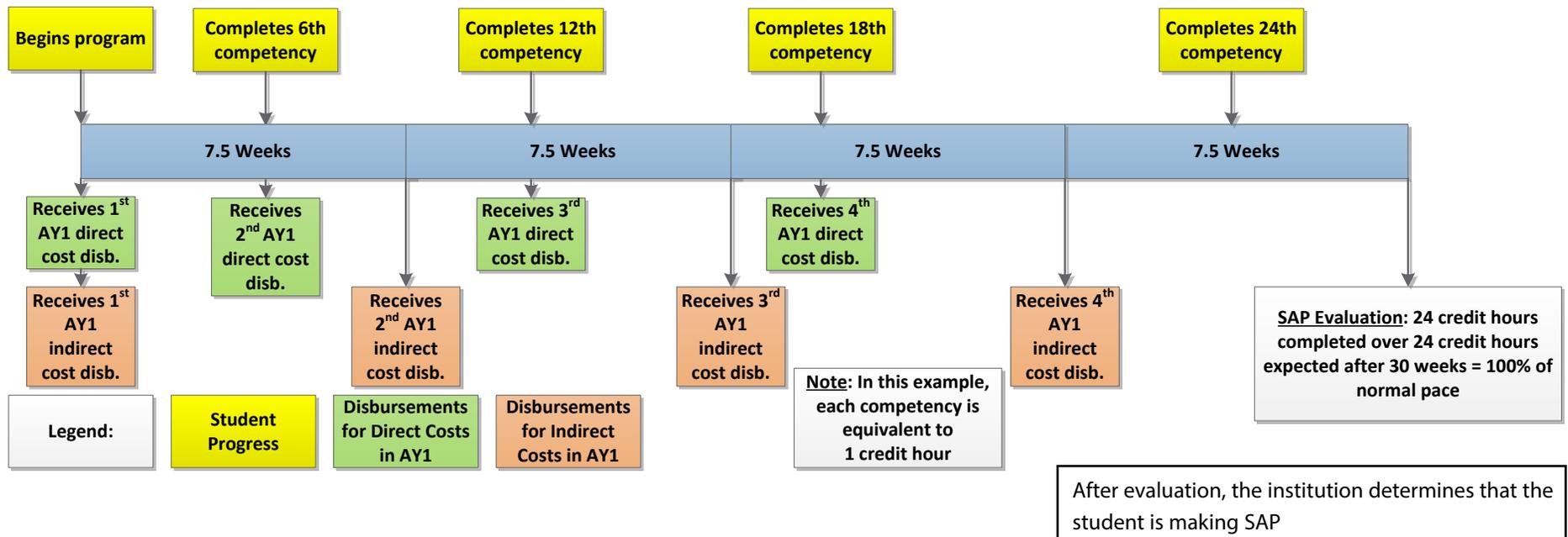
## SAP Example 2

A second student was enrolled in the same CBE program as above.

- 48 competencies
- Each competency is the equivalent of one credit hour
- The Title IV academic year consists of 24 competencies, which is equivalent to 24 credit hours, and 30 weeks of instructional time

The student received Title IV aid for each of the four indirect cost payment periods (i.e. after 7.5 weeks), and the student completed all 24 competencies in the academic year by the 28th week. Therefore, the the institution would determine that the student was making SAP.

Note that each box representing a disbursement below represents disbursements from all the Title IV programs for which the student is eligible.





## Checkpoint

Question	Yes	Description of Process
Have you consulted other offices – for example, your registrar or business office – at your institution about how SAP will work for the CBE Experiment?		
Is there a process in place to assist students who may not be on pace to complete the program within 150% of the normal time over a given calendar period?		
If the SAP rules in this experiment are different from your normal rules, will you need to go through your academic governance to make a change for CBE Split Disbursement?		

## Enrollment status

Volume 1, Chapter 1 of the FSA Handbook describes the requirements for determining a student's enrollment status. Programs included in an institution's participation in CBE Split Disbursement must be considered nonterm programs, in which disbursements generally are calculated on the basis of full time enrollment.

However, note that in all academic programs, including programs using nonterm academic calendars, a student must be enrolled at least half time to receive aid from the Direct Subsidized/Unsubsidized and Direct PLUS Loan programs. In addition, a student's Pell Grant cost of attendance must be calculated differently if a student is enrolled less than half-time.

To be enrolled half time, a student must be taking at least half of the course load of a full-time student. Your school defines a full-time workload, but it must meet the minimum standards in the FSA regulations. In order for an institution to establish that a student's enrollment status is at least half-time in a nonterm program, the school must document the student's enrollment in – or intent to enroll in – coursework that is equivalent to at least half of the of the workload in the institution's definition of a full-time student over the weeks of instructional time in the academic year.

If the student is carrying less than a half-time workload and cannot or does not intend to attempt at least a half-time quantity of work within the remainder of the academic year, the institution must refrain from making additional disbursements of Direct Loan funds, and in calculating Pell disbursements adjust costs of attendance to reflect the less than half-time status.

Documentation of a student's "intent to enroll" could take the form of a written academic plan that is agreed to by both the student and the institution, but in that case the institution must also document the student's ability to enroll; for example, by ensuring that there are sufficient course offerings available for the student to enroll in sufficient hours or the equivalent for half-time status.

As with any other determination of enrollment status, such a determination would need to be made when the institution awards aid to the student (in order to determine an accurate cost of attendance), when an institution originates a Direct Loan or awards a Pell Grant, and each time the institution disburses Pell Grant or Direct Loan funds to the student.

All other requirements described in Volume 1 of the FSA Handbook remain in effect for institutions participating in CBE Split Disbursement.



**Checkpoint**

Question	Yes	Description of Process
Do you have a process to document a student's Enrollment Status? Explain how you document the enrollment status of students.		

## SCHOOL ELIGIBILITY AND OPERATIONS

Institutions participating in CBE Split Disbursement must follow a modified process for applying to the Department to include educational programs. That process is described in greater detail in Section 2 of this Guide.

### *Program Participation Agreement*

Volume 2, Chapter 1 of the FSA Handbook describes the Program Participation Agreement (PPA) and the process for executing that agreement. Section 2 of this Guide (page 1) describes the additional requirement under CBE Split Disbursement that the institution execute an amendment to its PPA, which must be signed by the school's president, chief executive officer, or chancellor, and an authorized representative of the Secretary of Education, before the institution may participate in CBE Split Disbursement.

### *Direct Assessment Programs*

Volume 2, Chapter 2 also provides a definition for a "direct assessment program" and describes the requirements for such programs. Participation in CBE Split Disbursement does NOT change any of the requirements for offering a direct assessment program.



## Reminder

An institution may participate in both the CBE Experiment (including the CBE Split Disbursement set of waivers) and also the Limited Direct Assessment (LDA) Experiment – an institution’s participation in the LDA experiment would alter the requirements for a direct assessment program. Please see the [July 31, 2014 Federal Register Notice](#) for additional information.

### *Regular and Substantive Interaction*

Volume 2, Chapter 2 of the FSA Handbook describes the requirements for a distance education program, including the requirement that a distance education program support regular and substantive interaction between the students and instructors. Only programs that require regular and substantive interaction may participate in the Competency-Based Education experiment. We do not consider interaction that is wholly optional or initiated primarily by the student to be regular and substantive interaction between students and instructors. Interaction that occurs only upon the request of the student (either electronically or otherwise) would not be considered regular and substantive interaction.

However, as described in [Dear Colleague Letter GEN 14-23](#), institutions have flexibility in how they define “regular and substantive interaction.” Some institutions design their CBE programs using a faculty model where no single faculty member is responsible for all aspects of a given course or competency. In these models, different instructors might perform different roles: for example, some working with students to develop and implement an academic action plan, others evaluating assessments and providing substantive feedback (merely grading a test or paper would not be substantive interaction), and still others responding to content questions.

Such a model may be used to ensure regular and substantive interaction between students and instructors. However, in applying such a model, an institution must ensure that the interaction is provided by institutional staff who meet accrediting agency standards for providing instruction in the subject matter being discussed, that the interaction is regular, and that the amount of faculty resources dedicated to the program is sufficient in the judgment of the accrediting agency. Interactions between a student and personnel who do not meet accrediting agency standards for providing instruction in the subject area would not be considered substantive interaction with an instructor.

For institutions providing CBE programs under CBE Split Disbursement there are two important considerations regarding the “regular and substantive interaction” requirements:

- ▶ Students must have access to qualified faculty; and
- ▶ Programs must be designed to ensure regular and substantive interaction between students and those faculty members.

**Access to qualified faculty** – Qualified means that the faculty possesses the appropriate academic credentials and experience in the applicable

knowledge domain, as determined by the accrediting agency. This faculty access must be available to students who are struggling to master learning materials or objectives or for any reason when the student wants to interact with a faculty member (e.g. seeking explanation of feedback on an assessment or assignment, career advice, desire for more information on a topic). Learning coaches, online tutoring, and other support can be offered and used and may even account for the majority of students' support (and success), but programs must, as discussed above, include access to an academically qualified faculty member at least when students need or want it.

If a faculty member is not the primary monitor of student engagement with learning (as in traditional instructional models), the institution must have some combination of staffing and systems to monitor student engagement, level of performance, and to provide proactive support. It is incumbent on the institution to demonstrate that students are not left to *educate themselves*, a chief characteristic of correspondence programs.

**Program design** – A program must be designed with the expectation that regular and substantive interaction between students and faculty is an integral part of an educational program.

The term *regular* means periodic and while it can be broadly interpreted, it should be understood as predictable regularity and built into program design. Recognizing that most (though not all) CBE programs are self-paced at least to some extent, predicted regularity can be *event* driven and include, but is not limited to, completion of certain key competencies, a percentage of competencies, or the submission of assessments. While individual students may elect not to initiate contact with qualified faculty, program design must include periodic contact by qualified faculty with the students. Those contacts could be made through the use of email or other social media, but must create the opportunity for substantive interaction. Note that while an automated system for initiating contact with students could be one aspect of program design, such a system in and of itself could not meet the requirement for *regular and substantive interaction*.

The term *substantive* can also be broadly interpreted, but refers specifically to interaction, or the opportunity for interaction, with a student that is relevant to the academic subject matter in which the student is engaged. Substantive interaction could include direct instruction, substantive feedback to assessments, or, as described above, contacts with students that create the opportunity for relevant discussion of academic subject matter.

Assessment is an important part of the educational equation in all instances, but takes on particular importance in outcomes-focused programs like CBE. The statutory language pertaining to *regular and substantive interaction* does not require that faculty administer and/or grade all assignments, though faculty feedback on student assignments may be a very effective form of substantive interaction. Some assessments might be exam-based and machine graded, but those forms of assessment would not be considered substantive interaction. Traditional higher education has long used teaching assistants, such as graduate students within the discipline, to assess and grade student work, and this is acceptable in CBE programs.



### Reminder

**There is an additional requirement under Competency-Based Education Experiment, including CBE Split Disbursement that programs included in experiment MUST be designed to require regular and substantive interaction between students and instructors; correspondence programs may not be included in CBE Split Disbursement.**

## Satisfactory Academic Progress

### Exemption: Satisfactory Academic Progress

[HEA Section 484 \(c\) and 34 CFR 668.34\(a\)\(3\)\(ii\),\(a\)\(5\)\(ii\), and \(b\)](#) Satisfactory academic progress

Volume 2, Chapter 3 of the FSA Handbook describes the requirements for an institution's Satisfactory Academic Progress (SAP) policy. Certain aspects of these requirements are changed under the CBE Split Disbursement set of waivers as described above under *Student Eligibility*.

### Audits and program reviews

Volume 2, Chapter 4 of the FSA Handbook describes the audit requirements for institutions participating in the Title IV, HEA programs, and Volume 2, Chapter 8 describes program reviews that the Department conducts at schools. Participation in the CBE Split Disbursement set of waivers does not change an institution's responsibility to have an independent auditor conduct an annual audit of the school's compliance with the laws and regulations that are applicable to the FSA programs, nor does it waive an institution's responsibilities to comply with the Department's requirements for a program review.

However, because certain laws and regulations are waived under CBE Split Disbursement, institutions should refer auditors and the Department's program review staff to this Guide in order to determine whether an institution has complied with the appropriate rules for the CBE programs it includes under the CBE Split Disbursement set of waivers.

## *Updating application information*

Volume 2, Chapter 5 of the FSA Handbook describes the regular recertification of schools, as well as changes that can affect a school's participation and how and when to report these changes to the Department on the E-App (<http://eligcert.ed.gov>). This chapter also provides information on the process for adding an educational program to the institution's Eligibility and Certification Approval Report (ECAR), and describes the cases in which the school does not have to obtain the Secretary's prior approval to treat as eligible a program that is offered using credit or clock hours.

The Department must approve all other educational programs before Title IV aid may be awarded to students in those programs. If a program is offered using direct assessment, an institution must always receive approval from the Department (after receiving approvals required from the accrediting agency) before offering Title IV aid to students in that program.

CBE Split Disbursement does not change these basic requirements, but DOES require an institution to report to the Department all programs that it wishes to include under CBE Split Disbursement, and designate those programs by adding "- CBE" to the end of the program name in the E-App. Additionally, if a program is offered using credit or clock hours, that program must be approved, recognized, or designated as a CBE program by the institution's accrediting agency before the program may be included in CBE Split Disbursement. Additional information on this process is provided in Sections 2-4 of this Guide.

## *Consumer information and school reports*

**Volume 2, Chapter 6 of the FSA Handbook describes information that a school must disclose to the public and report to the Department. Participation in CBE Split Disbursement does not alter these requirements. Under those requirements, an institution must disclose to the public that it participates in the CBE Split Disbursement set of waivers, which programs are included under CBE Split Disbursement, and how its administration of the Title IV aid programs – including disbursement, satisfactory academic progress, and treatment of Title IV aid when a student withdraws – are changed under CBE Split Disbursement.**

All other requirements described in Volume 2 of the FSA Handbook remain in effect for institutions participating in the CBE Split Disbursement set of waivers.

## CALCULATING AWARDS & PACKAGING

Volume 3, Chapter 1 of the FSA Handbook describes requirements for academic calendars, payment periods, and disbursements. The majority of the waivers in CBE Split Disbursement relate to these areas, which will be discussed in greater detail below.

### *Academic Year requirements*

For FSA purposes, the academic year is defined in weeks of instructional time and, for undergraduate programs, in credit or clock-hours. A program's academic year does not have to coincide with the program's academic calendar. An institution must use the same academic year definition for all FSA awards for students enrolled in a particular program, and for all other FSA program purposes. However, a school may treat two versions of the same academic program (day and night, for example) as separate programs and define different academic years for each version.

### **Weeks of instructional time in an academic year**

An academic year for a credit-hour or direct assessment program must be defined as at least 30 weeks of instructional time, and for a clock-hour program, at least 26 weeks of instructional time.

The number of weeks of instructional time is based on the period that begins on the first day of classes in the academic year and ends on the last day of classes or examinations. For all FSA programs, a week of instructional time is any period of 7 consecutive days in which at least 1 day of regularly scheduled instruction, examination, or (after the last day of classes) at least 1 scheduled day of study for examinations occurs. Instructional time does not include periods of orientation, counseling, homework, vacation, or other activity not related to class preparation or examination.

Institutions must ensure that the instructional materials and faculty support necessary for academic engagement are available to students every week that the institution counts toward its definition of a payment period or an academic year. Note that, to the extent that instructional services supporting educational activity are not offered at any time during a seven-day period, that week would not count toward the institution's definition of a payment period or an academic year, nor would it count toward the minimum program length requirements in [34 CFR 668.8](#).

For all CBE programs, including direct assessment programs, educational activity includes (but is not limited to):

- ▶ Participating in regularly scheduled learning sessions (where there is an opportunity for direct interaction between the student and the faculty member);
- ▶ Submitting an academic assignment;
- ▶ Taking an exam, an interactive tutorial, or computer-assisted instruction;
- ▶ Attending a study group that is assigned by the institution;
- ▶ Participating in an online discussion about academic matters;
- ▶ Consultations with a faculty mentor to discuss academic course content; and
- ▶ Participation in faculty-guided independent study (as defined in 34 CFR 668.10(a)(3)(iii)).

For direct assessment programs only, educational activity also includes development of an academic action plan developed in consultation with a qualified faculty member that addresses competencies identified by the institution.

### Credit or clock-hours in an academic year

The law and regulations set the following minimum standards for coursework earned by a full-time student in an academic year in an undergraduate educational program (including direct assessment programs):

- ▶ 24 semester or trimester credit-hours or 36 quarter credit-hours for a program measured in credit-hours or an equivalent measure in a direct assessment program; or
- ▶ 900 clock-hours for a program measured in clock-hours or an equivalent measure in a direct assessment program.

There is no minimum hours component to the definition of an academic year for graduate and professional programs. For purposes of Direct Loans, a loan period certified for an academic year in a graduate or professional program would include the weeks of instructional time in the academic year and the hours a full-time student is expected to complete in those weeks.

The requirements above relating to a program's academic year apply to all CBE programs, not just those included in an institution's participation in the CBE Split Disbursement. The CBE Split Disbursement set of waivers does not change any of those requirements.

## Academic calendars

Volume 3, Chapter 1 of the FSA Handbook describes the three different types of academic calendars: standard term, nonstandard term, and nonterm. CBE Split Disbursement does not change these definitions; however, all programs included in an institution's participation in CBE Split Disbursement MUST be treated as nonterm for Title IV aid purposes.

## Payment Periods

### Exemption: Payment Periods

#### [34 CFR 668.4\(c\)](#), Definition of a Payment Period

Volume 3, Chapter 1 of the FSA Handbook provides a definition of a payment period applicable to all the Title IV programs except for Federal Work Study. Title IV aid must be disbursed on a payment period basis, and a SAP evaluation must correspond with the end of a payment period.

Under [34 CFR 668.4\(c\)](#), for an academic program that does not have academic terms, a payment period ends, and the next payment period begins, when the student has successfully completed both half the number of clock or credit hours in the program's Title IV academic year and half the number of weeks of instructional time in that definition. Under this regulation, the institution uses the same payment period in making Title IV disbursements of indirect costs (i.e., costs of living) as it does in making disbursements of direct costs (institutional charges).

#### **CBE Split Disbursement waives the definition of a payment period in 34 CFR 668.4(c).**

Under CBE Split Disbursement an institution must shorten the length of the CBE program's payment periods from 50 percent of the program's defined *academic year* to no more than 25 percent of the academic year.

### Comparison between current rules and experiment

Current Rules	Experiment
Term program: Each term is a payment period	Two types of payment periods: direct costs payment periods and indirect costs payment periods
Nonterm program: A payment period is the time it takes for the student to complete 50% of the credits in the academic year and 50% of the weeks in the academic year	Programs are treated as nonterm programs, and payment periods are no more than 25% of the defined Title IV academic year component

In the CBE Split Disbursement set of waivers, there are also two different kinds of payment periods: payment periods for direct costs and payment periods for indirect costs (both described below under “Cost of Attendance”). Note that the amounts of Title IV aid associated with direct and indirect costs will be determined according to the packaging process described below.

Under CBE Split Disbursement, an institution must first determine the percentage of the academic year that each of its payment periods accounts for, and then determine the amount of hours or weeks associated with that period. CBE Split Disbursement will provide for institutional flexibility in establishing the number of competencies and weeks of instructional time in the CBE program’s payment periods to fit its needs, as long as each of those components is not more than 25 percent of the relevant academic year component and as long as all of the components combined equal at least 100 percent of the relevant academic year component.

Payment periods for direct costs will be expressed in terms of the number of credit or clock hours (or the equivalent in the case of a direct assessment program) expected to be completed in the percentage of the academic year that is used for purposes of calculating the payment period, with that number determined in compliance with Title IV minimums for full-time enrollment for an academic year. For example, if an institution establishes a direct cost payment period that is 25 percent of its academic year, and its academic year definition includes 24 semester hours, then the institution’s direct cost payment period would be six semester hours.

A *direct cost payment period* is completed, and the next one begins, when a student achieves all of the competencies associated with the required number of credit hours, clock hours, or the equivalent for that payment period. Disbursements of Title IV aid that are made on the basis of direct cost payment periods are called *direct cost disbursements*.

Payment periods for indirect costs will be expressed in weeks of instructional time. For example, if an institution establishes an indirect cost payment period that is 20 percent of its academic year, and its academic year definition includes 30 weeks of instructional time, the institution’s indirect cost payment period would be six weeks of instructional time.

An *indirect cost payment period* is completed, and the next one begins, when a student completes all of the weeks of instructional time associated with that payment period. Disbursements of Title IV aid that are made on the basis of indirect cost payment periods are called *indirect cost disbursements*.

An institution may define its payment periods for purposes of making indirect cost disbursements differently than it defines its payment periods for purposes of making direct cost disbursements. Thus, an institution’s program could have a direct cost payment period of 20% of the academic year and an indirect costs payment period of 15%, etc. See below regarding *Cost of Attendance*.

Example: Consider an example in which the institution and its accrediting agency have established that the CBE program consists of 40 competencies, each of which is equivalent to the amount of learning in three semester credit hours. The institution’s defined Title IV academic year consists of the successful completion of at least eight competencies (the equivalent of 24 credit hours) over 30 weeks of instructional time. The institution has decided, for this CBE program, that it will set both the direct cost payment period and the indirect cost payment period to be equal to 25 percent of the Title IV academic year. In this example, the second direct cost payment period would begin once the student had completed two competencies. The second indirect cost payment period would begin after seven and one half weeks of instruction had passed.

### Example

Consider an example in which the institution and its accrediting agency have established that the CBE program consists of 40 competencies, each of which is equivalent to the amount of learning in three semester credit hours. The institution’s defined Title IV academic year consists of the successful completion of at least eight competencies (the equivalent of 24 credit hours) over 30 weeks of instructional time. The institution has decided, for this CBE program, that it will set both the direct cost payment period and the indirect cost payment period to be equal to 25 percent of the Title IV academic year. In this example, the second direct cost payment period would begin once the student had completed two competencies. The second indirect cost payment period would begin after seven and one half weeks of instruction had passed.

Academic Year: 15 Weeks of Instructional Time and 24 Semester Hours			
Direct Cost Payment Period 1: 8 Semester Hours (25% of academic year)	Direct Cost Payment Period 2: 8 Semester Hours (25% of academic year)	Direct Cost Payment Period 3: 8 Semester Hours (25% of academic year)	Direct Cost Payment Period 4: 8 Semester Hours (25% of academic year)
Indirect Cost Payment Period 1: 7.5 Weeks (25% of academic year)	Indirect Cost Payment Period 2: 7.5 Weeks (25% of academic year)	Indirect Cost Payment Period 3: 7.5 Weeks (25% of academic year)	Indirect Cost Payment Period 4: 7.5 Weeks (25% of academic year)

## Disbursement timing

### Exemption: Frequency of disbursements

[34 CFR 674.16\(b\)\(3\)](#), [34 CFR 676.16\(a\)\(3\)](#), [34 CFR 686.33\(a\)](#), [34 CFR 690.76\(a\)](#): Frequency of disbursements for grants and Perkins Loans;

[HEA Section 428G\(a\)\(2\)](#) and [34 CFR 685.303\(d\)\(3\)\(ii\)\(B\)](#): Determining disbursement dates for Direct Loans

Volume 3, Chapter 1 of the FSA Handbook describes the requirements for the timing of Title IV disbursements, and notes that the timing of disbursements is especially important for Pell Grants, TEACH Grants, and Direct Loan funds, because you must report disbursement dates to the Department through the Common Origination and Disbursement (COD) System. Prompt and accurate reporting of Title IV disbursement dates is still required under CBE Split Disbursement, as will be described below.

### Basic rules for early and delayed disbursements

For credit-hour non-term and clock-hour programs, the earliest a school may disburse FSA funds (other than FWS wages) is the later of:

- ▶ 10 days before the first day of classes for that payment period; or
- ▶ The date the student completed the previous payment period for which he or she received FSA funds.

These general restrictions also apply to programs included in CBE Split Disbursement

### Disbursements in clock hour and credit-hour nonterm programs

As stated in Volume 3, Chapter 1 of the FSA Handbook, ordinarily in credit hour nonterm and clock-hour programs, a student can receive the first disbursement of FSA grant or Perkins Loan funds when the student begins the program or academic year. Note that if the disbursement is made earlier and the student does not begin attendance, the institution will have to return the funds to the Department under 34 CFR 668.21, as discussed below.

The FSA Handbook also states that a student becomes eligible to receive a disbursement of FSA grant funds for the second payment period when the student successfully completes half of the weeks of instructional time AND half of the credit-hours/clock-hours in the academic year or program or the remaining portion of a program that is more than one-half of an academic year but less than a full academic year. **This is not the case under CBE Split Disbursement.**



## Reminder

**Under CBE Split Disbursement, an institution may only make a second or subsequent direct cost disbursement of Title IV aid when a student has completed all of the competencies in the prior direct cost payment period, and may only make a second or subsequent indirect cost disbursement of Title IV aid when a student has completed all the weeks of instructional time in the prior indirect cost payment period.**

**Additionally, the institution may not make a direct cost disbursement of Title IV aid that, if added to the indirect cost disbursements and direct cost disbursements previously made in the academic year, would exceed the student's annual award maximum for the academic year for that Title IV program.**

**Note:** A student who completes the credit hours, clock hours, or the equivalent in an academic year before completing the weeks in the academic year becomes eligible for any difference between the student's annual loan limit for the prior grade level and the annual loan limit for the current grade level.

If a student completes the competencies associated with the credit or clock hours or the equivalent in an academic year before completing the weeks of instructional time in the academic year, the institution must delay disbursements associated with the following academic year until the student has completed the appropriate number of weeks of instructional time. Once the student has completed the appropriate number of weeks, and subject to maximums applicable to the new academic year, the institution may disburse funds for any direct cost payment periods for which the student has not yet been paid as long as the student otherwise meets the requirements for those disbursements.

### Multiple disbursements within a payment period

The FSA Handbook states that Title IV regulations generally permit schools to pay FSA funds at such times and in such installments within each payment period as will best meet students' needs.

**Under CBE Split Disbursement, there are different requirements for the timing of disbursements of Title IV aid for direct costs and indirect costs.**

An institution may make direct cost disbursements at such times and in such installments within each direct cost payment period as will best meet students' needs, provided that direct cost disbursements cannot be made for a subsequent payment period before the competencies associated with the hours or equivalencies for the current payment period have been completed. Additionally, if a student completes the competencies in a direct cost payment period before an indirect cost payment period has elapsed, the institution may choose, for administrative reasons, not to immediately disburse Title IV aid for direct costs but, may instead wait until the required weeks of instruction have elapsed, in order to make disbursements for both direct and indirect costs at the same time. However, if an institution chooses to delay disbursements for direct costs, it may not restrict the student's ability to continue or to begin subsequent academic work.

Note that even though a student can receive a new direct cost disbursement in the same academic year when he/she completes the competencies associated with the prior direct cost payment period, a student may not receive a new annual loan limit until the student has completed all the weeks of instructional time in the academic year. See *Annual Loan Limits* and *Loan Limit Progression* later in this section for more information.

For indirect cost disbursements, the institution must make the disbursement of Title IV funds, if any, for a student's indirect costs no later than 14 days after the student has completed the prior indirect cost payment period.

### Retroactive disbursements for completed periods

Under CBE Split Disbursement when an enrolled student becomes eligible for Title IV aid, your institution must pay the student retroactively for any completed payment periods within the award year if the student was eligible for payment in those periods. Thus, in the case of a Pell Grant, if you don't receive a valid SAR/ ISIR for a student until the student has completed several direct cost payment and indirect cost payment periods, but the student was also enrolled and eligible for a disbursement in those earlier payment periods, that student must be paid retroactively for those payment periods.

## Comparison between current rules and experiment

Current Rules	Experiment
Disbursements for direct costs and indirect costs made at same time	Disbursements for direct and indirect costs may occur at different times
Disbursements for a nonterm program are made when the student completes both 50% of credits and weeks in the academic year	Disbursements may be made for direct costs when competencies have been mastered
	Disbursement for indirect costs must be made at regular intervals, subject to award maximums.

### Interim Disbursements

Under certain limited circumstances, you may make interim disbursements to students prior to verification. This flexibility is still available when an institution is participating in CBE Split Disbursement.

### Transfer and Re-Entry

A student who withdraws from a nonterm program and then re-enters within 180 days is considered to remain in the same payment period when he/she returns and, subject to conditions imposed by ED, is eligible to receive Title IV funds for which he/she was eligible prior to withdrawal.

Generally, you must calculate new payment periods for a nonterm program for a student who withdraws:

- ▶ and then re-enters the same program at the same school after 180 days; or
- ▶ from a program and enrolls in a new program at your school, or at another school within any time period.

In this circumstance, for purposes of calculating payment periods ONLY, the length of the program is the number of credit or clock-hours and weeks of instructional time the student has remaining in the program that he/she re-enters or transfers into.

None of the requirements described above for calculating payment periods for students that transfer and re-enter change under CBE Split Disbursement.

**Note** For students who transfer and re-enter after 180 days, or who enroll in a new program, an institution should calculate the student's direct and indirect cost payment periods using the definition described above, in which there are direct and indirect cost payment periods, and a payment period may be no more than 25% of the defined Title IV academic year component.

## Direct Loan Periods When a Student Transfers to a New School

Volume 3, Chapter 1 of the FSA Handbook describes the treatment of Direct Loan awards when a student transfers to a new school before the academic year at the student's prior institution has ended. In that case, under the current rules, an institution may create a loan for the remaining portion of the program or academic year (abbreviated loan) if the period of enrollment for the loan at the first school overlaps the period of enrollment at the new school.



### Reminder

**There are changes to this procedure under CBE Split Disbursement. Under CBE Split Disbursement, when a student transfers to a new institution, enrolls in a CBE program included in CBE Split Disbursement, and the academic year for the loan at the prior institution has not yet ended, the institution may choose to originate a new loan for the remaining portion of the academic year.**

**Once the abbreviated loan has ended and the student has completed the weeks in the prior academic year, the institution may originate a new loan beginning at the same time as a direct or indirect cost payment period. The institution must always ensure that it does not disburse more than a student's annual loan limit during an academic year.**

### Exemption: Annual Loan limits for Direct Loans and determining disbursement dates for Direct Loans

**[34 CFR 685.303\(e\)\(2\) and \(3\)](#): Annual Loan limits for Direct Loans;**

**[HEA Section 428G\(a\)\(2\) and 34 CFR 685.303\(d\)\(3\)\(ii\)\(B\)](#): Determining disbursement dates for Direct Loans**

## Loan Periods for a Student Starting a New Program at the Same School in the Same Academic Year

Volume 3, Chapter 1 of the FSA Handbook also describes the treatment of Direct Loan awards when a student completes a program and then begins a new program at the same institution. The Handbook states that, in this situation, the institution may originate a loan for the remainder of the academic year for an amount that does not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program. There may either be a new loan period with new payment periods or, if the institution chooses to consider the student to be in the same payment period, there would be no new loan period.

There are also changes to this procedure under CBE Split Disbursement. Under CBE Split Disbursement, when a student completes a program and begins a new program that is included in the experiment at the same institution, the institution may not choose to consider the student to be in the same loan period and payment period. The institution may choose to originate a new loan with a new loan period for the remaining portion of the academic year, but must incorporate the student’s eligibility for that loan into the same program academic year and payment periods that it uses for all other Title IV programs.

### Cost of Attendance - Direct and indirect costs

Volume 3, Chapter 2 of the FSA Handbook describes the components of a student’s cost of attendance. Under the CBE Experiment, the types of allowable costs will not change, but institutions will be required to separate the components of the student’s Title IV COA into two categories, one for “direct costs” (i.e., tuition and fees and books and supplies) and the other for “indirect costs” (such as room and board, transportation, miscellaneous expenses). Students will be eligible to receive disbursements of Title IV aid for institutional charges and disbursements of Title IV aid for living expenses at different times based on the two different measures of the student’s progression through the CBE program.

Direct Costs (DC)	Indirect Costs (IC)
<ul style="list-style-type: none"> <li>• Tuition and Fees</li> <li>• Books and supplies</li> </ul>	<ul style="list-style-type: none"> <li>• Room and Board</li> <li>• Transportation, miscellaneous expenses, etc.</li> </ul>

In CBE Split Disbursement, **direct costs** mean tuition, fees, books, and supplies. Please note, there will be no restrictions placed on how institutions charge tuition or fees, but institutions should carefully consider how their systems for charging students will work under the CBE Split Disbursement set of waivers.

**Indirect costs** are all other costs: room and board, transportation, miscellaneous expenses, and all the other expenses that can be included in a student’s cost of attendance under the current rules.



**Use this chart to assist in building your direct and indirect costs.**

Direct Costs	
Tuition	
Fees	
Books and supplies	
Total Direct Costs	

Indirect Costs	
Room & Board	
Transportation	
Miscellaneous Expenses (Dependent care, disability expenses and loan fees)	
Total Indirect Costs	

Volume 3, Chapter 2 of the FSA Handbook also describes the requirements for developing costs for students who attend for periods other than 9 months. Under the CBE Split Disbursement set of waivers, the length of the program or the program’s academic year, whichever is shorter, will determine the length of time that the institution uses to calculate costs for a student.

### Calculating Pell Grant Awards

Volume 3, Chapter 3 of the FSA Handbook describes the requirements for calculating Pell Grant and Iraq & Afghanistan Service Grant (IASG) payments.

### Scheduled Award, Award Year, and Annual Award

The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends full-time for a full academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. A student’s Scheduled Award is established by the Pell Grant payment schedule that the Department issues prior to the start of each award year. The annual award is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. CBE Split Disbursement does not change these provisions, nor does it change the rules for calculating IASG awards.

In most circumstances, because programs included in CBE Split Disbursement are treated as nonterm programs, students will have annual awards that are the same as their Scheduled awards, because the students in nonterm programs are considered to be full-time for awarding purposes. In limited circumstances, a student who is less-than-half-time may receive a smaller Pell award as a result of a reduced full-time cost of attendance.

### Formulas 1, 2, and 3, and 5

Because CBE Split Disbursement relates only to nonterm programs and excludes correspondence programs, Pell Formulas 1, 2, 3, and 5 do not apply.

### Formula 4

For nonterm programs under CBE Split Disbursement, enrollment status only makes a difference if the student is attending less-than-half-time. If that's the case, only certain components of the cost of attendance are used; please see the section on "Enrollment Status" above for more information.

Under normal rules, an institution calculates a payment for each payment period by dividing the credit hours in the payment period over the credit hours in the academic year and the weeks in the payment period over the weeks in the academic year and using the lesser of the two results.

### **CBE Split Disbursement changes the method by which an institution calculates the payment amounts for the Pell Grant program under Formula 4.**

Under CBE Split Disbursement, Pell payments are determined using the following calculation. Apply the steps below separately for direct cost payments and indirect cost payments:

#### **Example**

If a student's Scheduled Award was \$5,775 and the student's direct costs were only \$3,775, then \$3,775 would be assigned to direct costs and \$2,000 would be assigned to indirect costs.

1. Determine whether the Pell award will be used to pay for direct costs only, or for both direct and indirect costs.

### Example

Four direct cost payment periods of 6 semester hours each would each be 25% of the academic year.

2. Calculate the percentage of the academic year that is associated with each payment period.
3. Multiply the amount assigned to direct or indirect costs by the applicable percentage.

### Example

If \$3,775 of the student's Pell award was assigned to direct costs, then \$3,775 would be multiplied by 25% for each of the payment periods, for a total of \$943.75 per payment period.



### Reminder

Note that the normal ground rules for rounding Pell payments would still apply under CBE Split Disbursement. The COD System accepts cents and whole dollar amounts in payment amounts for Pell. When rounding, you may round up if the decimal is .50 or higher; round down if it's less than .50. When rounding for a student expected to be enrolled for more than one payment period in the award year, alternate rounding up and down. The amount used to round (whether it is a dollar or penny) is carried forward to the next payment and applied before the rounding calculation is performed for that payment period. Your policy on rounding must be applied equally to all students. These rounding rules do not apply if the amount disbursed would exceed the student's Scheduled Award or place the student's Lifetime Eligibility Used (LEU) over 600%.

**Exemption: Calculation of a Federal Pell Grant for a payment period****34 CFR 690.63 (e)(2) Calculation of a Federal Pell Grant for a payment period****Crossover Payment Periods**

When a payment period falls into two award years – that is, it begins before July 1 and ends on July 1 or later – it is called a “crossover payment period.” The formula for calculating the payment for a crossover payment period is the same as that for any other payment period in the award year.

For Pell purposes, you must consider a crossover payment period to occur entirely within one award year and calculate the student’s Pell award and disburse Pell funds from the award year selected (if you only have a valid SAR/ISIR from one award year, you must rely on that record and the award year to which the valid SAR/ISIR pertains).

**Under CBE Split Disbursement, both direct cost payment periods and indirect cost payment periods will be considered crossover payment periods under the following circumstances:**

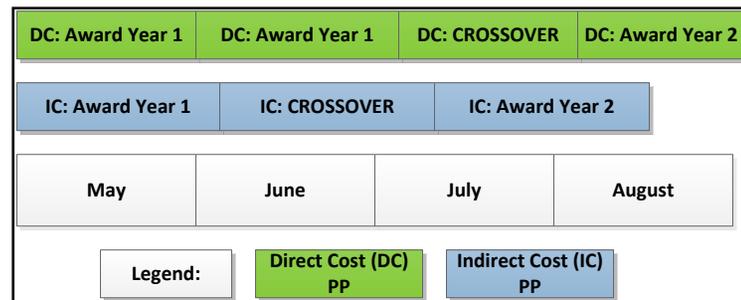
- ▶ An indirect cost payment period is a crossover payment period if it begins before July 1 and ends on July 1 or later.
- ▶ A direct cost payment period is a crossover payment period if it begins during a crossover indirect cost payment period.

### Example

A student begins an academic program included in CBE Split Disbursement on May 4th. That student’s first indirect cost payment period extends from May 4th through June 5th. The student completes the competencies associated with her first direct cost payment period on May 29th.

The student’s second indirect cost payment period begins on June 8th and extends until July 17th, and is therefore considered a crossover payment period. At the same time, the student is working on the competencies associated with her second direct cost payment period, which she completes on July 10th. However, that second direct cost payment period began before the crossover indirect cost payment period that started June 8th, and is therefore associated with the prior award year.

The student completes the competencies associated with her second direct cost payment period on July 10th, before the last day of the crossover indirect cost payment period. Therefore, even though the student’s third direct cost payment period began after July 1, under CBE Split Disbursement it is considered a crossover payment period because it begins during a crossover indirect cost payment period.



### Awarding remaining Pell Grant eligibility

A student who receives Pell Grant funds at one institution and subsequently transfers to another institution in the same award year can only receive the remaining percentage of his/her Scheduled award for the award year at the new institution. CBE Split Disbursement does not change these provisions.

### Pell Grant and Lifetime Eligibility Used (LEU)

A student’s maximum duration of Pell eligibility is 6 Scheduled Awards, as measured by the percentage of LEU field in the COD System and described in Volume 3, Chapter 3 of the FSA Handbook. CBE Split Disbursement does not change these provisions.

## Pell recalculations

In certain cases, you may have to recalculate the student's Pell Grant after the initial calculation or disbursement, to account for changes to the student's costs or EFC.

If the student's EFC changes due to corrections, updating, or an adjustment, and the EFC change would change the amount of the Pell award, you must recalculate the Pell award for the entire award year and change the student's actual and/or anticipated disbursement amounts per payment period accordingly.

If the student's COA changes during the year, the institution has the option of recalculating Pell awards for those cost changes.

**NOTE:** This refers to recalculations of a student's entire Pell award based on cost changes, not to changes in the distribution of direct or indirect cost disbursements under the CBE Split Disbursement set of waivers. Please see the "Packaging" section below for more information.

## Academic Year progression

Under normal rules, in a nonterm program a student is required to complete all of the credit or clock hours and weeks of instruction in an academic year before the student may receive Pell Grant funds associated with the following academic year. Under CBE Split Disbursement this requirement still applies for purposes of the Pell Grant program.

If a student finishes the weeks of instructional time in an academic year before finishing the hours, the institution must withhold the student's next Pell Grant disbursement for indirect costs until the student has completed all of the hours in the academic year. Similarly, if a student finishes the hours in an academic year before finishing the weeks, the institution must withhold the student's next disbursement for direct costs until the student has completed all the weeks in the academic year.

## Calculating TEACH Grants

Volume 3, Chapter 4 of the FSA Handbook describes the process for calculating TEACH Grants. The formula for calculating a TEACH Grant is described in this chapter.

**Under CBE Split Disbursement the process for calculating TEACH Grant payments is the same as the process for calculating Pell Grants under CBE Split Disbursement, as described under “Calculating Pell and Iraq & Afghanistan Service Grant Awards” above.**

1. Determine whether the TEACH award will be used to pay for direct costs only, or for both direct and indirect costs.

### Example

If TEACH were the only award a student was receiving, and the student’s Scheduled Award was \$4,000 and the student’s direct costs were only \$3,000, then \$3,000 would be assigned to direct costs and \$1,000 would be assigned to indirect costs.

2. Calculate the percentage of the academic year that is associated with each payment period.

### Example

Four direct cost payment periods of 6 semester hours each would each be 25% of the academic year.

3. Multiply the amount assigned to direct or indirect costs by the applicable percentage.

### Example

If \$3,000 of the student’s TEACH award was assigned to direct costs, then \$3,000 would be multiplied by 25% for each of the payment periods, for a total of \$750 per payment period.

Additional information regarding how to package funds under the CBE Experiment will be described under *Packaging* section later in this section.



## Reminder

**Note on COD System processing: You may only schedule up to 20 disbursements of a single Pell Grant or TEACH Grant award, so remember to design your academic year and payment periods so that you do not exceed this number.**

Crossover periods for TEACH Grants also function the same way as Pell Grants, as described above.

The remaining requirements for eligibility for and calculations of TEACH Grants described in Volume 3, Chapter 4 remain in effect, including maximum Scheduled Awards and aggregate limits.

### Academic Year progression

Under normal rules, in a nonterm program a student is required to complete all of the credit or clock hours and weeks of instruction in an academic year before the student may receive TEACH Grant funds associated with the following academic year. Under CBE Split Disbursement, this requirement still applies for purposes of the TEACH Grant program.

If a student finishes the weeks of instructional time in an academic year before finishing the hours, the institution must withhold the student's next TEACH Grant disbursement for indirect costs until the student has completed all of the hours in the academic year. Similarly, if a student finishes the hours in an academic year before finishing the weeks, the institution must withhold the student's next disbursement for direct costs until the student has completed all the weeks in the academic year.

### Direct Loan periods and amounts

#### Exemption: Annual Loan limits for Direct Loans and determining disbursement dates for Direct Loans

**[34 CFR 685.303\(e\)\(2\) and \(3\)](#): Annual Loan limits for Direct Loans;  
[HEA Section 428G\(a\)\(2\) and 34 CFR 685.303\(d\)\(3\)\(ii\)\(B\)](#): Determining disbursement dates for Direct Loans**

Volume 3, Chapter 5 of the FSA Handbook describes the rules for awarding and disbursing Direct Loan funds. That chapter reminds institutions that in order to request Direct Loan or Direct PLUS Loan funds for a student, a school must certify that the borrower is eligible for the loan award, and must provide specific amounts and dates for each disbursement of the loan award.

A borrower's eligibility for a Direct or Direct PLUS Loan is limited by annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, an institution may not originate a loan for more than the:

- ▶ amount the borrower requests;
- ▶ borrower's cost of attendance;
- ▶ borrower's annual or aggregate limit; or
- ▶ borrower's unmet financial need (as determined using the rules described under "Packaging," below).

In Direct Loans, the loan certification is part of the loan origination record sent electronically to the COD System. An institution must provide this certification each time you make a loan under a Master Promissory Note (MPN).

The school's origination includes the borrower's grade level, loan period, anticipated disbursement dates, and the amounts of the disbursements (using the rules described in this section below).

None of the requirements above are affected by an institution's participation in the CBE Split Disbursement .

### Loan Periods and program length

An institution must define the loan period (sometimes called the "period of enrollment") at the beginning of the loan awarding process. The length of a loan period will determine the timing and amount of disbursements of Direct Loan funds.



## Reminder

**The minimum timeframe for a loan period for programs under the CBE Experiment is the lesser of the length of the program, the remaining portion of the program if the student has less than the full program remaining, or the program’s academic year. The maximum timeframe for a loan period is also one academic year.** Under the CBE Experiment, an institution is not permitted to originate a loan with a loan period that extends beyond an academic year.

**Under CBE Split Disbursement, an institution must originate a single Direct Loan for direct costs and for indirect costs (if the student’s award exceeds direct costs). With the exception of loans for certain transfer students, as described above, an academic year for Direct Loans under CBE Split Disbursement will extend until the student completes both the hours and the weeks in the academic year. Note that if a student finishes the weeks of instructional time in an academic year before finishing the hours, the next academic year can immediately begin for purposes of disbursing indirect costs, and will overlap with the prior academic year until the student finishes the hours in the prior year.**

If the Direct Loan is intended solely to pay direct costs, the academic year for the loan will extend until the day that the student completes all the competencies in the institution’s definition of an academic year.

## Direct Loan disbursement

Under CBE Split Disbursement, disbursements of Direct Loan funds must be made on a payment period basis. Disbursements for each direct cost payment period in a loan period must be substantially equal. Disbursements for each indirect cost payment period in a loan period must also be substantially equal. For both direct cost and indirect cost payment periods, loan proceeds for a payment period may not be disbursed until the student has successfully completed the prior payment period.

### Example

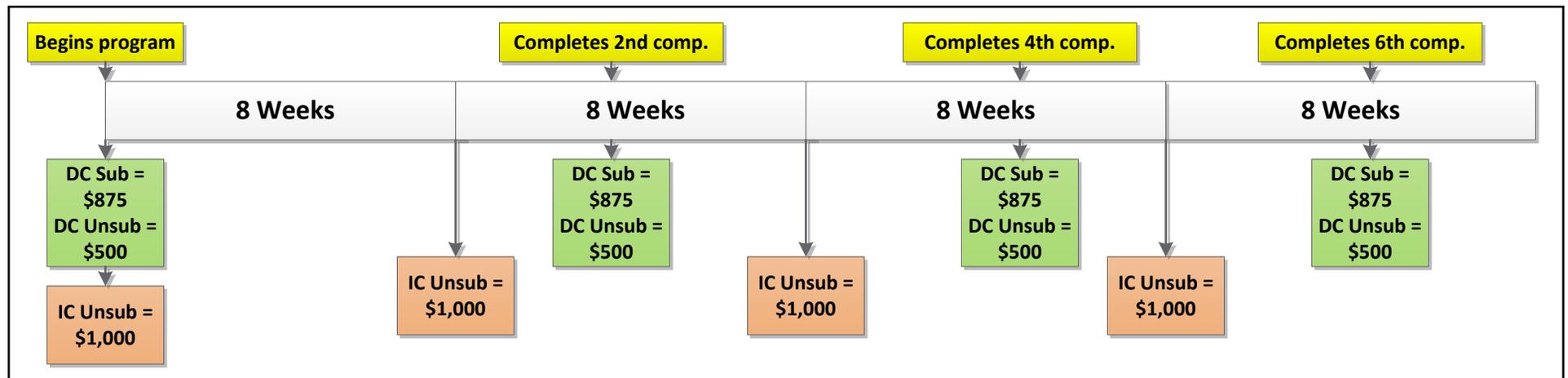
An institution has defined its academic year for a CBE program as 8 competencies, each of which are equivalent to three credit hours, and 32 weeks of instructional time. A first-year, independent student in that program is eligible for a Subsidized Direct Loan of \$3,500 and \$6,000 in Unsubsidized Direct Loan funds. The student's COA for the academic year is \$12,500; the student's direct costs are \$5,500, and indirect costs are \$7,000. The institution has chosen to use payment periods representing 25% increments of the academic year.

The student's entire \$3,500 Subsidized Direct Loan would go toward the student's direct costs, and would be divided into four equal disbursements of \$875 each. A disbursement would be made at the beginning of the student's program, and the remaining three disbursements of \$875 in the loan period would be made each time the student completes two competencies.

The student's Unsubsidized Direct Loan would be divided between direct costs and indirect costs.

The first \$2,000 of the student's Unsubsidized Direct Loan would go toward the student's direct costs; that amount would be divided into four equal disbursements of \$500 each. The first disbursement would be made at the beginning of the program, and subsequent disbursements would be made each time the student completes 6 competencies.

The remaining \$4,000 of the student's Unsubsidized Direct Loan would go toward the student's indirect costs; that amount would be divided into four equal disbursements of \$1,000 each. The first disbursement would be made at the beginning of the program, and subsequent disbursements would be made each time the student completes 8 weeks of instructional time.



Direct Subsidized and Unsubsidized Loans have annual loan limits, based on the student's dependency status and grade level. These amounts of the Direct Loan annual limits, including the amounts associated with each grade level, do not change under CBE Split Disbursement.

Under the normal rules, a student would progress to a new loan limit in a nonterm program – using a BBAY3 – only after successfully completing BOTH the clock or credit hours and the weeks of instructional time in the BBAY3.

- ▶ **Under the CBE Experiment, a student could progress to a new loan limit after completing the weeks of instructional time in the BBAY3 (which must be at least 26 weeks for a clock hour program and 30 weeks for a credit hour program). The student would not be required to complete the credit hours, clock hours, or the equivalent in order to receive a new annual loan limit. It could not, however, make disbursements for direct costs that count toward the new annual loan limit until the credit hours, clock hours, or the equivalent associated with the prior payment period were completed.**
- ▶ **Note that under CBE Split Disbursement, a student must ALWAYS complete the weeks in the institution's definition of an academic year before receiving a new annual loan limit.** If a student completes all of the competencies associated with an academic year before completing the weeks of instructional time, the institution must wait until the appropriate number of weeks have elapsed before providing additional loan funds to the student.

### Grade level progression

The annual loan limit for Direct Subsidized and Unsubsidized Loans increases as a student progresses in his/her studies. Under CBE Split Disbursement, a grade level is determined by the number of credit or clock hours or the equivalent in the institution's definition of an academic year for the program.

Under the normal rules, in a nonterm program that is longer than an academic year, the borrower may not move to a higher grade level until he or she completes the credit or clock hours and weeks of instructional time in the BBAY.

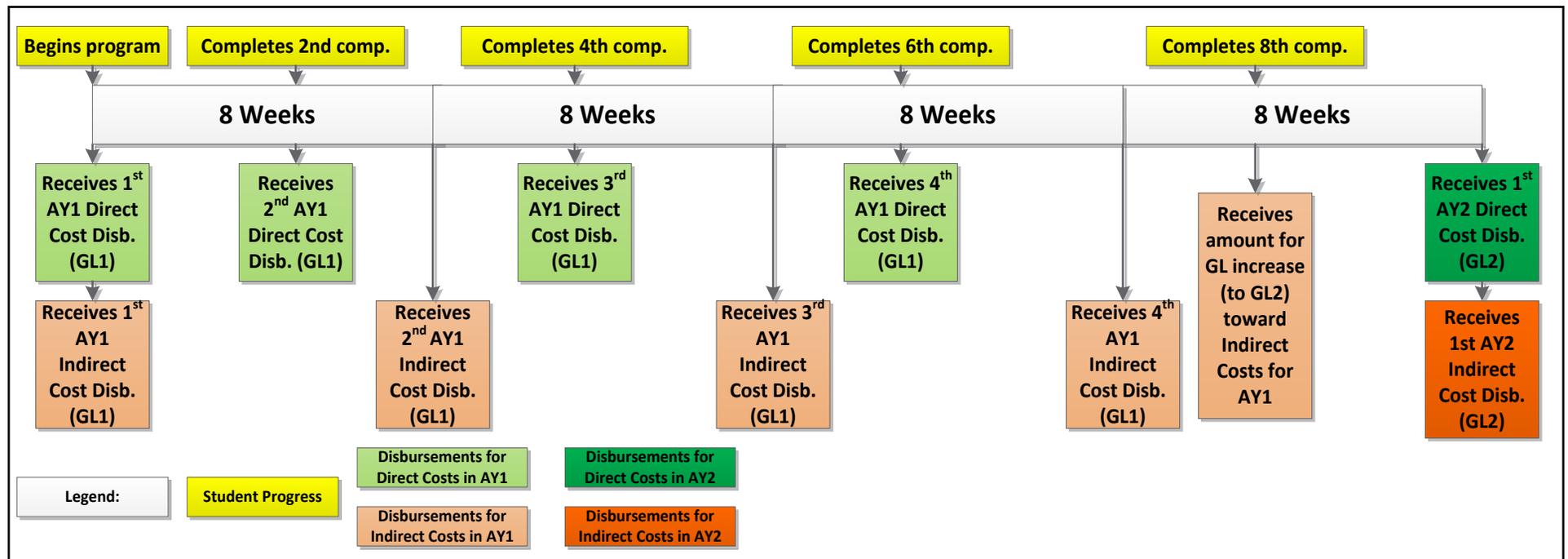
**Under CBE Split Disbursement, a borrower may move to a higher grade level when he/she completes the number of credit or clock hours or the equivalent in the program's academic year, regardless of whether the student has completed the weeks of instructional time in the academic year.**

Under CBE Split Disbursement, when a student completes the competencies associated with the number of credit or clock hours or the equivalent in an academic year, and the student also moves to a new grade level, the student would immediately become eligible for the difference between the student's prior annual loan limit for his/her grade level and the annual loan limit for the student's new grade level. **However, the student cannot receive a new full annual loan limit until the student has completed all of the weeks in the institution's definition of an academic year.**

### Example

In the following example, a student enrolled in a competency-based education program under the CBE Experiment is eligible only for Direct Loan funds. In this example, the institution considers a student to have reached a new grade level when the student completes all the competencies associated with an academic year, and the institution considers each competency to be worth three credit hours. The institution's academic year is defined as 24 credit hours and 32 weeks of instructional time.

We have provided a visual depiction of that student's progress through the program and her corresponding disbursement progression.



### Prorating annual loan limits for direct loans

An institution must prorate loan limits for a student who is enrolled in a program shorter than a full academic year in length. This proration is performed using the following calculation:

The applicable loan limits must be prorated by the lesser of:

$$\frac{\text{Semester, trimester, quarter, or clock hours enrolled in program}}{\text{Semester, trimester, quarter, or clock hours in academic year}}$$

**OR**

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

An institution must also prorate loan limits for students enrolled in remaining periods of study shorter than an academic year. This circumstance can occur when a student is enrolled in a program that is one academic year or more in length, but the remaining period of study needed to complete the program will be shorter than an academic year.

Both forms of proration still apply under CBE Split Disbursement . Under CBE Split Disbursement, a remaining period of study is considered less than an academic year for this purpose if the remaining period consists of fewer clock or credit hours than the program’s defined Title IV academic year. Loans intended for direct or indirect costs for this final portion of the program must be prorated according to the following calculation:

$$\frac{\text{Semester, trimester, quarter, or clock hours enrolled in program}}{\text{Semester, trimester, quarter, or clock hours in academic year}}$$

### Remaining loan eligibility for students who transfer or change programs - Annual loan limits for Direct Loans

Volume 3, Chapter 5 of the FSA Handbook describes the requirements when a student transfers from one school to another school or changes to a different program at the same school and there is an overlap of academic years. The Handbook states that such an overlap may affect the amount that the student is eligible to borrow at the new school or for the new program.

**Under CBE Split Disbursement, when a student transfers to a new institution, enrolls in a CBE program included in CBE Split Disbursement, and the academic year for the loan at the prior institution has not yet ended, the institution may choose to originate a new loan for the remaining portion of the academic year, but must incorporate the student’s eligibility for that loan into the same program academic year and payment periods that it uses for all other Title IV programs. Please see the discussion under Direct Loan Periods When a Student Transfers to a New School earlier in this section for additional information.**

## Aggregate loan limits

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional loans. The CBE Split Disbursement set of waivers does not change the aggregate limits for Direct Loans, which may be found in Volume 3, Chapter 5 of the FSA Handbook.

## Subsidized loan eligibility time limitation (150% rule)

First-time borrowers (those who have no principal or interest balance on any Direct or FFEL Loan on the date they receive a Direct Loan on or after July 1, 2013) may not receive Direct Subsidized Loans for a period that exceeds 150% of the published length of the academic program in which they are currently enrolled. CBE Split Disbursement does not change this restriction, and all rules and requirements for calculating the subsidized usage periods for students enrolled under CBE Split Disbursement will remain the same.

All other requirements for awarding and disbursing Direct Loan funds described in Volume 3, Chapter 5 of the FSA Handbook do not change under CBE Split Disbursement.

## Awarding Campus-Based aid

### Exemption: Frequency of disbursements for grants and Perkins Loans

**[34 CFR 674.16\(b\)\(3\)](#), [34 CFR 676.16\(a\)\(3\)](#), [34 CFR 686.33\(a\)](#), [34 CFR 690.76\(a\)](#): Frequency of disbursements for grants and Perkins Loans**

## Awarding Federal Supplemental Opportunity Grants (FSEOG) and Perkins Loans

The majority of the requirements for awarding FSEOG and Perkins Loans, including award amounts, loan limits, and the criteria for selecting recipients of aid under those programs, do not change under the CBE Experiment.

**Under CBE Split Disbursement, the process for calculating FSEOG and Perkins payments is the same as the process for calculating Pell Grants under CBE Split Disbursement, as described under Calculating Pell and Iraq & Afghanistan Service Grant Awards earlier in this chapter.**

1. Determine whether the FSEOG or Perkins award will be used to pay for direct costs only, or for both direct and indirect costs.
2. Calculate the percentage of the academic year that is associated with each payment period.
3. Multiply the amount assigned to direct or indirect costs by the applicable percentage.

Additional information regarding how to package funds under the CBE Experiment will be described under *Packaging* section later in this section.

**Example**

If FSEOG was the only award a student was receiving, and the student's Scheduled Award was \$4,000 and the student's direct costs were only \$3,000, then \$3,000 would be assigned to direct costs and \$1,000 would be assigned to indirect costs.

**Note that under CBE Split Disbursement, crossover periods for FSEOG and Perkins Loans will function the same way as Pell Grants and**

**Example**

Four direct cost payment periods of 6 semester hours each would each be 25% of the academic year.

**TEACH Grants, as described above.**

**Example**

If \$3,000 of the student's FSEOG award was assigned to direct costs, then \$3,000 would be multiplied by 25% for each of the payment periods, for a total of \$750 per payment period.

**Awarding Federal Work Study**

CBE Split Disbursement makes no changes to the awarding or disbursement requirements for the Federal Work Study (FWS) program.

## Packaging aid

### Exemption: Definition of a payment period

#### [34 CFR 668.4\(c\)](#): Definition of a payment period

Volume 3, Chapter 7 of the FSA Handbook describes the requirements for packaging Federal student aid. In general, packaging under CBE Split Disbursement will follow the same rules and requirements as packaging under normal Title IV rules, including:

- ▶ For the Pell program, payment schedules base the award solely on the student's cost of attendance, EFC, and enrollment status;
- ▶ For all other programs, financial need = COA minus estimated financial assistance (EFA) minus expected family contribution (EFC);
- ▶ Pell Grants should be packaged as the first and primary source of aid;
- ▶ Institutions should consider Pell Grants and subsidized loans first; and
- ▶ Certain non-need based aid (including Direct unsubsidized loans, TEACH Grant funds, PLUS Loans) may replace the EFC in a student's package.

However, there are a number of important differences in the packaging process for institutions participating in CBE Split Disbursement. These differences are described under *Packaging Timing*.

### Packaging timing

Under the normal Title IV rules, packaging occurs in nonterm programs when a student completes the credit/clock hours and the weeks of instructional time in the prior academic year.

**Under CBE Split Disbursement, packaging must be performed the first time a student reaches a new academic year, either when the student completes the competencies associated with the credit or clock hours, or the equivalent in the prior academic year, or when the student completes the weeks of instructional time in the prior academic year.**

When an institution packages aid for an academic year, it packages aid for both direct and indirect costs. In some cases, this will mean packaging for a period that has not yet begun. If an institution is not certain of costs for an estimated period of time, it must make a reasonable estimate based on the best information it has at that time. **Even if the institution is packaging for a future period, it should use the most appropriate valid EFC available for a student to package that student's Title IV aid.**

### Packaging Example 1

An institution offers a CBE program under CBE Split Disbursement that includes 48 semester hours and leads to an associate degree. There are 24 semester hours and 30 weeks in the institution's defined academic year for the program.

A Pell-eligible independent student with a zero EFC begins the CBE program on August 3rd, 2015.

Packaging for the first academic year	
<b>AY 1: Direct Costs for 24 Semester Hours = \$4,000.</b> Award: Pell = \$4,000	
<b>AY 1: Indirect Costs for 30 Weeks = \$6,000</b> Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725	

This student moves very quickly through the program, and completes the competencies associated with the credit or clock hours or the equivalent in the first academic year in only 18 weeks, on December 7th, 2015. The institution packages the student for the second academic year as soon as the student successfully completes the coursework associated with the first academic year.

Because the student reaches the end of the academic year in December 2015 and the student's full Pell award has already been packaged, the student is not eligible for a new Pell award until the 16/17 award year, and is not packaged with Pell for the second academic year.

Packaging for the second academic year	
<b>AY 1: Direct Costs for 24 Semester Hours: \$4,000</b> Award: Pell = \$4,000	<b>AY 2: Direct Costs for 24 Semester Hours: \$4,000</b> Award: Sub DL = \$3,500, Unsub DL = \$500
<b>AY 1: Indirect Costs for 30 Weeks: \$6,000</b> Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725	<b>AY 2: Indirect Costs for 30 Weeks: \$6,000</b> Award: Unsub DL = \$5,500

### Packaging Example 2

Another independent student with a zero EFC starts the same CBE program on August 3rd, 2015. This student's initial packaging will be very similar to the packaging in Example #1.

Packaging for the first academic year	
<b>AY 1: Direct Costs for 24 Semester Hours: \$4,000</b> Award: Pell = \$4,000	
<b>AY 1: Indirect Costs for 30 Weeks: \$6,000</b> Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725	

Unlike the student in Example #1, this student is struggling with the material and moving very slowly through the program. The student does not complete the competencies in the first academic year until 45 weeks have elapsed, on June 13th, 2016.

However, the 30th week is completed on February 29th, 2015. On that day, the institution packages the student for the second academic year.

Packaging for the second academic year	
<b>AY 1: Direct Costs for 24 Semester Hours: \$4,000</b> Award: Pell = \$4,000	<b>AY 2: Direct Costs for 24 Semester Hours: \$4,000</b> Award: Sub DL = \$3,500, Unsub DL = \$500
<b>AY 1: Indirect Costs for 30 Weeks: \$6,000</b> Award: Pell = \$1,775, Sub DL = \$3,500, Unsub DL = \$725	<b>AY 2: Indirect Costs for 30 Weeks: \$6,000</b> Award: Unsub DL = \$5,500

Because the student reaches the next academic year in weeks in February 2016, and the student's full Pell award has already been packaged, the student is not eligible for a new Pell award until the 16/17 award year.

An institution must also repackage Title IV aid when receipt of other aid or a change in a student's circumstances causes an overaward. This process is described later in this section under *Treatment of Overawards*.

## Packaging for direct and indirect costs

In CBE Split Disbursement, there are four steps to packaging Title IV aid.

1. Package aid and determine award amounts using full COA, EFA, and EFC. Provide the student with the opportunity to determine how much to borrow. Move to Step 2.
2. Identify direct and indirect cost components of COA. Move to Step 3.
3. Package aid for direct costs, using the most advantageous forms of aid (grants and subsidized loans) first.
  - If the student's direct costs are greater than all the student's Title IV aid for which the student is eligible, STOP. This student has been fully packaged.
  - If the student's Title IV awards are greater than the student's direct costs, move to Step 4.
4. Package any remaining aid for indirect costs.

## Repackaging aid

An institution must sometimes repackage a student's Title IV aid when it receives new information about a student's situation. For example, the institution might perform a professional judgment to reduce the student's EFC based on information that the student was unemployed, or it might increase a student's COA based on additional educational costs incurred by the student. A student may also receive other types of financial assistance during the academic year that must be counted as EFA and could affect the student's package.

Repackaging based on changes to a student's situation can also take place under CBE Split Disbursement. However, under the CBE Split Disbursement set of waivers, an institution must take the additional step of determining whether the changes to a student's eligibility for Title IV aid affects the student's distribution of direct and indirect costs, and must take that distribution into account when repackaging the student's aid.

### Repackaging when a student's eligibility increases

If a student becomes eligible for additional Title IV aid during an academic year, the institution would repackage the student's Title IV aid using the steps above, adding the additional aid first to direct costs and then any remaining aid to indirect costs.

### Repackaging when a student's eligibility decreases

If a student's Title IV aid eligibility decreases during an academic year, the institution would follow the procedures to resolve an overaward, including reducing disbursement amounts for future payment periods and repackaging according to the steps described above. In some cases, if the decreased eligibility results in an overaward and all Direct Loan funds for the loan period have already been disbursed, no additional action is necessary.

### Redistributing disbursements when a student's costs change

When a student's direct or indirect costs change during an academic year, an institution must change the timing and amounts of future disbursements of the student's Title IV aid to account for the changes. An institution is not required to change the distribution of a student's disbursements for payment periods that have already begun.

#### Example 1

If a student is in the second of four payment periods for direct costs and the third of four payment periods for indirect costs, and the student incurs an additional \$2,000 in direct costs, the institution must distribute that \$2,000 over the remaining 2 direct cost payment periods in the academic year, increasing the aid allocated to those periods. That change in allocation could result in a reduction in the student's indirect cost disbursements for the 4th indirect cost payment period.

#### Example 2

A student is in a program that charges using subscription periods. The institution's defined academic year is 52 weeks in duration, and it has two subscription periods of 26 weeks each. Enrollment in a subscription period costs \$2,000 for work on any competencies during that period.

However, the student is moving slowly through the program, and does not complete the competencies in the academic year by the end of the 52nd week (though the student has completed 70% of the expected competencies at that time and passes her SAP evaluation). Therefore, the student must begin a new subscription period in order to finish those competencies. Because the student needs an additional subscription period in order to complete the competencies in her first academic year, the student incurs \$2,000 in charges for an additional subscription period that the institution did not anticipate when it initially packaged the student's aid.

In this example, the student has already received all the aid associated with indirect costs for the first academic year when the additional direct costs are incurred. Therefore, if this student were eligible to receive an additional \$2,000 in aid for the first academic year at the time that the additional costs were incurred, that aid would be distributed over the student's remaining direct cost payment periods in the academic year.

Changes in costs may also result in changes to the student's overall eligibility for Title IV aid, which would result in repackaging as described above.

## Treatment of overawards

If, at any time during the award period, the student receives additional EFA that was not considered in calculating the student's eligibility for Campus-Based aid, and if the EFA combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.



### Reminder

**Under CBE Split Disbursement , if an overaward occurs at any time during the award period, the institution must repackage aid for both direct and indirect costs at that time in order to resolve the overaward.**

For example, if you discover that there's going to be an overaward before Direct Loan or Direct PLUS Loan funds are disbursed, you must eliminate the overaward through the packaging process by canceling the loan or by making a downward adjustment to a Direct Loan, or by reducing/canceling aid over which you have direct institutional control. **In CBE Split Disbursement, this could mean reducing future disbursements for direct costs, indirect costs, or both.** If the overaward situation occurs after Direct Loan funds have been disbursed to the borrower, there is no Direct Loan overaward that needs to be addressed; however, you might need to adjust the student's aid package to prevent an overaward of Campus-Based funds.

## PROCESSING AID AND MANAGING FSA FUNDS

Volume 4, Chapter 1 of the FSA Handbook provides information on the rules and procedures for requesting and managing funds, including requesting funds from the Department's G5 system. Those rules and procedures are not affected by an institution's participation in CBE Split Disbursement.

### *Disbursing FSA funds*

Volume 4, Chapter 2 of the FSA Handbook describes the various requirements for disbursements of funds under the Title IV programs. Those requirements, including notifications of disbursements, authorizations for payment for certain types of charges, timeframes for paying Title IV aid, use of third-party servicers to disburse Title IV aid, and requirements for checking a student's eligibility at the time of disbursement, do not change under CBE Split Disbursement.



#### **Reminder**

**Note that under CBE Split Disbursement, if a student authorizes an institution to pay his/her Title IV funds for charges other than those identified as direct costs (tuition, fees, books and supplies), including prior year charges, the institution would add those charges to the student's total direct costs for purposes of determining disbursement dates and amounts.**

**However, under CBE Split Disbursement, an institution cannot hold disbursements intended for a student's indirect costs, even if otherwise authorized by the student to do so. An institution must disburse Title IV aid intended for indirect costs within 14 days of the beginning of a new indirect cost payment period.**

### **Method of disbursement**

Under CBE Split Disbursement, the same requirements apply for disbursements of Title IV aid to a student's account and direct disbursements to a student.

When an institution disburses Title IV aid to a student by crediting a student's account, it may do so only for allowable charges, including tuition and fees and books and supplies, if contracted by the school.

In general, direct cost disbursements may be credited to a student's account for allowable charges. The exception is the amount of Title IV aid assigned to costs for books and supplies, which must be paid as direct disbursements to students unless the institution:

1. has a written contract or other legal agreement with the entity operating the bookstore under which the student is able to charge educationally related goods and services, and
2. obtains the student's authorization.

When both of the above criteria are met, an institution may credit a student's account with Title IV aid associated with the cost of books and supplies.

In general, indirect cost disbursements must be made by disbursing the funds directly to students or parents, as applicable. An institution may choose to first credit Title IV aid to the student's account before making a direct disbursement to the student.

An exception to the rule above occurs when an institution contracts with the student for room and board charges. An institution may credit a student's account with Title IV aid for room and board if the student contracts those items with the institution.



### Reminder

**Under CBE Split Disbursement, Title IV aid for room and board may only be paid as an indirect cost disbursement when a student has begun an indirect cost payment period.**

A direct disbursement of Title IV aid occurs when an institution:

- ▶ Issues a check payable to and requiring the endorsement of the student or parent;
- ▶ Initiates an EFT to a bank account designated by the student or parent, including transferring funds to stored-value cards and debit cards; or
- ▶ Dispenses cash for which the institution obtains a signed receipt from the student or parent.

### Timeframe for paying FSA credit balances

A Title IV credit balance occurs whenever your school credits Title IV program funds to a student's account and the total amount of those Title IV aid exceeds the student's allowable charges. Under CBE Split Disbursement, such credit balances may not occur often because aid is disbursed differently for direct and indirect costs. However, if a credit balance does occur, the institution must follow the normal rules for providing that credit balance to the student, or in the case of PLUS Loan funds, to the parent.

### Special provisions for books and supplies

By the seventh day of a payment period, a school must provide a way for a student who is eligible for a Federal Pell Grant to obtain or purchase the books and supplies required for the payment period if:

- ▶ ten days before the beginning of the payment period, the school could have disbursed FSA funds to the student; and
- ▶ disbursement of those funds would have created an FSA credit balance.

A school must consider all the FSA funds a student is eligible to receive at the time it makes the determination, but the school need not consider aid from non-FSA sources. These requirements do not change under CBE Split Disbursement.



#### Reminder

**Books and supplies are considered direct costs under CBE Split Disbursement. An institution must ensure that a student with available aid at the beginning of a direct cost payment period has the means to use his/her Title IV aid to purchase books and supplies.**

### Late disbursements

All of the normal provisions and requirements for late disbursements, as described in Volume 4, Chapter 2 of the FSA Handbook, will apply under CBE Split Disbursement. See below under “Withdrawals and the Return of Title IV Funds” for additional information about the application of the late disbursement rules in CBE Split Disbursement.

### Other Issues with processing and managing Title IV Aid

The remaining chapters under Volume 4 of the FSA Handbook describe the requirements for resolving overawards and overpayments, returning Title IV aid, and reconciling the Title IV grant and loan programs. All of the requirements described under those chapters will apply under CBE Split Disbursement.

## WITHDRAWALS AND THE RETURN OF TITLE IV FUNDS

### Exemption: Treatment of Title IV Funds when a student withdraws

[HEA Section 484 B and 34 CFR 668.22](#) – Institution not required to comply with requirements for determination of amount earned upon withdrawal , and returns of Title IV funds, for students who begin attendance.

Under CBE Split Disbursement, the institution is NOT exempt from [34 CFR 668.22\(a\)\(2\)](#) regarding when a student is treated as withdrawn and [34 CFR 668.22\(a\)\(6\)](#) regarding notifications pertaining to possible post-withdrawal disbursements of Direct Loan program funds.

Volume 5 of the FSA Handbook describes the steps an institution must take when a student withdraws, the requirements for calculating the amount of Title IV aid that a student earns when he/she withdraws during a payment period, and the requirements for returning unearned Title IV aid.

Under CBE Split Disbursement, the majority of Return of Title IV (R2T4) requirements are waived for students who begin attendance. The majority of the requirements described in Volume 5 of the FSA Handbook are therefore not applicable for programs under CBE Split Disbursement.

### Comparison between current rules and experiment

Current Rules	Experiment
R2T4 calculation is required if a student withdraws during the payment period	<ul style="list-style-type: none"> <li>▶ Because payment periods are shorter and disbursements are smaller, R2T4 calculations are not required for students who begin attendance</li> <li>▶ Institutions must pay grant funds and/or notify students of loan funds that could have been disbursed as of the withdrawal date</li> </ul>

Given these waivers, under CBE Split Disbursement, an institution will not be required to perform an R2T4 calculation when a student withdraws during a payment period. However, if a student ceases to be academically engaged, or fails to enroll in any competencies, for 45 days, the institution must consider the student to have withdrawn and no further Title IV aid may be disbursed. This requirement applies under CBE Split Disbursement regardless of whether the institution meets the definition of an institution required to take attendance under [34 CFR 668.22\(b\)\(3\)](#).

An institution will still have to comply with regulations for late disbursements, except that an institution is not required to make a post-withdrawal disbursement in accordance with an R2T4 calculation under [34 CFR 668.22](#). However, an institution will be required, within 45 days of determining that a student has withdrawn, to notify the student of any loan funds for which the student might be eligible and maintain a process for issuing those funds to the student or the student's account upon request.

An institution must contact a student prior to making any late disbursement of Title IV loan funds and explain to the student his or her obligation to repay the loan funds if they are disbursed. The information provided in this notification must include the information necessary for the student or parent to make an informed decision about whether the student or parent would like to accept any disbursement of the loan funds. In addition, the school must confirm that the loan funds are still needed by the student and that the student wishes the school to make the disbursement.

Likewise, the institution must also pay to the student any grant funds that the student was eligible to receive at the time of the withdrawal. An institution may credit a student's account with a late disbursement of Title IV grant funds without the student's permission for any current allowable charges. A school must obtain a student's authorization to credit a student's account with Title IV grant funds for charges other than current charges.

Finally, an institution must comply with the requirements in [34 CFR 668.21](#) to return funds for a payment period in which a student did not begin attendance.



### Reminder

**Under CBE Split Disbursement, this means that if an institution inadvertently makes a disbursement for indirect costs even though the student has ceased academic engagement at the time of the disbursement, the institution will be required to return the entirety of that disbursement to the Department if, for:**

- ▶ **Perkins Loan, FSEOG, TEACH Grant, and Federal Pell Grant program funds, the disbursement is credited to the student's account at the institution or disbursed directly to the student for that payment period or period of enrollment; or**
- ▶ **Direct Loan funds, the funds were disbursed to the student's account, or were disbursed directly to the student when the institution knew that the student would not begin attendance in the payment period prior to disbursing Direct Loan funds directly to the student for that payment period.**

## THE CAMPUS-BASED PROGRAMS

There are no changes to the rules for administration of the campus-based programs under the CBE Experiment. Institutions should follow the requirements as described in Volume 6 of the FSA Handbook.

## PUTTING IT ALL TOGETHER—DISBURSEMENT PROGRESSION UNDER THE CBE SPLIT DISBURSEMENT SET OF WAIVERS

The modified rules and requirements described above provide an overview for CBE Split Disbursemental process for providing Title IV aid to students in a CBE program. Below, we provide additional information and examples of how this process works.

### *Academic Year progression chart*

When a student completes the competencies associated with the credit hours in the academic year before completing the weeks of instructional time in the academic year, or vice versa, there are different requirements associated with different Title IV programs. Those requirements are described in the chart that follows.

Academic Year Progression in CBE Split Disbursement, by Title IV Program			
		Student's Rate of Progress	
		Student Completes Hours Before Weeks	Student Completes Weeks Before Hours
<b>Title IV, HEA Program</b>	<b>Pell Grants and TEACH Grants</b>	Student may not receive a disbursement for direct costs from a new academic year until weeks in prior academic year are completed.	Student may not receive a disbursement for indirect costs from a new academic year until hours in prior academic year are completed.
	<b>Direct Loans</b>	Student may not receive a new annual loan limit for direct costs until weeks in prior academic year are completed. Student may receive a grade level increase to the current annual loan limit, if applicable.	The next academic year can immediately begin, and disbursements of indirect costs associated with a new annual loan limit may be made.
	<b>Campus-Based Aid (excluding FWS)</b>	Institution determines whether additional aid is provided from new academic year, subject to award year limits and program requirements.	Institution determines whether additional aid is provided from new academic year, subject to award year limits and program requirements.

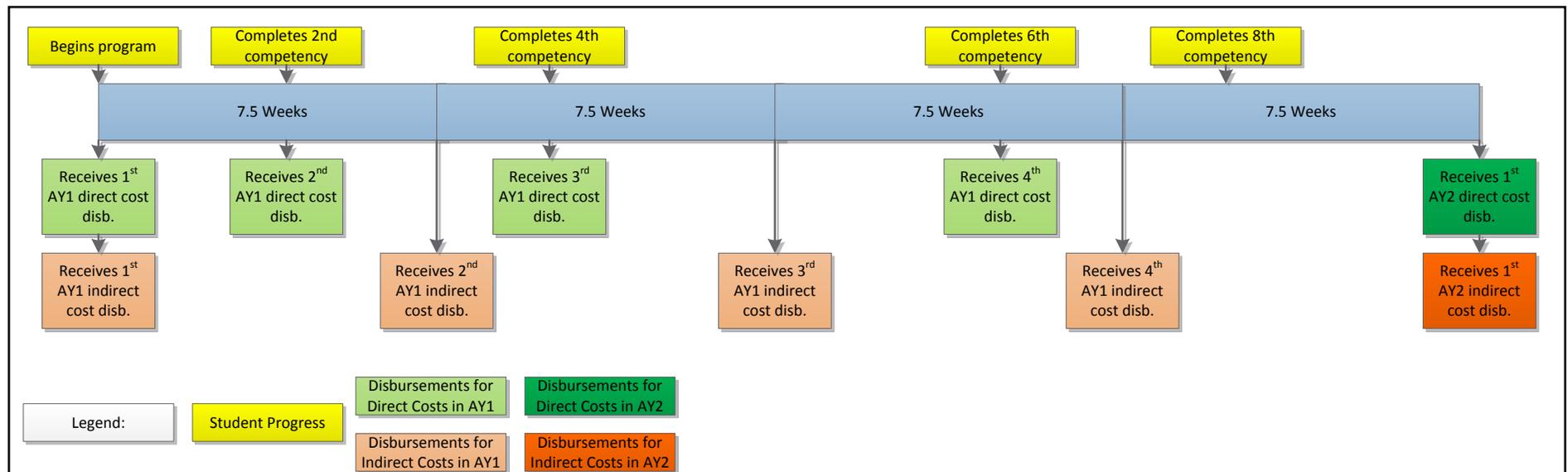
**Disbursement progression example: student accelerating through program - 1st Academic Year**

In the following example, we provide a visual aid to describe how aid disbursement under CBE Split Disbursement would work. It is important to note that the legend in the bottom left hand corner. The yellow boxes show a student’s progression through program. The blue line will show how aid would be disbursed in CBE Split Disbursement.

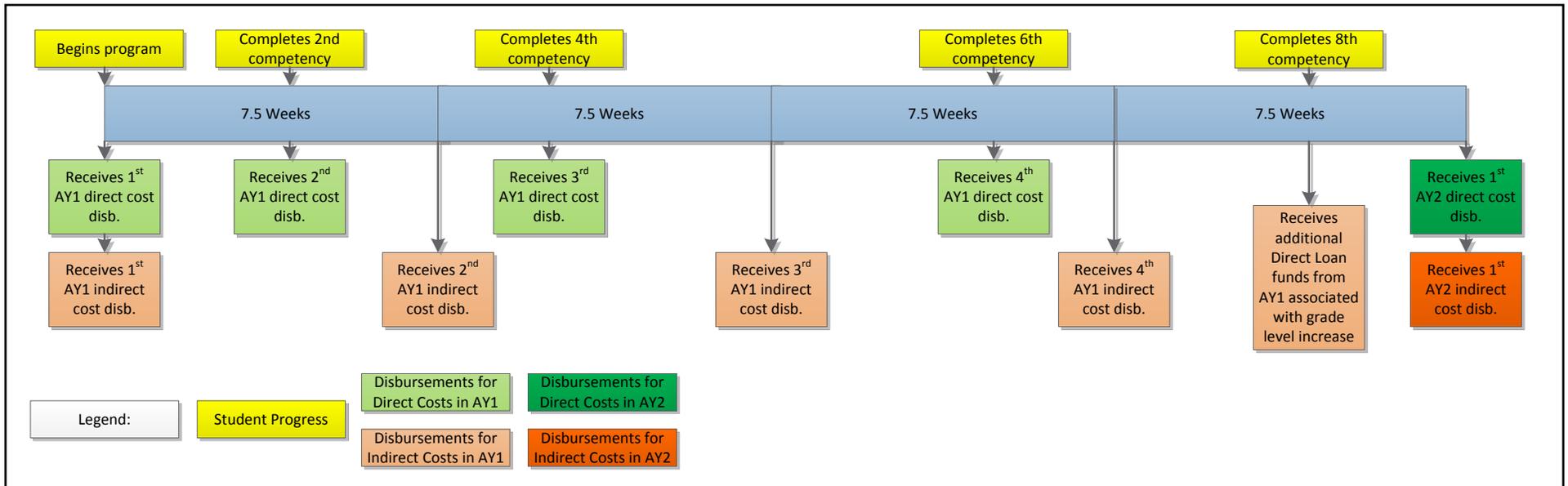
Note that in this program, 1 competency equals three credit hours. For the purposes of this example, we will assume that the school’s defined academic year is 24 credit hours and 30 weeks long. The school also defines a grade level increase as the completion of 24 credit hours. The school has chosen to use payment periods equal to 25% of the hours and weeks in the program.

First, the school packages the student with Federal student aid for the academic year. The aid will be absorbed by direct costs first, and then by indirect costs. Direct costs will be disbursed in four equal disbursements each time the student completes 2 competencies, which is 25% of the competencies in the academic year, and indirect costs will be disbursed in regular calendar intervals of 7.5 weeks each, which constitutes 25% of the weeks in the academic year.

Now let’s follow the student as she works through her program. Note that in this example, this student is accelerating through her program, and is completing most of her competencies ahead of schedule.

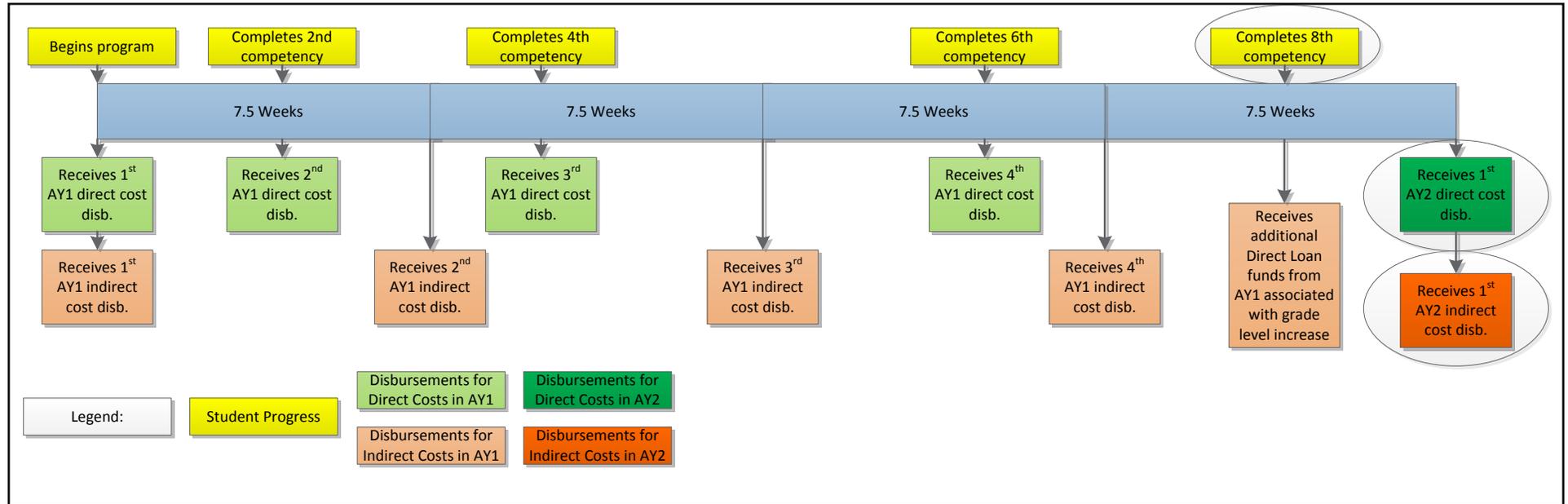


- ▶ First disbursements occur at the beginning of her program: one quarter of the student’s aid packaged for direct costs and one quarter of the student’s aid packaged for indirect costs will be disbursed at the same time.
- ▶ When the student completes her 2nd competency, she has completed 25% of the credit hours in the academic year, so she receives a new disbursement for direct costs.
- ▶ Then the student completes 7.5 weeks, and receives a new disbursement for indirect costs.
- ▶ This continues as the student progresses through her program, except pay attention when the student completes her 8th competency – remember, that’s the equivalent of 24 semester hours – the student does NOT yet receive any funds associated with her 2nd academic year until the student also completes the weeks associated with her academic year. However, the student could receive any additional Direct Loan funds associated with a grade level increase as soon as she completes her 8th competency.
- ▶ **REMEMBER** Under the CBE Split Disbursement set of waivers, an institution may not package Pell Grants, TEACH Grants, or Direct Loans for a student’s next academic year until the student has completed the weeks of instructional time in the prior academic year, even if the student completes the competencies in the academic year earlier than that. Perkins Loans and FSEOG have annual limits, not limits by academic year, so an institution could choose to make disbursements of Perkins or FSEOG funds for a 2nd academic year before the student has completed the weeks in the 1st academic year.



Disbursement progression example: Student accelerating through program – transition to 2nd Academic Year

**Note:** To clearly see the second academic year transition, we have placed a circle around each disbursement from the second academic year. We have also circled the point at which the student completes the competencies in the academic year.

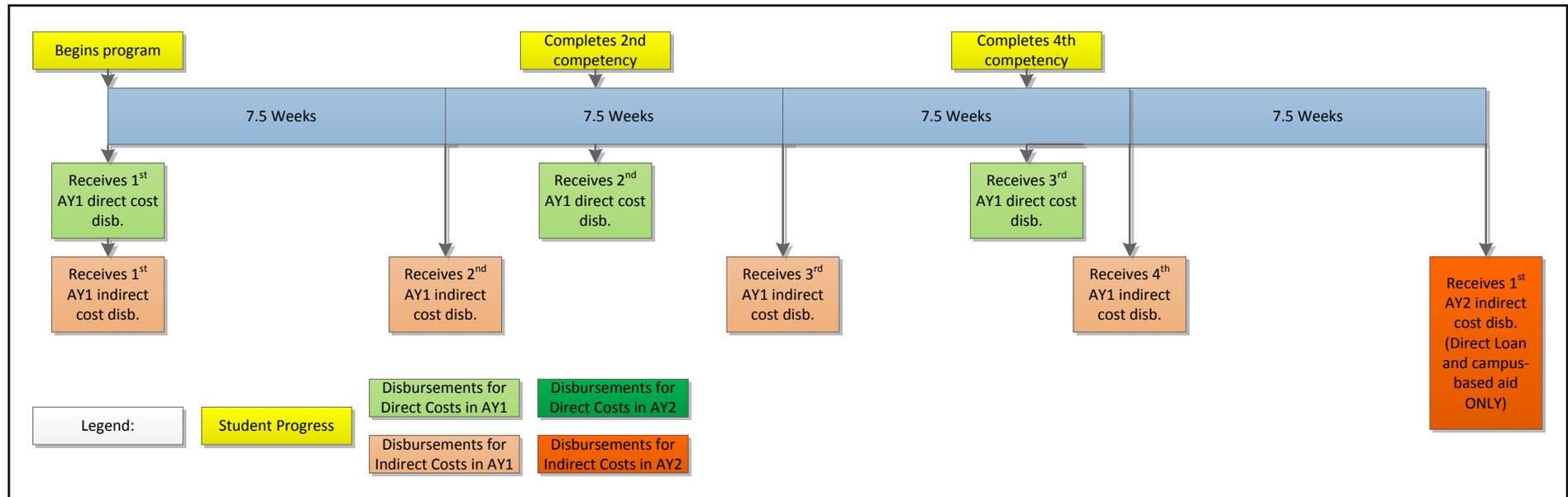


### Disbursement progression example: Student moving slowly through program – 1st Academic Year

Here is a second example using the same program, but a different student and rate of progression. Again, the yellow boxes show the student's progression and the blue line shows how aid would be disbursed under the CBE Experiment.

Note that this student is moving more slowly through her program than our previous student.

- ▶ Just like the last example, this student's first disbursements occur at the beginning of her program. This includes a quarter of the student's aid for the academic year under the CBE Split Disbursement set of waivers.
- ▶ When the student finishes his first 7.5 weeks, he will receive a new disbursement for indirect costs under CBE Split Disbursement.
- ▶ The student finally completes his 2nd competency at around the 10th week. At that point, he receives a new disbursement for direct costs.
- ▶ At the midpoint of the weeks in the academic year, the student will receive his 3rd disbursement for indirect costs.
- ▶ When the student completes his 4th competency, he has completed half of the competencies in the academic year, so he receives another disbursement for direct costs. After that, the student receives his 4th disbursement for indirect costs from the first academic year after completing the next 7.5 weeks.

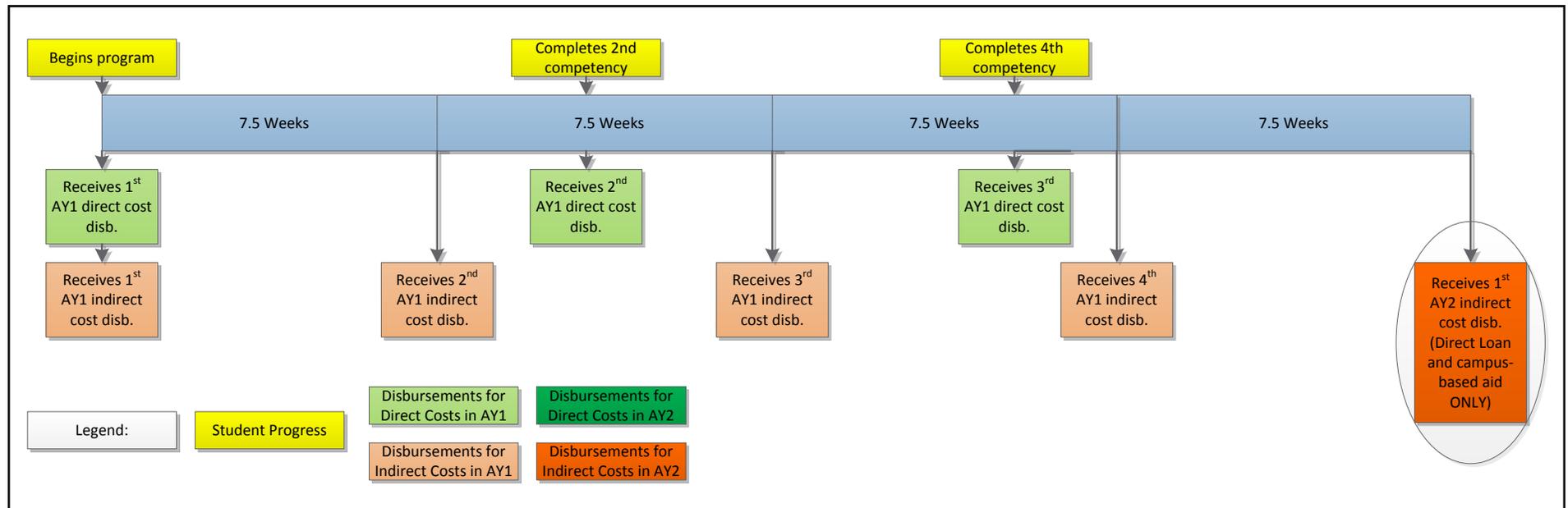


**Disbursement progression example: Student moving slowly through program – Transition to 2nd Academic Year**

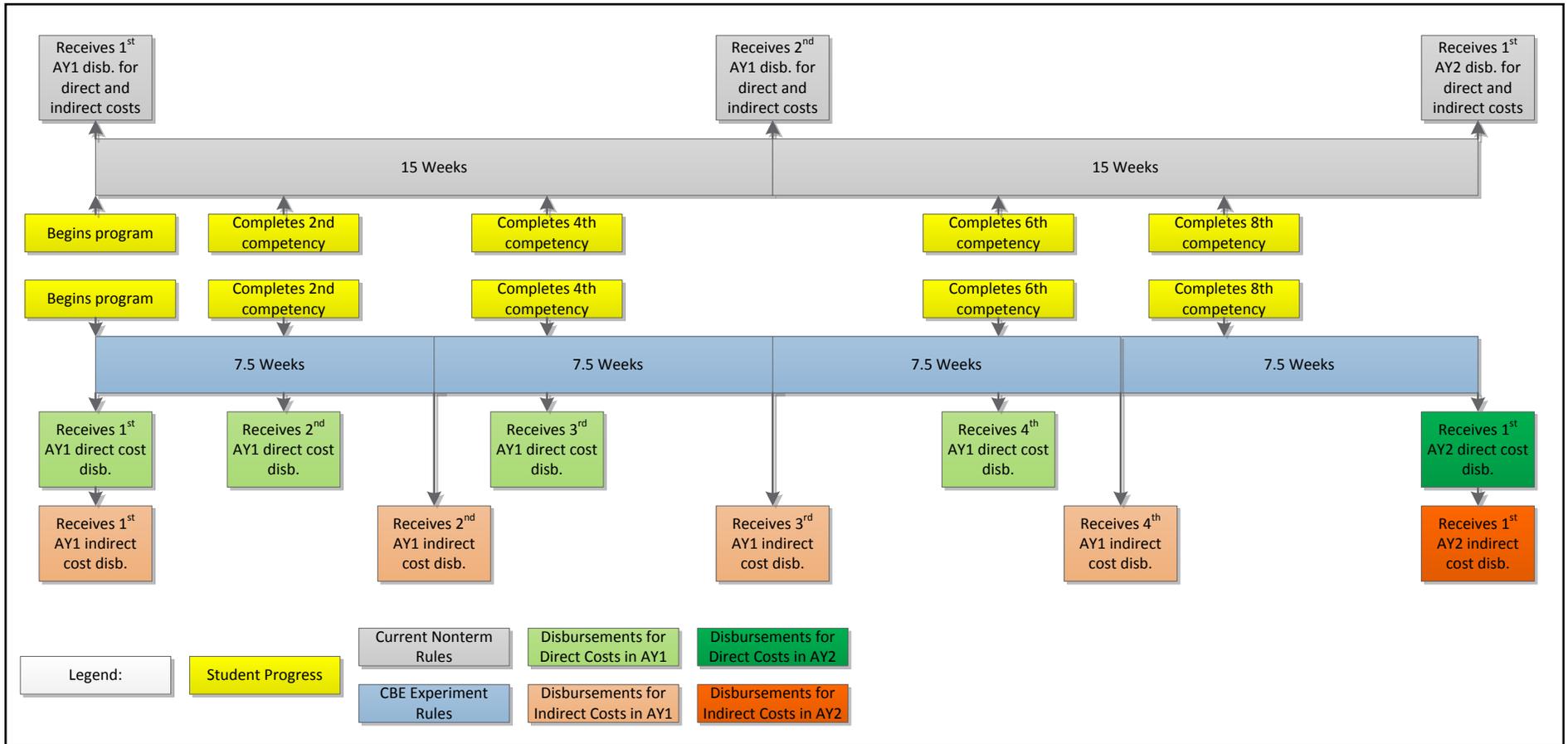
- ▶ The student doesn't complete his next two competencies until after the end of 30 weeks. But under CBE Split Disbursement, the student can continue to receive disbursements from the 2nd academic year for indirect costs to support his living expenses.
- ▶ **REMEMBER** The institution can package the student with aid from a new Direct Loan, FSEOG award, or Perkins Loan when the student has completed the weeks of instructional time before completing the hours, but Pell Grant and TEACH Grant funds cannot be packaged for the new academic year until the student has completed both the hours and the weeks in the prior academic year.

*We have circled the 2nd academic year indirect costs disbursement.*

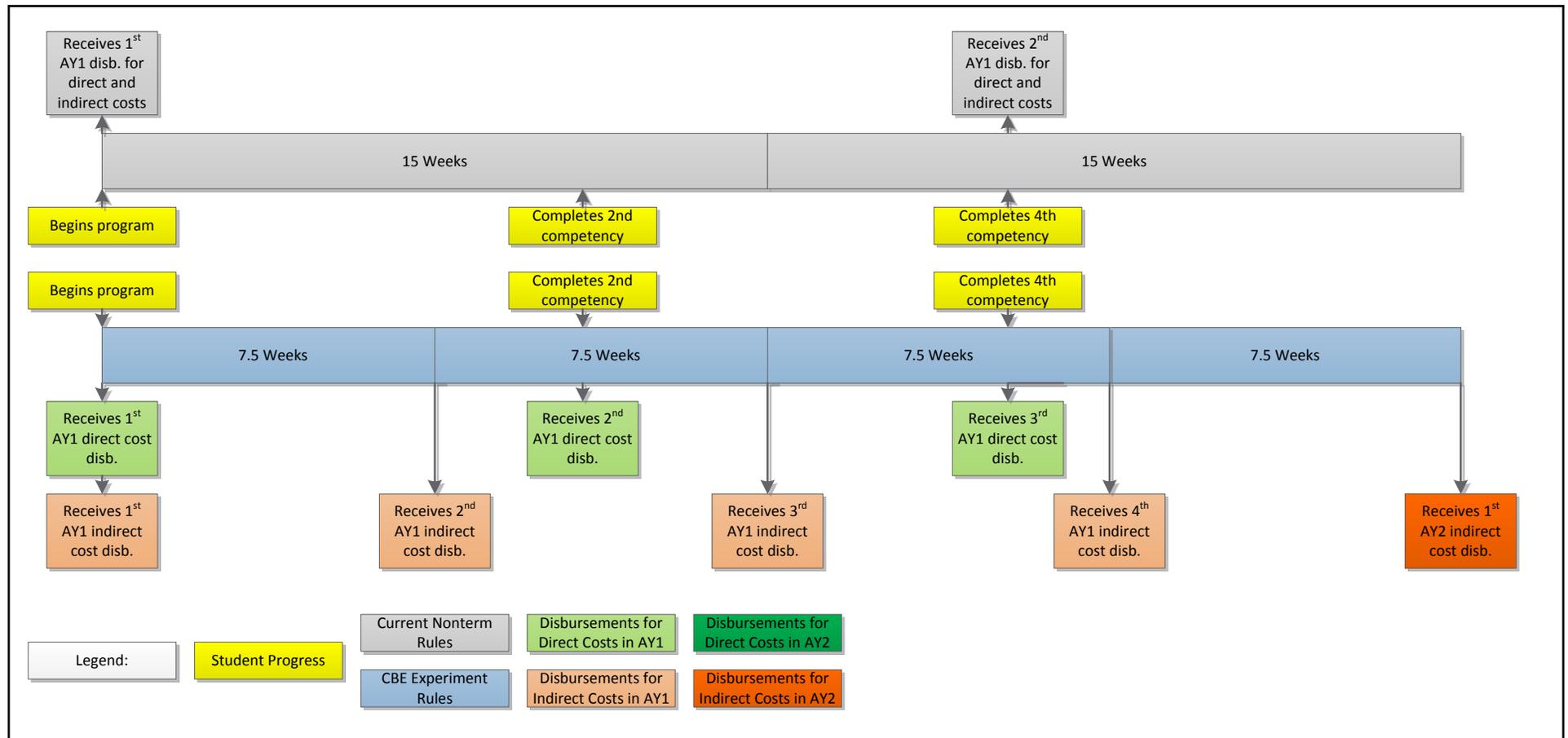
Note that even though this student is permitted to keep receiving disbursements for indirect costs for now, the institution would still need to conduct a SAP evaluation at the 30th week to ensure that the student was on pace to complete the program within 150% of the published length. If not, the student could lose eligibility for Federal student aid, subject to an appeal and review by the school.



Comparison between current nonterm rules and experimental rules: Student moving quickly



Comparison between current nonterm rules and experimental rules: Student moving slowly



References and Resources



[July 31, 2014 Federal Register](#)