§ 668.163 Maintaining and accounting for funds.

(a)(1) Bank or investment account. An institution must maintain title IV, HEA program funds in a bank or investment account that is Federally insured or secured by collateral of value reasonably equivalent to the amount of those funds.

(2) For each bank or investment account that includes title IV, HEA program funds, an institution must clearly identify that title IV, HEA program funds are maintained in that account by—
§ 668.164 Disbursing funds.

(a) Disbursement. (1) Except as provided in paragraph (a)(2) of this section, an institution makes a disbursement of title IV, HEA program funds in an interest-bearing bank account or an investment account for an award year if—

(i) The institution draws down less than a total of $3 million of those funds in the prior award year and anticipates that it will not draw down more than that amount in the current award year; or

(ii) The institution demonstrates by its cash management practices that it will not earn over $250 on those funds during the award year; or

(iii) The institution requests those funds from the Secretary under the just-in-time payment method.

(2) An institution must maintain accounting and internal control systems and financial records that—

(i) Identify the cash balance of the funds of each title IV, HEA program that are included in the institution’s bank or investment account as readily as if those program funds were maintained in a separate account; and

(ii) Identify the earnings on title IV, HEA program funds maintained in the institution’s bank or investment account.

(b) Separate bank account. The Secretary may require an institution to maintain title IV, HEA program funds in a separate bank or investment account that contains no other funds if the Secretary determines that the institution failed to comply with—

(1) The requirements in this subpart; or

(2) The recordkeeping and reporting requirements in subpart B of this part.

(c) Interest-bearing or investment account. (1) An institution must maintain the Fund described in § 674.8(a) of the Federal Perkins Loan Program regulations in an interest-bearing bank account or investment account consisting predominately of low-risk, income-producing securities, such as obliga
tions issued or guaranteed by the United States. Interest or income earned on Fund proceeds are retained by the institution as part of the Fund.

(2) Except as provided in paragraph (c)(3) of this section, an institution must maintain Direct Loan, Federal Pell Grant, ACG, National SMART Grant, TEACH Grant, FSEOG, and FWS program funds in an interest-bearing bank account or an investment account as described in paragraph (c)(1) of this section.

(3) An institution does not have to maintain Direct Loan, Federal Pell Grant, ACG, National SMART Grant, TEACH Grant, FSEOG, and FWS program funds in an interest-bearing bank account or an investment account for an award year if—

(i) The institution drew down less than a total of $3 million of those funds in the prior award year and anticipates that it will not draw down more than that amount in the current award year; or