maintained in a separate depository account;

(2) Identify the earnings on title IV, HEA program funds maintained in the institution's depository account or accounts; and

(3) Maintain its fiscal records in accordance with the provisions in § 668.24.

§ 668.164 Disbursing funds.

(a) *Disbursement.* (1) Except as provided under paragraph (a)(2) of this section, a disbursement of title IV, HEA program funds occurs on the date that the institution credits the student's ledger account or pays the student or parent directly with—

(i) Funds received from the Secretary; or

(ii) Institutional funds used in advance of receiving title IV, HEA program funds.

(2)(i) For a Direct Loan for which the student is subject to the delayed disbursement requirements under 34 CFR 685.303(b)(5), if an institution credits a student's ledger account with institutional funds earlier than 30 days after the beginning of a payment period, the Secretary considers that the institution makes that disbursement on the 30th day after the beginning of the payment period; or

(ii) If an institution credits a student's ledger account with institutional funds earlier than 10 days before the first day of classes of a payment period, the Secretary considers that the institution makes that disbursement on the 10th day before the first day of classes of a payment period.

(b) *Disbursements by payment period.* (1) Except for paying a student under the FWS program or unless 34 CFR 685.303(d)(4)(i) applies, an institution must disburse during the current payment period the amount of title IV, HEA program funds that a student enrolled at the institution, or the student's parent, is eligible to receive for that payment period.

(2) An institution may make a prior year, late, or retroactive disbursement, as provided under paragraph (c)(3), (j), or (k) of this section, respectively, during the current payment period as long as the student was enrolled and eligible during the payment period covered by that prior year, late, or retroactive disbursement.

(3) At the time a disbursement is made to a student for a payment period, an institution must confirm that the student is eligible for the type and amount of title IV, HEA program funds identified by that disbursement. A third-party servicer is also responsible for confirming the student's eligibility if the institution engages the servicer to perform activities or transactions that lead to or support that disbursement. Those activities and transactions include but are not limited to—

(i) Determining the type and amount of title IV, HEA program funds that a student is eligible to receive;

(ii) Requesting funds under a payment method described in § 668.162; or

(iii) Accounting for funds that are originated, requested, or disbursed, in reports or data submissions to the Secretary.

(c) *Crediting a student's ledger account.* (1) An institution may credit a student's ledger account with title IV, HEA program funds to pay for allowable charges associated with the current payment period. Allowable charges are—

(i) The amount of tuition, fees, and institutionally provided room and board assessed the student for the payment period or, as provided in paragraph (c)(5) of this section, the prorated amount of those charges if the institution debits the student's ledger account for more than the charges associated with the payment period; and

(ii) The amount incurred by the student for the payment period for purchasing books, supplies, and other educationally related goods and services provided by the institution for which the institution obtains the student's or parent's authorization under § 668.165(b).

(2) An institution may include the costs of books and supplies as part of tuition and fees under paragraph (c)(1)(i) of this section if —

(i) The institution—

(A) Has an arrangement with a book publisher or other entity that enables it to make those books or supplies available to students below competitive market rates;

(B) Provides a way for a student to obtain those books and supplies by the seventh day of a payment period; and

(C) Has a policy under which the student may opt out of the way the institution provides for the student to obtain books and supplies under this paragraph (c)(2). A student who opts out under this paragraph (c)(2) is considered to also opt out under paragraph (m)(3) of this section;

(ii) The institution documents on a current basis that the books or supplies, including digital or electronic course materials, are not available elsewhere or accessible by students enrolled in that program from sources other than those provided or authorized by the institution; or

(iii) The institution demonstrates there is a compelling health or safety reason.

(3)(i) An institution may include in one or more payment periods for the current year, prior year charges of not more than $200 for—

(A) Tuition, fees, and institutionally provided room and board, as provided under paragraph (c)(1)(i) of this section, without obtaining the student's or parent's authorization; and

(B) Educationally related goods and services provided by the institution, as described in paragraph (c)(1)(ii) of this section, if the institution obtains the student's or parent's authorization under § 668.165(b).

(ii) For purposes of this section—

(A) The current year is—

(*1*) The current loan period for a student or parent who receives only a Direct Loan;

(*2*) The current award year for a student who does not receive a Direct Loan but receives funds under any other title IV, HEA program; or

(*3*) At the discretion of the institution, either the current loan period or the current award year if a student receives a Direct Loan and funds from any other title IV, HEA program.

(B) A prior year is any loan period or award year prior to the current loan period or award year, as applicable.

(4) An institution may include in the current payment period unpaid allowable charges from any previous payment period in the current award year or current loan period for which the student was eligible for title IV, HEA program funds.

(5) For purposes of this section, an institution determines the prorated amount of charges associated with the current payment period by—

(i) For a program with substantially equal payment periods, dividing the total institutional charges for the program by the number of payment periods in the program; or

(ii) For other programs, dividing the number of credit or clock hours in the current payment period by the total number of credit or clock hours in the program, and multiplying that result by the total institutional charges for the program.

(d) *Direct payments.* (1) Except as provided under paragraph (d)(3) of this section, an institution makes a direct payment—

(i) To a student, for the amount of the title IV, HEA program funds that a student is eligible to receive, including Direct PLUS Loan funds that the student's parent authorized the student to receive, by—

(A) Initiating an EFT of that amount to the student's financial account;

(B) Issuing a check for that amount payable to, and requiring the endorsement of, the student; or

(C) Dispensing cash for which the institution obtains a receipt signed by the student;

(ii) To a parent, for the amount of the Direct PLUS Loan funds that a parent does not authorize the student to receive, by—

(A) Initiating an EFT of that amount to the parent's financial account;

(B) Issuing a check for that amount payable to and requiring the endorsement of the parent; or

(C) Dispensing cash for which the institution obtains a receipt signed by the parent.

(2) *Issuing a check.* An institution issues a check on the date that it—

(i) Mails the check to the student or parent; or

(ii) Notifies the student or parent that the check is available for immediate pick-up at a specified location at the institution. The institution may hold the check for no longer than 21 days after the date it notifies the student or parent. If the student or parent does not pick up the check, the institution must immediately mail the check to the student or parent, pay the student or parent directly by other means, or return the funds to the appropriate title IV, HEA program.

(3) *Payments by the Secretary.* The Secretary may pay title IV, HEA credit balances under paragraphs (h) and (m) of this section directly to a student or parent using a method established or authorized by the Secretary and published in the FEDERAL REGISTER.

(4) *Student choice.* (i) An institution located in a State that makes direct payments to a student by EFT and that enters into an arrangement described in paragraph (e) or (f) of this section, including an institution that uses a third-party servicer to make those payments, must establish a selection process under which the student chooses one of several options for receiving those payments.

(A) In implementing its selection process, the institution must—

(*1*) Inform the student in writing that he or she is not required to open or obtain a financial account or access device offered by or through a specific financial institution;

(*2*) Ensure that the student's options for receiving direct payments are described and presented in a clear, fact-based, and neutral manner;

(*3*) Ensure that initiating direct payments by EFT to a student's existing financial account is as timely and no more onerous to the student as initiating an EFT to an account provided under an arrangement described in paragraph (e) or (f) of this section;

(*4*) Allow the student to change, at any time, his or her previously selected payment option, as long as the student provides the institution with written notice of the change within a reasonable time;

(*5*) Ensure that no account option is preselected; and

(*6*) Ensure that a student who does not make an affirmative selection is paid the full amount of the credit balance within the appropriate time-period specified in paragraph (h)(2) of this section, using a method specified in paragraph (d)(1) of this section.

(B) In describing the options under its selection process, the institution—

(*1*) Must present prominently as the first option, the financial account belonging to the student;

(*2*) Must list and identify the major features and commonly assessed fees associated with each financial account offered under the arrangements described in paragraphs (e) and (f) of this section, as well as a URL for the terms and conditions of each account. For each account, if an institution by July 1, 2017 follows the format, content, and update requirements specified by the Secretary in a notice published in the FEDERAL REGISTER following consultation with the Bureau of Consumer Financial Protection, it will be in compliance with the requirements of this paragraph with respect to the major features and assessed fees associated with the account; and

(*3*) May provide, for the benefit of the student, information about available financial accounts other than those described in paragraphs (e) and (f) of this section that have deposit insurance under 12 CFR part 330, or share insurance in accordance with 12 CFR part 745.

(ii) An institution that does not offer or use any financial accounts offered under paragraph (e) or (f) of this section may make direct payments to a student's or parent's existing financial account, or issue a check or disburse cash to the student or parent without establishing the selection process described in paragraph (d)(4)(i) of this section.

(e) *Tier one arrangement.* (1) In a Tier one (T1) arrangement—

(i) An institution located in a State has a contract with a third-party servicer under which the servicer performs one or more of the functions associated with processing direct payments of title IV, HEA program funds on behalf of the institution; and

(ii) The institution or third-party servicer makes payments to—

(A) One or more financial accounts that are offered to students under the contract;

(B) A financial account where information about the account is communicated directly to students by the third-party servicer, or the institution on behalf of or in conjunction with the third-party servicer; or

(C) A financial account where information about the account is communicated directly to students by an entity contracting with or affiliated with the third-party servicer.

(2) Under a T1 arrangement, the institution must—

(i) Ensure that the student's consent to open the financial account is obtained before an access device, or any representation of an access device, is sent to the student, except that an institution may send the student an access device that is a card provided to the student for institutional purposes, such as a student ID card, so long as the institution or financial institution obtains the student's consent before validating the device to enable the student to access the financial account;

(ii) Ensure that any personally identifiable information about a student that is shared with the third-party servicer before the student makes a selection under paragraph (d)(4)(i) of this section—

(A) Does not include information about the student, other than directory information under 34 CFR 99.3 that is disclosed pursuant to 34 CFR 99.31(a)(11) and 99.37, beyond—

(*1*) A unique student identifier generated by the institution that does not include a Social Security number, in whole or in part;

(*2*) The disbursement amount;

(*3*) A password, PIN code, or other shared secret provided by the institution that is used to identify the student; or

(*4*) Any additional items specified by the Secretary in a notice published in the FEDERAL REGISTER;

(B) Is used solely for activities that support making direct payments to the student and not for any other purpose; and

(C) Is not shared with any other affiliate or entity except for the purpose described in paragraph (e)(2)(ii)(B) of this section;

(iii) Inform the student of the terms and conditions of the financial account, as required under paragraph (d)(4)(i)(B)(*2*) of this section, before the financial account is opened;

(iv) Ensure that the student—

(A) Has convenient access to the funds in the financial account through a surcharge-free national or regional Automated Teller Machine (ATM) network that has ATMs sufficient in number and housed and serviced such that title IV funds are reasonably available to students, including at the times the institution or its third-party servicer makes direct payments into the financial accounts of those students;

(B) Does not incur any cost—

(*1*) For opening the financial account or initially receiving an access device;

(*2*) Assessed by the institution, third-party servicer, or a financial institution associated with the third-party servicer, when the student conducts point-of-sale transactions in a State; and

(*3*) For conducting a balance inquiry or withdrawal of funds at an ATM in a State that belongs to the surcharge-free regional or national network;

(v) Ensure that—

(A) The financial account or access device is not marketed or portrayed as, or converted into, a credit card;

(B) No credit is extended or associated with the financial account, and no fee is charged to the student for any transaction or withdrawal that exceeds the balance in the financial account or on the access device, except that a transaction or withdrawal that exceeds the balance may be permitted only for an inadvertently authorized overdraft, so long as no fee is charged to the student for such inadvertently authorized overdraft; and

(C) The institution, third-party servicer, or third-party servicer's associated financial institution provides a student accountholder convenient access to title IV, HEA program funds in part and in full up to the account balance via domestic withdrawals and transfers without charge, during the student's entire period of enrollment following the date that such title IV, HEA program funds are deposited or transferred to the financial account;

(vi) No later than September 1, 2016, and then no later than 60 days following the most recently completed award year thereafter, disclose conspicuously on the institution's Web site the contract(s) establishing the T1 arrangement between the institution and third-party servicer or financial institution acting on behalf of the third-party servicer, as applicable, except for any portions that, if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology or of physical facilities;

(vii) No later than September 1, 2017, and then no later than 60 days following the most recently completed award year thereafter, disclose conspicuously on the institution's Web site and in a format established by the Secretary—

(A) The total consideration for the most recently completed award year, monetary and non-monetary, paid or received by the parties under the terms of the contract; and

(B) For any year in which the institution's enrolled students open 30 or more financial accounts under the T1 arrangement, the number of students who had financial accounts under the contract at any time during the most recently completed award year, and the mean and median of the actual costs incurred by those account holders;

(viii) Provide to the Secretary an up-to-date URL for the contract and contract data as described in paragraph (e)(2)(vii) of this section for publication in a centralized database accessible to the public;

(ix) Ensure that the terms of the accounts offered pursuant to a T1 arrangement are not inconsistent with the best financial interests of the students opening them. The Secretary considers this requirement to be met if—

(A) The institution documents that it conducts reasonable due diligence reviews at least every two years to ascertain whether the fees imposed under the T1 arrangement are, considered as a whole, consistent with or below prevailing market rates; and

(B) All contracts for the marketing or offering of accounts pursuant to T1 arrangements to the institution's students make provision for termination of the arrangement by the institution based on complaints received from students or a determination by the institution under paragraph (e)(2)(ix)(A) of this section that the fees assessed under the T1 arrangement are not consistent with or are higher than prevailing market rates; and

(x) Take affirmative steps, by way of contractual arrangements with the third-party servicer as necessary, to ensure that requirements of this section are met with respect to all accounts offered pursuant to T1 arrangements.

(3) Except for paragraphs (e)(2)(ii)(B) and (C) of this section, the requirements of paragraph (e)(2) of this section no longer apply to a student who has an account described under paragraph (e)(1) of this section when the student is no longer enrolled at the institution and there are no pending title IV disbursements for that student, except that nothing in this paragraph (e)(3) should be construed to limit the institution's responsibility to comply with paragraph (e)(2)(vii) of this section with respect to students enrolled during the award year for which the institution is reporting. To effectuate this provision, an institution may share information related to students' enrollment status with the servicer or entity that is party to the arrangement.

(f) *Tier two arrangement.* (1) In a Tier two (T2) arrangement, an institution located in a State has a contract with a financial institution, or entity that offers financial accounts through a financial institution, under which financial accounts are offered and marketed directly to students enrolled at the institution.

(2) Under a T2 arrangement, an institution must—

(i) Comply with the requirements described in paragraphs (d)(4)(i), (f)(4)(i) through (iii), (vii), and (ix) through (xi), and (f)(5) of this section if it has at least one student with a title IV credit balance in each of the three most recently completed award years, but has less than the number and percentage of students with credit balances as described in paragraphs (f)(2)(ii)(A) and (B) of this section; and

(ii) Comply with the requirements specified in paragraphs (d)(4)(i), (f)(4), and (f)(5) of this section if, for the three most recently completed award years—

(A) An average of 500 or more of its students had a title IV credit balance; or

(B) An average of five percent or more of the students enrolled at the institution had a title IV credit balance. The institution calculates this percentage as follows:

$$\frac{\text{The average number of students with credit balances for the three most recently completed award years}}{\text{The average number of students enrolled at the institution at any time during the three most recently completed award years.}}$$

(3) The Secretary considers that a financial account is marketed directly if—

(i) The institution communicates information directly to its students about the financial account and how it may be opened;

(ii) The financial account or access device is cobranded with the institution's name, logo, mascot, or other affiliation and is marketed principally to students at the institution; or

(iii) A card or tool that is provided to the student for institutional purposes, such as a student ID card, is validated, enabling the student to use the device to access a financial account.

(4) Under a T2 arrangement, the institution must—

(i) Ensure that the student's consent to open the financial account has been obtained before—

(A) The institution provides, or permits a third-party servicer to provide, any personally identifiable information about the student to the financial institution or its agents, other than directory information under 34 CFR 99.3 that is disclosed pursuant to 34 CFR 99.31(a)(11) and 99.37;

(B) An access device, or any representation of an access device, is sent to the student, except that an institution may send the student an access device that is a card provided to the student for institutional purposes, such as a student ID card, so long as the institution or financial institution obtains the student's consent before validating the device to enable the student to access the financial account;

(ii) Inform the student of the terms and conditions of the financial account as required under paragraph (d)(4)(i)(B)(*2*) of this section, before the financial account is opened;

(iii) No later than September 1, 2016, and then no later than 60 days following the most recently completed award year thereafter—

(A) Disclose conspicuously on the institution's Web site the contract(s) establishing the T2 arrangement between the institution and financial institution in its entirety, except for any portions that, if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology or of physical facilities; and

(B) Provide to the Secretary an up-to-date URL for the contract for publication in a centralized database accessible to the public;

(iv) No later than September 1, 2017, and then no later than 60 days following the most recently completed award year thereafter, disclose conspicuously on the institution's Web site and in a format established by the Secretary—

(A) The total consideration for the most recently completed award year, monetary and non-monetary, paid or received by the parties under the terms of the contract; and

(B) For any year in which the institution's enrolled students open 30 or more financial accounts marketed under the T2 arrangement, the number of students who had financial accounts under the contract at any time during the most recently completed award year, and the mean and median of the actual costs incurred by those account holders;

(v) Ensure that the items under paragraph (f)(4)(iv) of this section are posted at the URL that is sent to the Secretary under paragraph (f)(4)(iii)(B) of this section for publication in a centralized database accessible to the public;

(vi) Ensure that the student accountholder can execute balance inquiries and access funds deposited in the financial accounts through surcharge-free in-network ATMs sufficient in number and housed and serviced such that the funds are reasonably available to the accountholder, including at the times the institution or its third-party servicer makes direct payments into them;

(vii) Ensure that the financial accounts are not marketed or portrayed as, or converted into, credit cards;

(viii) Ensure that the terms of the accounts offered pursuant to a T2 arrangement are not inconsistent with the best financial interests of the students opening them. The Secretary considers this requirement to be met if—

(A) The institution documents that it conducts reasonable due diligence reviews at least every two years to ascertain whether the fees imposed under the T2 arrangement are, considered as a whole, consistent with or below prevailing market rates; and

(B) All contracts for the marketing or offering of accounts pursuant to T2 arrangements to the institution's students make provision for termination of the arrangement by the institution based on complaints received from students or a determination by the institution under paragraph (f)(4)(viii)(A) of this section that the fees assessed under the T2 arrangement are not consistent with or are above prevailing market rates;

(ix) Take affirmative steps, by way of contractual arrangements with the financial institution as necessary, to ensure that requirements of this section are met with respect to all accounts offered pursuant to T2 arrangements; and

(x) Ensure students incur no cost for opening the account or initially receiving or validating an access device.

(xi) If the institution enters into an agreement for the cobranding of a financial account with the institution's name, logo, mascot, or other affiliation but maintains that the account is not marketed principally to its enrolled students and is not otherwise marketed directly within the meaning of paragraph (f)(3) of this section, the institution must retain the cobranding contract and other documentation it believes establishes that the account is not marketed directly to its enrolled students, including documentation that the cobranded financial account or access device is offered generally to the public.

(xii) Institutions falling below the thresholds described in paragraph (f)(2) of this section are encouraged to comply voluntarily with the applicable provisions of paragraphs (f)(4) and (f)(5) of this section.

(5) The requirements of paragraph (f)(4) of this section no longer apply with respect to a student who has an account described under paragraph (f)(1) of this section when the student is no longer enrolled at the institution and there are no pending title IV disbursements, except that nothing in this paragraph should be construed to limit the institution's responsibility to comply with paragraph (f)(4)(iv) of this section with respect to students enrolled during the award year for which the institution is reporting. To effectuate this provision, an institution may share information related to students' enrollment status with the financial institution or entity that is party to the arrangement.

(g) *Ownership of financial accounts opened through outreach to an institution's students.* Any financial account offered or marketed pursuant to an arrangement described in paragraph (e) or (f) of this section must meet the requirements of 31 CFR 210.5(a) or (b)(5), as applicable.

(h) *Title IV, HEA credit balances.* (1) A title IV, HEA credit balance occurs whenever the amount of title IV, HEA program funds credited to a student's ledger account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period as provided under paragraph (c) of this section.

(2) A title IV, HEA credit balance must be paid directly to the student or parent as soon as possible, but no later than—

(i) Fourteen (14) days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(ii) Fourteen (14) days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

(i) *Early disbursements.* (1) Except as provided in paragraph (i)(2) of this section, the earliest an institution may disburse title IV, HEA funds to an eligible student or parent is—

(i) If the student is enrolled in a credit-hour program offered in terms that are substantially equal in length that is not a subscription-based program, 10 days before the first day of classes of a payment period;

(ii) If the student is enrolled in a credit-hour program offered in terms that are not substantially equal in length that is not a subscription-based program, a non-term credit-hour program, or a clock-hour program, the later of—

(A) Ten days before the first day of classes of a payment period; or

(B) The date the student completed the previous payment period for which he or she received title IV, HEA program funds; or

(iii) If the student is enrolled in a subscription-based program, the later of—

(A) Ten days before the first day of classes of a payment period; or

(B) The date the student completed the cumulative number of credit hours associated with the student's enrollment status in all prior terms that the student attended under the definition of a subscription-based program in §668.2.

(2) An institution may not— or

(i) Make an early disbursement of a Direct Loan to a first-year, first-time borrower who is subject to the 30-day delayed disbursement requirements in 34 CFR 685.303(b)(5). This restriction does not apply if the institution is exempt from the 30-day delayed disbursement requirements under 34 CFR 685.303(b)(5)(i)(A) or (B); or

(ii) Compensate a student employed under the FWS program until the student earns that compensation by performing work, as provided in 34 CFR 675.16(a)(5).

(j) *Late disbursements*—(1) *Ineligible student.* For purposes of this paragraph (j), an otherwise eligible student becomes ineligible to receive title IV, HEA program funds on the date that—

(i) For a Direct Loan, the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended; or

(ii) For an award under the Federal Pell Grant, FSEOG, Federal Perkins Loan, Iraq-Afghanistan Service Grant, and TEACH Grant programs, the student is no longer enrolled at the institution for the award year.

(2) *Conditions for a late disbursement.* Except as limited under paragraph (j)(4) of this section, a student who becomes ineligible, as described in paragraph (j)(1) of this section, qualifies for a late disbursement (and the parent qualifies for a parent Direct PLUS Loan disbursement) if, before the date the student became ineligible—

(i) The Secretary processed a SAR or ISIR with an official expected family contribution for the student for the relevant award year; and

(ii)(A) For a loan made under the Direct Loan program or for an award made under the TEACH Grant program, the institution originated the loan or award; or

(B) For an award under the Federal Perkins Loan or FSEOG programs, the institution made that award to the student.

(3) *Making a late disbursement.* Provided that the conditions described in paragraph (j)(2) of this section are satisfied—

(i) If the student withdrew from the institution during a payment period or period of enrollment, the institution must make any post-withdrawal disbursement required under §668.22(a)(4) in accordance with the provisions of §668.22(a)(5);

(ii) If the student completed the payment period or period of enrollment, the institution must provide the student or parent the choice to receive the amount of title IV, HEA program funds that the student or parent was eligible to receive while the student was enrolled at the institution. For a late disbursement in this circumstance, the institution may credit the student's ledger account as provided in paragraph (c) of this section, but must pay or offer any remaining amount to the student or parent; or

(iii) If the student did not withdraw but ceased to be enrolled as at least a half-time student, the institution may make the late disbursement of a loan under the Direct Loan program to pay for educational costs that the institution determines the student incurred for the period in which the student or parent was eligible.

(4) *Limitations.* (i) An institution may not make a late disbursement later

than 180 days after the date the institution determines that the student withdrew, as provided in § 668.22, or for a student who did not withdraw, 180 days after the date the student otherwise became ineligible, pursuant to paragraph (j)(1) of this section.

(ii) An institution may not make a late second or subsequent disbursement of a loan under the Direct Loan program unless the student successfully completed the period of enrollment for which the loan was intended.

(iii) An institution may not make a late disbursement of a Direct Loan if the student was a first-year, first-time borrower as described in 34 CFR 685.303(b)(5) unless the student completed the first 30 days of his or her program of study. This limitation does not apply if the institution is exempt from the 30-day delayed disbursement requirements under 34 CFR 685.303(b)(5)(i)(A) or (B).

(iv) An institution may not make a late disbursement of any title IV, HEA program assistance unless it received a valid SAR or a valid ISIR for the student by the deadline date established by the Secretary in a notice published in the FEDERAL REGISTER.

(k) *Retroactive payments.* If an institution did not make a disbursement to an enrolled student for a payment period the student completed (for example, because of an administrative delay or because the student's ISIR was not available until a subsequent payment period), the institution may pay the student for all prior payment periods in the current award year or loan period for which the student was eligible. For Pell Grant payments under this paragraph (k), the student's enrollment status must be determined according to work already completed, as required by 34 CFR 690.76(b).

(l) *Returning funds.* (1) Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary any title IV, HEA program funds, except FWS program funds, that it attempts to disburse directly to a student or parent that are not received by the student or parent. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement.

(2) If an EFT to a student's or parent's financial account is rejected, or a check to a student or parent is returned, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the EFT was rejected or the check returned. In cases where the institution does not make another attempt, the funds must be returned to the Secretary before the end of this 45-day period.

(3) If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.

(m) *Provisions for books and supplies.* (1) An institution must provide a way for a student who is eligible for title IV, HEA program funds to obtain or purchase, by the seventh day of a payment period, the books and supplies applicable to the payment period if, 10 days before the beginning of the payment period—

(i) The institution could disburse the title IV, HEA program funds for which the student is eligible; and

(ii) Presuming the funds were disbursed, the student would have a credit balance under paragraph (h) of this section.

(2) The amount the institution provides to the student to obtain or purchase books and supplies is the lesser of the presumed credit balance under this paragraph or the amount needed by the student, as determined by the institution.

(3) The institution must have a policy under which the student may opt out of the way the institution provides for the student to obtain or purchase books and supplies under this paragraph (m). A student who opts out under this paragraph is considered to also opt out under paragraph (c)(2)(i)(C) of this section;

(4) If a student uses the method provided by the institution to obtain or purchase books and supplies under this paragraph, the student is considered to have authorized the use of title IV, HEA funds and the institution does not need to obtain a written authorization

under paragraph (c)(1)(ii) of this section and § 668.165(b) for this purpose.

[80 FR 67194, Oct. 30, 2015, as amended at 81 FR 20251, Apr. 7, 2016; 85 FR 54818, Sept. 2, 2020]

§ 668.165 Notices and authorizations.

(a) *Notices.* (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan program funds, the notice must indicate which funds are from subsidized loans, which are from unsubsidized loans, and which are from PLUS loans.

(2) Except in the case of a post-withdrawal disbursement made in accordance with § 668.22(a)(5), if an institution credits a student ledger account with Direct Loan, Federal Perkins Loan, or TEACH Grant program funds, the institution must notify the student or parent of—

(i) The anticipated date and amount of the disbursement;

(ii) The student's or parent's right to cancel all or a portion of that loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement and have the loan proceeds or TEACH Grant proceeds returned to the Secretary; and

(iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.

(3) The institution must provide the notice described in paragraph (a)(2) of this section in writing—

(i) No earlier than 30 days before, and no later than 30 days after, crediting the student's ledger account at the institution, if the institution obtains affirmative confirmation from the student under paragraph (a)(6)(i) of this section; or

(ii) No earlier than 30 days before, and no later than seven days after, crediting the student's ledger account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section.

(4)(i) A student or parent must inform the institution if he or she wishes to cancel all or a portion of a loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.

(ii) The institution must return the loan or TEACH Grant proceeds, cancel the loan or TEACH Grant, or do both, in accordance with program regulations provided that the institution receives a loan or TEACH Grant cancellation request—

(A) By the later of the first day of a payment period or 14 days after the date it notifies the student or parent of his or her right to cancel all or a portion of a loan or TEACH Grant, if the institution obtains affirmative confirmation from the student under paragraph (a)(6)(i) of this section; or

(B) Within 30 days of the date the institution notifies the student or parent of his or her right to cancel all or a portion of a loan, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section.

(iii) If a student or parent requests a loan cancellation after the period set forth in paragraph (a)(4)(ii) of this section, the institution may return the loan or TEACH Grant proceeds, cancel the loan or TEACH Grant, or do both, in accordance with program regulations.

(5) An institution must inform the student or parent in writing regarding the outcome of any cancellation request.

(6) For purposes of this section—

(i) Affirmative confirmation is a process under which an institution obtains written confirmation of the types and amounts of title IV, HEA program loans that a student wants for the period of enrollment before the institution credits the student's account with those loan funds. The process under which the TEACH Grant program is administered is considered to be an affirmative confirmation process; and

(ii) An institution is not required by this section to return any loan or TEACH Grant proceeds that it disbursed directly to a student or parent.

(b) *Student or parent authorizations.* (1) If an institution obtains written authorization from a student or parent, as applicable, the institution may—