
Acceptable means of notification

Your school may not use an in-person or telephonic conversation as the sole means of notification because these are not adequate and verifiable methods of providing notice. However, a school may use in-person and telephone notices in addition to those provided in writing.

Confirmation process

34 CFR 668.165(a)(6)

Proration of loan fees for returned FSA loan funds

If a school returns a Direct Loan disbursement or a portion of a disbursement because a borrower has cancelled a loan, or because the school must satisfy the regulatory requirement, any fees or interest associated with the returned amount are reduced in proportion to the amount returned.

Self-assessment tool for fiscal management procedures

You can evaluate your school's procedures by referring to "Fiscal Management" in the *Managing Funds* module of FSA Assessments at:

<http://ifap.ed.gov/qahome/qaassessments/fiscalmanagement.html>

The timing of a loan or TEACH Grant notification varies depending on whether a school obtains affirmative (active) confirmation from a student that he or she wants a loan. Affirmative confirmation is a process under which a school obtains written confirmation of the types and amounts of FSA program funds that a student wants for an award year before the school credits the student's account with those loan funds. See the *AVG, Chapter 6*, for more information on the confirmation process.

This notification must be sent –

- *if the school obtains affirmative confirmation*, no earlier than 30 days before and no later than 30 days after crediting the student's account.
- *if the school does NOT obtain affirmative confirmation*, no earlier than 30 days before and no later than 7 days after crediting the student's account.

If the student or parent borrower wishes to cancel all or a portion of a loan, he or she must inform the school. A school must return the loan or grant proceeds, cancel the loan or grant, or do both, provided that the school receives the loan cancellation request within the following time frames –

- *if the school obtains affirmative confirmation from the student*, by the later of the first day of a payment period or 14 days after the date the school notifies the student or parent of his or her right to cancel all or a portion of a loan or grant; or
- *if the school does not obtain affirmative confirmation from the student*, within 30 days of the date the school notifies the student or parent of his or her right to cancel all or a portion of a loan.

If a school receives a borrower's request for cancellation outside of the period during which the borrower is required to cancel the loan, grant, or loan or grant disbursement, the school has the option of canceling the loan or directing the borrower to contact the appropriate servicer. The school must inform the student or parent **in writing** of the outcome of the request.

When acting upon a cancellation request, your school must return the funds (if received) and/or cancel the loan or grant as appropriate. A school is not responsible for returning any portion of a loan or grant that was disbursed to a student or parent directly (e.g., as a result of a credit on the student's account) before the request for cancellation was received. However, you are encouraged to take an active role in advising the borrower to return the funds already received.

Direct Loan funds that are returned within 120 days of the disbursement by the school or the borrower, for any reason, are treated as a partial or full cancellation, with the appropriate adjustment of the loan fee and interest. In addition, Direct Loan funds that are returned by a school at any time to comply with a regulatory or statutory requirement are treated as a partial or full cancellation. Direct Loan funds that a borrower returns (or that a school returns at the request of the borrower) 120 days or more after disbursement are processed as a payment, and there is no adjustment of the loan fee or interest. For additional information on returning loan funds, please see *Chapter 4* of this volume.