



Review

April 21, 2015

Mr. Lawrence Schumacher
President
Northwestern College
4829 North Lipps Avenue
Chicago, IL 60630-2298

Certified Mail Return Receipt Requested
7012 1640 0000 0215 9020

RE: **Final Program Review Determination**
OPE ID: 01236200
PRCN: 2011-1-05-27678

Dear President Schumacher:

The U.S. Department of Education's (Department's) Chicago/Denver School Participation Division issued a program review report on March 2, 2015 covering Northwestern College's (Northwestern) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2008-2009 and 2009-10 (year to date) award years. Northwestern's final response was received on April 16, 2015. A copy of the program review report (and related attachments) and Northwestern's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Northwestern upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to close the program review.

Based upon an analysis of the Department's data, the Department determined that Northwestern had a significant number of Student Credit Balance Deficiencies, Early/Late Payment/Credit of Title IV Funds, Verification Errors, Pell Underpayment/Overpayment, and Direct Loan Delayed Delivery Requirement occurrences. A sample of 30 files with this characteristic was identified for review from the 2008-09 and 2009-10 (year to date) award years. The student files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year.

Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals

and may lead to identity theft or other fraudulent use of the information. Appendix A was encrypted and sent separately to the institution via e-mail.

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Northwestern's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Northwestern of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

During the review, Northwestern resolved all of the findings and has taken the corrective actions necessary to resolve all findings of the program review report.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Donna Sobie at (312) 730-1714.

Sincerely,



Douglas A. Parrott
Division Director

Enclosure:

- Protection of Personally Identifiable Information
- Program Review Report (and appendices)
- Final Program Review Determination Report (and appendices)

- cc: Patricia Kilian, Director of Financial Aid
IL Board of Higher Education
North Central Association of Colleges and Schools, the Higher Learning Commission
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

Prepared for:
Northwestern College

OPE ID: 01236200
PRCN: 2011-1-05-27678

U.S. Department of Education
Federal Student Aid
Chicago/Denver School Participation Division

Final Program Review Determination
April 21, 2015

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A. Institutional Information

Northwestern College
4829 North Lipps Avenue
Chicago, IL 60630-2298

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: North Central Association of Colleges and Schools, the Higher Learning Commission

Current Student Enrollment: (Source IPEDS) 430 (2013)

Title IV Participation (Source PCNet):

Award Year 2013-14

William D. Ford Federal Direct Loan (Direct Loan) Program- Unsubsidized	\$6,645,832.00
Direct Loan – Subsidized	\$3,872,290.00
Direct Loan – Subsidized SULA	\$ 899,614.00
Direct Loan – PLUS	\$ 165,605.00
Direct Loan – Grad PLUS	\$ 0.00
Federal Pell Grant	\$4,212,428.00
Federal Supplemental Education Opportunity Grant	\$ 176,700.00
Federal Work Study	\$ 132,042.00

Default Rate FFEL/DL: 2011: 10.0%
(Source: PCNet) 2010: 9.8%
2009: 11.8%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Northwestern College (Northwestern) from December 13, 2010 to December 17, 2010. The review was conducted by Gregory McInnis and Bridget Jans.

The focus of the review was to determine Northwestern's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Northwestern's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2008-09 and 2009-10 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Northwestern's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Northwestern of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Determinations

Findings with Final Determinations

The program review report finding(s) requiring further action are summarized below. At the conclusion of each finding is a summary of Northwestern's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on March 2, 2015 is attached as Appendix B.

Finding 1: Student Credit Balance Deficiencies

Citation: *When the total amount of Title IV funds credited to a student's account exceeds the amount of tuition, fees and other assessed charges to the student, an institution must pay the resulting credit balance to the student or parent as soon as possible, but no later than 14 days after the balance occurred. 34 C.F.R. § 668.164(e). An institution may retain a student's or parent's Title IV funds that exceed the institution's charges if authorized by the student or parent. 34 C.F.R. § 668.165(b)(1)(ii). The institution must permit the student or parent to cancel or modify the authorization at any time and clearly explain how the institution will carry out this activity. 34 C.F.R. § 668.165(b)(2)(i and ii). In obtaining a recipient's authorization to retain Title IV credit balances, an institution may not require or coerce the student or parent to provide that authorization. 34 C.F.R. § 668.165(b)(2)(i). Notwithstanding this authorization, an institution that has retained Title IV credit balances on behalf of students or parents must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.165(b)(5)(iii). When a student withdraws from an institution, the institution may – with the student's authorization – use any credit balance on the student's account to reduce the student's Title IV loan debt.*

Further, Volume 4, Chapter 2 of the 2014-2015 Federal Student Aid (FSA) Handbook¹ states that all elements of a credit balance authorization must be conspicuous. An authorization must include the following elements:

- An authorization must explain what FSA funds are covered by the document, and it must specify the time period covered.
- An authorization must clearly provide the student or parent with the information he or she needs to make an informed decision.
- The student or parent must be informed that he or she may refuse to authorize any individual item, that he or she may cancel such authorization at any time, and that a cancellation is not retroactive.
- A credit-balance authorization must provide detail that is sufficient to give the student or parent an idea of how the credit balance will be used.

Noncompliance: Northwestern's credit balance authorization form did not comprehensibly inform the student or parent that he or she may refuse to authorize any individual item, that he or she may cancel such authorization at any time, and that a cancellation is not retroactive.

Northwestern's Response: Northwestern does concur that there were deficiencies with their credit balance authorization. Northwestern revised their Credit Authorization Form to meet all the requirements of the Department of Education.

Final Determination: The Credit Authorization Form in response to this finding was received with the institution's response. The form appears to be adequate to ensure future compliance. Northwestern acknowledges their responsibility to follow the required steps in obtaining the necessary credit balance authorization forms. Northwestern has taken the corrective actions necessary to resolve this finding. Therefore, Northwestern may consider this finding closed, with no further action required.

The institution is reminded that its fiduciary responsibilities obligate it to the highest standards of care and diligence in administering and accounting for Title IV, FSA funds.

Finding 2: Early/Late Payment/Credit of Title IV Funds

Citation: 34 C.F.R § 668.164(a)(1) states that except as provided in paragraph (a)(2) of this section, an institution makes a disbursement of title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with—

- (i) Funds received from the Secretary;
- (ii) Funds received from a lender under the FFEL Programs; or
- (iii) Institutional funds used in advance of receiving title IV, HEA program funds.

¹ Page 4-49, available at: <http://ifap.ed.gov/fsahandbook/attachments/1415FSAHbkVol4Master.pdf>

(2) If, earlier than 10 days before the first day of classes of a payment period, or for a student subject to the requirements of §682.604(c)(5) or §685.303(b)(4) earlier than 30 days after the first day of the payment period, an institution credits a student's institutional account with institutional funds in advance of receiving title IV, HEA program funds, the Secretary considers that the institution makes that disbursement on the 10th day before the first day of classes, or the 30th day after the beginning of the payment period for a student subject to the requirements of §682.604(c)(5) or §685.303(b)(4).

34 C.F.R § 668.164(b)(1) states that except as provided in paragraph (b)(2) of this section, an institution must disburse Title IV, HEA program funds on a payment period basis. An institution must disburse Title IV, HEA program funds once each payment period.

34 C.F.R § 668.164(e) regarding credit balances states that whenever an institution disburses title IV, HEA program funds by crediting a student's account and the total amount of all title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 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.

Noncompliance: Students #5 and #14 of the sample students from 2008/09 and student #30 from the sample students from 2009/10 all received their Title IV credit balances late. Student #5 was three days late; student # 14 was 14 days late; and student #30 was 8 days late.

Required Action: In response to this program review report, Northwestern must provide documentation that it has established procedures to verify that a student is eligible for a disbursement and the student will receive their balance in a timely manner.

Northwestern's Response: Northwestern does concur that there were late Title IV credit balances issued to 3 students. Northwestern has provided their Title IV Credit Balance Policy. Once funds are posted, the Business Office runs balance reports to review each credit balance to determine if the student signed a credit retention for the current loan period or if the refund should be issued to the student. Northwestern's policy is for credit balances to be cleared within 14 days. The College monitors students frequently upon withdrawal to ensure that credit balances are cleared in a timely manner.

Final Determination: The Title IV Credit Balance Policy in response to this finding was received with the institution's response. The policy appears to be adequate to ensure future compliance. Northwestern acknowledges their responsibility to review each credit balance and clear the credit balances within 14 days. Northwestern has taken the corrective actions necessary to resolve this finding. Therefore, Northwestern may consider this finding closed, with no further action required.

The institution is reminded that its fiduciary responsibilities obligate it to the highest standards of care and diligence in administering and accounting for Title IV, FSA funds.

Finding 3: Verification Errors

Citation: An institution is required to confirm that the amount of adjusted gross income, the amount of taxes paid, and the number reported as a dependent student's household size has been documented when that student's Student Aid Report (SAR) has been selected for verification pursuant to 34 C.F.R. § 668.56(a)(3)(i). The institution is also required to collect acceptable documentation from a student of untaxed income reported on the SAR pursuant to 34 C.F.R. § 668.57(d), if that student was selected for verification.

An institution shall require an applicant selected for verification under § 668.54(a) to submit acceptable documentation described in § 668.57 that will verify or update the following information used to determine the applicant's EFC:

- (1) Adjusted gross income (AGI) for the base year if base year data was used in determining eligibility, or income earned from work, for a non-tax filer.
- (2) U.S. income tax paid for the base year if base year data was used in determining eligibility.
- (3) For an applicant who is a dependent student, the aggregate number of family members in the household or households of the applicant's parents if:
 - (A) The applicant's parent is single, divorced, separated or widowed and the aggregate number of family members is greater than two; or
 - (B) The applicant's parents are married to each other and not separated and the aggregate number of family members is greater than three.

34 C.F.R. § 668.56.

Untaxed income and benefits. An institution shall require an applicant selected for verification to verify untaxed income and benefits by submitting:

- (i) A copy of the U.S. income tax return signed by the filer or one of the filers if a joint return, or the IRS listing of tax account information if collected by the institution to verify adjusted gross income; or
- (ii) If no tax return was filed or is required to be filed, a statement signed by the relevant individuals certifying that no tax return was filed or is required to be filed and providing the sources and amount of untaxed income and benefits.

Social Security benefits if the institution has reason to believe that those benefits were received and were not reported, or that the applicant has incorrectly reported Social Security benefits received by the applicant, the applicant's parents, or any other children of the applicant's parents who are members of the applicant's household, in the case of a dependent student, or by the applicant, the applicant's spouse, or the applicant's children in the case of an independent student. The applicant shall verify Social Security benefits by submitting a document from the Social Security Administration showing the amount of benefits received in the appropriate calendar year for the appropriate individuals listed above or, at the institution's option, a statement signed by both the applicant and the applicant's parent, in the case of a dependent student, or by the applicant, in the case of an independent student, certifying that the amount listed on the applicant's aid application is correct; and

Child support received by submitting:

- (i) A statement signed by the applicant and one of the applicant's parents in the case of a dependent student, or by the applicant in the case of an independent student, certifying the amount of child support received; and

- (ii) If the institution has reason to believe that the information provided is inaccurate, the applicant must verify the amount of child support received by providing a document such as:
- (A) a copy of the separation agreement or divorce decree showing the amount of child support to be provided;
 - (B) A statement from the parent providing the child support showing the amount provided; or
 - (C) Copies of the child support checks or money order receipts.

34 C.F.R. § 668.57(d).

Noncompliance: It was determined that student #25 of the sample files for the 2009/2010 academic year had a verification error. The student's FAFSA improperly included scholarships and grants from a prior year. The parent's FAFSA included tax refunds instead of taxes paid. In addition the parent's income from work included taxable pensions. A recalculation of the Estimated Family Contribution (EFC) was done, which had no change to the final EFC. It was determined that there were no additional verification errors and no liabilities.

Required Action: Northwestern is advised that all students selected for verification must be reviewed and verified prior to disbursement. All acceptable documentation must be maintained in verified files.

Northwestern's Response: Northwestern has provided their Verification Policy. This policy will ensure that there is no conflicting information in any student's record. The procedure states that when a student is selected for verification or the student supplies conflicting information the Financial Aid Department verifies all the information submitted and makes any required corrections.

Northwestern is committed to maintaining consistent policies and procedures. The Financial Aid Department will monitor the verification process to ensure that all the supporting documentation is collected and reviewed. The College has already scheduled a training event for the Financial Aid staff. The College will implement mock verification audits to ensure that policies and procedures are maintained.

Final Determination: The Verification Policy in response to this finding was received with the institution's response. The written policy and procedures appear to be adequate to ensure future compliance. Northwestern acknowledges their responsibility to follow the required steps for all students selected for verification by the Department. Therefore, Northwestern may consider this finding closed, with no further action required.

The institution is reminded that its fiduciary responsibilities obligate it to the highest standards of care and diligence in administering and accounting for Title IV, FSA funds.

Finding 4: Pell Underpayment/Overpayment

Citation: The amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. Institutions must disburse Title IV funds, except for Federal Work Study funds, on a payment period basis.

[34 C.F.R. § 690.62(a)]

[34 C.F.R. § 668.164(b)]

Noncompliance: Student #5 of the sample files for the 2008/2009 academic year, had an underpayment of \$393 for the Pell award. The student's award was calculated on half-time status instead of three quarters status. Student #13 had a Pell overpayment of \$395. The student's award was calculated on three quarters status rather than half-time status. Northwestern corrected their errors on site.

Required Action: Northwestern must immediately establish written policies and procedures to ensure that it awards the proper amount of Federal Pell Grant to its students in every payment period in which the students are eligible to receive those funds. Northwestern must provide a copy of these procedures in response to this report.

Northwestern's Response: Northwestern concurs with the Pell Overpayment and Underpayment finding from the Department of Education. Northwestern has provided their policy for Pell payment. Their current procedure is to review student's enrollment status as one of the eligibility checks for Pell awarding. After Northwestern's add/drop period, the college runs a credit change report to identify students who had a schedule change that resulted in a Pell eligibility change. Students identified will have their account reviewed and adjusted accordingly.

Final Determination: The Pell Payment Policy in response to this finding was received with the institution's response. The written policy and procedure appear to be adequate to ensure future compliance. Northwestern acknowledges their responsibility to follow the required steps to confirm that it awards the proper amount of Federal Pell Grant to its students in every payment period in which the students are eligible to receive those funds. Northwestern has taken the corrective actions necessary to resolve this finding. Therefore, Northwestern may consider this finding closed, with no further action required.

The institution is reminded that its fiduciary responsibilities obligate it to the highest standards of care and diligence in administering and accounting for Title IV, FSA funds.

Finding 5: Direct Loan Delayed Delivery Requirement

Citation: 34 C.F.R § 668.164(g)(4)(iii) states an institution may not make a late disbursement of a loan under the FFEL or Direct Loan programs if the student was a first-year, first-time borrower 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 §682.604(c)(5)(i), (ii), or (iii) or §685.303(b)(4)(i)(A), (B), or (C).

Noncompliance: Student #5 of the sample files for the 2008/2009 academic year did not have a delayed disbursement by 30 days, and this student was a first-year, first time borrower.

Required Action: Northwestern must immediately establish written policies and procedures to ensure that they are in compliance with the direct loan delayed delivery requirement. Northwestern must provide a copy of these procedures in response to this report.

Northwestern's Response: Northwestern concurs with the Direct Loan Delayed Delivery requirement finding from the Department of Education. Northwestern has provided their policy regarding delayed delivery of funds. Their procedure is to check NSLDS for every student and to delay funds for 30 days after the start for 1st time borrowers.

Final Determination: The Delayed Delivery Policy in response to this finding was received with the institution's response. The policy appears to be adequate to ensure future compliance. Northwestern acknowledges their responsibility to follow the required steps to delay the delivery

of funds for first-year, first-time borrower unless the student completed the first 30 days of his or her program of study. Northwestern has taken the corrective actions necessary to resolve this finding. Therefore, Northwestern may consider this finding closed, with no further action required.

The institution is reminded that its fiduciary responsibilities obligate it to the highest standards of care and diligence in administering and accounting for Title IV, FSA funds.

Prepared for

Northwestern College

PROUD SPONSOR of
the AMERICAN MIND

OPE ID 01236200
PRCN 2011-1-05-27678

U.S. Department of Education
Federal Student Aid
School Participation Division-<SPD Name>

Program Review Report

March 2, 2015

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A. Institutional Information

Northwestern College
4829 North Lipps Avenue
Chicago, IL 60630-2298

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: North Central Association of Colleges and Schools, the Higher Learning Commission

Current Student Enrollment: (Source IPEDS) 430 (2013)

% of Students Receiving Title IV: (Source IPEDS) 100% (2013)

Title IV Participation (Source PCNet):

Award Year 2013-14

William D. Ford Federal Direct Loan (Direct Loan) Program- Unsubsidized	\$6,645,832.00
Direct Loan – Subsidized	\$3,872,290.00
Direct Loan – Subsidized SULA	\$ 899,614.00
Direct Loan – PLUS	\$ 165,605.00
Direct Loan – Grad PLUS	\$ 0.00
Federal Pell Grant	\$4,212,428.00
Federal Supplemental Education Opportunity Grant	\$ 176,700.00
Federal Work Study	\$ 132,042.00

Default Rate FFEL/DL: 2011: 10.0%
(Source: PCNet) 2010: 9.8%
 2009: 11.8%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Northwestern College (Northwestern) from December 13, 2010 to December 17, 2010. The review was conducted by Gregory McInnis and Bridget Jans.

The focus of the review was to determine Northwestern's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Northwestern's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2008-09 and 2009-10 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Northwestern's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Northwestern of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Northwestern to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Student Credit Balance Deficiencies

Citation: When the total amount of Title IV funds credited to a student's account exceeds the amount of tuition, fees and other assessed charges to the student, an institution must pay the resulting credit balance to the student or parent as soon as possible, but no later than 14 days after the balance occurred. *34 C.F.R. § 668.164(e)*. An institution may retain a student's or parent's Title IV funds that exceed the institution's charges if authorized by the student or parent. *34 C.F.R. § 668.165(b)(1)(ii)*. The institution must permit the student or parent to cancel or

modify the authorization at any time and clearly explain how the institution will carry out this activity. 34 C.F.R. § 668.165(b)(2)(i and ii). In obtaining a recipient's authorization to retain Title IV credit balances, an institution may not require or coerce the student or parent to provide that authorization. 34 C.F.R. § 668.165(b)(2)(i). Notwithstanding this authorization, an institution that has retained Title IV credit balances on behalf of students or parents must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.165(b)(5)(iii). When a student withdraws from an institution, the institution may – with the student's authorization – use any credit balance on the student's account to reduce the student's Title IV loan debt.

Further, Volume 4, Chapter 2 of the 2014-2015 Federal Student Aid (FSA) Handbook¹ states that all elements of a credit balance authorization must be conspicuous. An authorization must include the following elements:

- An authorization must explain what FSA funds are covered by the document, and it must specify the time period covered.
- An authorization must clearly provide the student or parent with the information he or she needs to make an informed decision.
- The student or parent must be informed that he or she may refuse to authorize any individual item, that he or she may cancel such authorization at any time, and that a cancellation is not retroactive.
- A credit-balance authorization must provide detail that is sufficient to give the student or parent an idea of how the credit balance will be used.

Noncompliance: Northwestern's credit balance authorization form did not comprehensibly inform the student or parent that he or she may refuse to authorize any individual item, that he or she may cancel such authorization at any time, and that a cancellation is not retroactive.

Required Action: Northwestern must provide a current credit balance authorization form to include all required information cited above. A copy of Northwestern's revised credit balance authorization form must be submitted to the Department with its response to this report.

Finding 2: Early/Late Payment/Credit of Title IV Funds

Citation: : 34 C.F.R § 668.164(a)(1) states that except as provided in paragraph (a)(2) of this section, an institution makes a disbursement of title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with—

¹ Page 4-49, available at: <http://ifap.ed.gov/fsahandbook/attachments/1415FSAHbkVol4Master.pdf>

- (i) Funds received from the Secretary;
- (ii) Funds received from a lender under the FFEL Programs; or
- (iii) Institutional funds used in advance of receiving title IV, HEA program funds.

(2) If, earlier than 10 days before the first day of classes of a payment period, or for a student subject to the requirements of §682.604(c)(5) or §685.303(b)(4) earlier than 30 days after the first day of the payment period, an institution credits a student's institutional account with institutional funds in advance of receiving title IV, HEA program funds, the Secretary considers that the institution makes that disbursement on the 10th day before the first day of classes, or the 30th day after the beginning of the payment period for a student subject to the requirements of §682.604(c)(5) or §685.303(b)(4).

34 C.F.R § 668.164(b)(1) states that except as provided in paragraph (b)(2) of this section, an institution must disburse Title IV, HEA program funds on a payment period basis. An institution must disburse Title IV, HEA program funds once each payment period.

34 C.F.R § 668.164(e) regarding credit balances states that whenever an institution disburses title IV, HEA program funds by crediting a student's account and the total amount of all title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 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.

Noncompliance: Students #5 and #14 of the sample students from 2008/09 and student #30 from the sample students from 2009/10 all received their Title IV credit balances late. Student #5 was three days late; student # 14 was 14 days late; and student #30 was 8 days late.

Required Action: In response to this program review report, Northwestern must provide documentation that it has established procedures to verify that a student is eligible for a disbursement and the student will receive their balance in a timely manner.

Finding #3 - Verification Errors

Citation: An institution is required to confirm that the amount of adjusted gross income, the amount of taxes paid, and the number reported as a dependent student's household size has been documented when that student's Student Aid Report (SAR) has been selected for verification pursuant to 34 C.F.R. § 668.56(a)(3)(i). The institution is also required to collect acceptable

- (i) Funds received from the Secretary;
- (ii) Funds received from a lender under the FFEL Programs; or
- (iii) Institutional funds used in advance of receiving title IV, HEA program funds.

(2) If, earlier than 10 days before the first day of classes of a payment period, or for a student subject to the requirements of §682.604(c)(5) or §685.303(b)(4) earlier than 30 days after the first day of the payment period, an institution credits a student's institutional account with institutional funds in advance of receiving title IV, HEA program funds, the Secretary considers that the institution makes that disbursement on the 10th day before the first day of classes, or the 30th day after the beginning of the payment period for a student subject to the requirements of §682.604(c)(5) or §685.303(b)(4).

34 C.F.R § 668.164(b)(1) states that except as provided in paragraph (b)(2) of this section, an institution must disburse Title IV, HEA program funds on a payment period basis. An institution must disburse Title IV, HEA program funds once each payment period.

34 C.F.R § 668.164(e) regarding credit balances states that whenever an institution disburses title IV, HEA program funds by crediting a student's account and the total amount of all title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 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.

Noncompliance: Students #5 and #14 of the sample students from 2008/09 and student #30 from the sample students from 2009/10 all received their Title IV credit balances late. Student #5 was three days late; student # 14 was 14 days late; and student #30 was 8 days late.

Required Action: In response to this program review report, Northwestern must provide documentation that it has established procedures to verify that a student is eligible for a disbursement and the student will receive their balance in a timely manner.

Finding #3 - Verification Errors

Citation: An institution is required to confirm that the amount of adjusted gross income, the amount of taxes paid, and the number reported as a dependent student's household size has been documented when that student's Student Aid Report (SAR) has been selected for verification pursuant to 34 C.F.R. § 668.56(a)(3)(i). The institution is also required to collect acceptable

documentation from a student of untaxed income reported on the SAR pursuant to 34 C.F.R. § 668.57(d), if that student was selected for verification.

An institution shall require an applicant selected for verification under § 668.54(a) to submit acceptable documentation described in § 668.57 that will verify or update the following information used to determine the applicant's EFC:

- (1) Adjusted gross income (AGI) for the base year if base year data was used in determining eligibility, or income earned from work, for a non-tax filer.
- (2) U.S. income tax paid for the base year if base year data was used in determining eligibility.
- (3) For an applicant who is a dependent student, the aggregate number of family members in the household or households of the applicant's parents if:
 - (A) The applicant's parent is single, divorced, separated or widowed and the aggregate number of family members is greater than two; or
 - (B) The applicant's parents are married to each other and not separated and the aggregate number of family members is greater than three.

34 C.F.R. § 668.56.

Untaxed income and benefits. An institution shall require an applicant selected for verification to verify untaxed income and benefits by submitting:

- (i) A copy of the U.S. income tax return signed by the filer or one of the filers if a joint return, or the IRS listing of tax account information if collected by the institution to verify adjusted gross income; or
- (ii) If no tax return was filed or is required to be filed, a statement signed by the relevant individuals certifying that no tax return was filed or is required to be filed and providing the sources and amount of untaxed income and benefits.

Social Security benefits if the institution has reason to believe that those benefits were received and were not reported, or that the applicant has incorrectly reported Social Security benefits received by the applicant, the applicant's parents, or any other children of the applicant's parents who are members of the applicant's household, in the case of a dependent student, or by the applicant, the applicant's spouse, or the applicant's children in the case of an independent student. The applicant shall verify Social Security benefits by submitting a document from the Social Security Administration showing the amount of benefits received in the appropriate calendar year for the appropriate individuals listed above or, at the institution's option, a statement signed by both the applicant and the applicant's parent, in the case of a dependent student, or by the applicant, in the case of an independent student, certifying that the amount listed on the applicant's aid application is correct; and

Child support received by submitting:

- (i) A statement signed by the applicant and one of the applicant's parents in the case of a dependent student, or by the applicant in the case of an independent student, certifying the amount of child support received; and
- (ii) If the institution has reason to believe that the information provided is inaccurate, the applicant must verify the amount of child support received by providing a document such as:
 - (A) a copy of the separation agreement or divorce decree showing the amount of child support to be provided;
 - (B) A statement from the parent providing the child support showing the amount provided; or
 - (C) Copies of the child support checks or money order receipts.

34 C.F.R. § 668.57(d).

Noncompliance: It was determined that student #25 of the sample files for the 2009/2010 academic year had a verification error. The student's FAFSA improperly included scholarships and grants from a prior year. The parent's FAFSA included tax refunds instead of taxes paid. In addition the parent's income from work included taxable pensions. A recalculation of the Estimated Family Contribution (EFC) was done, which had no change to the final EFC. It was determined that there were no additional verification errors and no liabilities.

Required Action: Northwestern is advised that all students selected for verification must be reviewed and verified prior to disbursement. All acceptable documentation must be maintained in verified files.

Finding 4– Pell Underpayment/Overpayment

Citation: The amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. Institutions must disburse Title IV funds, except for Federal Work Study funds, on a payment period basis.

[34 C.F.R. § 690.62(a)]
[34 C.F.R. § 668.164(b)]

Noncompliance: Student #5 of the sample files for the 2008/2009 academic year, had an underpayment of \$393 for the Pell award. The student's award was calculated on half-time status instead of three quarters status. Student #13 had a Pell overpayment of \$395. The student's award was calculated on three quarters status rather than half-time status. Northwestern corrected their errors on site.

Required Action: Northwestern must immediately establish written policies and procedures to ensure that it awards the proper amount of Federal Pell Grant to its students in every payment period in which the students are eligible to receive those funds. Northwestern must provide a copy of these procedures in response to this report.

Finding 5– Direct Loan Delayed Delivery Requirement

Citation: 34 C.F.R § 668.164(g)(4)(iii) states an institution may not make a late disbursement of a loan under the FFEL or Direct Loan programs if the student was a first-year, first-time borrower 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 §682.604(c)(5)(i), (ii), or (iii) or §685.303(b)(4)(i)(A), (B), or (C).

Noncompliance: Student #5 of the sample files for the 2008/2009 academic year did not have a delayed disbursement by 30 days, and this student was a first-year, first time borrower.

Required Action: Northwestern must immediately establish written policies and procedures to ensure that they are in compliance with the direct loan delayed delivery requirement. Northwestern must provide a copy of these procedures in response to this report.