Dear School Owners and Financial Aid Personnel,

The Department recently published a listing showing 250 schools in HCM1 and HCM2. With the new set of regulations effective 7/1/2016, schools on HCM1 or HCM2 would have to first disburse living expenses to students in a way of actual cash from their own funds before a cash request to G5 can be made. This new procedure does represent another impact to your flow of cash resources and it may affect your 90/10 ratio calculations. Not to mention the fact that you will have to not only provide training and books and supplies to new students but also provide cash for their own personal expenses. This is in the Federal Register printed on October 30, 2015 as a final rule.

Meaning of HCM1- After a school makes disbursements to eligible students from institutional funds and submits disbursement records to the Common Origination and Disbursement (COD) System, it draws down FSA funds to cover those disbursements in the same way as a school on the Advance Payment Method. However, the new rule has an additional impact as stated above.

Meaning of HCM2- A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted to the Department for those funds. However, the new rule has an additional impact as stated above.

You definitely do not want to be on this list!

Federal register Vol 80 No 210 dated 10/30/2015 pages 67132-67133

For the list of schools, please copy and paste this link in your browser:

<https://www.documentcloud.org/documents/1701324-heightened-cash-monitoring>